

**SEMIANNUAL REPORT ON THE ACTIVITY
OF THE
COMMITTEE ON SMALL BUSINESS
SECOND SESSION OF THE 112TH CONGRESS**

CONTENTS

Committee Jurisdiction.....	3
Rules of the Committee.....	3
Membership and Organization.....	19
Legislative Activities.....	22
Oversight Summary.....	31
Part A -- Full Committee Hearings.....	31
Part B -- Subcommittee Hearings.....	53
Part C -- Waste, Fraud, Abuse, and Mismanagement.....	86
Oversight Plan.....	89
Part A -- Committee Oversight Plan.....	89
Part B -- Implementation of Oversight Plan.....	96
Regulatory Review.....	110

REPORT

Clause 1(d) of rule XI of the Rules of the House of Representatives for the 112th Congress requires that each standing Committee, not later than the 30th day after June 1, submit to the House a semiannual 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 112th 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 112th 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 112TH CONGRESS

1. GENERAL PROVISIONS

The Rules of the House of Representatives, in total (but especially with 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 or hearing 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 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.

5. 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 75 copies of the testimony by the commencement of the hearing. The Chair may waive the requirement of the witness providing 75 copies in which case the Committee or Subcommittee shall provide the 75 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.

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 hearing 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.

6. 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.

7. 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.

8. 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. Such period 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.

9. 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.

10. 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 seven (7) Republican Members and five (5) 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 Healthcare and Technology

This Subcommittee (which will consist of eight (8) Republican Members and five (5) 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 healthcare 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 seven (7) Republican Members and five (5) 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 seven (7) Republican Members and five (5) 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 seven (7) Republican Members and five (5) 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.

11. 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 determine.

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, included 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 112th 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 TWELFTH CONGRESS***

Revised

Full Committee

Rep. Sam Graves (MO-6), Chairman	Rep. Nydia M. Velázquez (NY-12), Ranking Member
Rep. Roscoe G. Bartlett (MD-6)	Rep. Kurt Schrader (OR-5)
Rep. Steve Chabot (OH-1)	Rep. Mark S. Critz (PA-12)
Rep. Steve King (IA-5)	Rep. Yvette D. Clarke (NY-11)
Rep. Mike Coffman (CO-6)	Rep. Judy Chu (CA-32)
Rep. Mick Mulvaney (SC-5)	Rep. David N. Cicilline (RI-1)
Rep. Scott R. Tipton (CO-3)	Rep. Cedric Richmond (LA-2)
Rep. Jeffrey M. Landry (LA-3)	Rep. Janice Hahn (CA-36)
Rep. Jaime Herrera Buetler (WA-3)	Rep. Gary C. Peters (MI-9)
Rep. Allen B. West (FL-22)	Rep. William L. Owens (NY-23)
Rep. Renee Ellmers (NC-2)	Rep. William R. Keating (MA-10)
Rep. Joe Walsh (IL-8)	
Rep. Lou Barletta (PA-11)	
Rep. Richard Hanna (NY-24)	
Rep. Bobby Schilling (IL-17)	

Subcommittee on Agriculture, Energy and Trade

Rep. Scott R. Tipton (CO-3), Chairman	Rep. Mark S. Critz (PA-12), Ranking Member
Rep. Roscoe G. Bartlett (MD-6)	Rep. David Cicilline (RI-1)
Rep. Steve King (IA-5)	Rep. William R. Keating (MA-10)
Rep. Jeffrey M. Landry (LA-3)	Rep. Judy Chu (CA-32)
Rep. Renee L. Ellmers (NC-2)	VACANT
Rep. Lou Barletta (PA-11)	
Rep. Bobby Schilling (IL-17)	

Subcommittee on Healthcare and Technology

Rep. Renee L. Ellmers (NC-2), Chairman	Rep. Cedric Richmond (LA-2), Ranking Member
Rep. Steve King (IA-5)	Rep. Gary C. Peters (MI-9)
Rep. Mick Mulvaney (SC-5)	VACANT
Rep. Scott R. Tipton (CO-3)	VACANT
Rep. Jaime Herrera Buetler (WA-3)	VACANT
Rep. Joe Walsh (IL-8)	
Rep. Richard Hanna (NY-24)	
Rep. Bobby Schilling (IL-17)	

Subcommittee on Economic Growth, Tax and Capital Access

Rep. Joe Walsh (IL-8), Chairman	Rep. Kurt Schrader (OR-5), Ranking Member
Rep. Steve Chabot (OH-1)	Rep. Yvette D. Clarke (NY-11)
Rep. Steve King (IA-5)	Rep. David Cicilline (RI-1)
Rep. Mike Coffman (CO-6)	Rep. Judy Chu (CA-32)
Rep. Mick Mulvaney (SC-5)	Rep. Gary C. Peters (MI-9)
Rep. Richard Hanna (NY-24)	
Rep. Bobby Schilling (IL-17)	

Subcommittee on Investigations, Oversight and Regulations

Rep. Mike Coffman (CO-6), Chairman	Ranking Member, Vacant
Rep. Scott Tipton (CO-3)	Rep. Kurt Schrader (OR-5)
Rep. Jeffrey M. Landry (LA-3)	Rep. Janice Hahn (CA-36)
Rep. Jaime Herrera Beutler (WA-3)	VACANT
Rep. Allen B. West (FL-22)	VACANT
Rep. Joe Walsh (IL-8)	
Rep. Richard Hanna (NY-24)	

Subcommittee on Contracting and Workforce

Rep. Mick Mulvaney (SC-5), Chairman	Rep. Judy Chu (CA-32), Ranking Member
Rep. Steve King (IA-5)	Rep. Kurt Schrader (OR-5)
Rep. Mike Coffman (CO-6)	Rep. Mark S. Critz (PA-12)
Rep. Jeffrey M. Landry (LA-3)	Rep. Yvette D. Clarke (NY-11)
Rep. Allen B. West (FL-22)	Rep. Cedric Richmond (LA-2)
Rep. Renee L. Ellmers (NC-2)	
Rep. Lou Barletta (PA-11)	

LEGISLATIVE ACTIVITIES

Clause 1(d) of rule XI of the Rules of the House of Representatives requires that not later than the 30th day after June 1, a Committee shall submit to the House a semiannual report on the activities of that Committee, including a separate section summarizing the legislative activities of that Committee.

AN ACT TO PROVIDE FOR AN ADDITIONAL TEMPORARY EXTENSION OF PROGRAMS UNDER THE SMALL BUSINESS ACT AND THE SMALL BUSINESS INVESTMENT ACT OF 1958 THROUGH MAY 31, 2011, AND FOR OTHER PURPOSES

(H.R. 366)

Summary

H.R. 366 extended the programs authorized under the Small Business Act and the Small Business Investment Act of 1958 through May 31, 2011.

Legislative History

Chairman Sam Graves introduced H.R. 366 on January 20, 2011. The bill was referred to the Committee on Small Business.

On January 25, 2011, the House considered H.R. 336 under suspension of the rules. At the conclusion of debate, the measure passed by voice vote. On the same day, H.R. 366 was received in the Senate. On January 26, 2011, the Senate passed H.R. 366 by unanimous consent. On January 31, 2011, the President signed the bill, and it became Public Law 112-1.

AN ACT TO PROVIDE FOR AN ADDITIONAL TEMPORARY EXTENSION OF PROGRAMS UNDER THE SMALL BUSINESS ACT AND THE SMALL BUSINESS INVESTMENT ACT OF 1958 THROUGH MAY 31, 2012, AND FOR OTHER PURPOSES

(S. 990)

Summary

S. 990 extended the programs authorized under the Small Business Act and the Small Business Investment Act of 1958 through May 31, 2012.

Legislative History

Senator Mary Landrieu introduced S. 990 on May 12, 2011, and the bill was placed on Senate Legislative Calendar and read the first time. On May 16, 2011, the legislation was read

the second time and placed on Senate Legislative Calendar under General Orders, Calendar No. 51. On May 19, 2011, Senator Durbin offered an amendment in the nature of a substitute for Senator Landrieu. This amendment extended the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs through May 31, 2012. Additionally, it extended all other programs under the Small Business Act and the Small Business Investment Act of 1958 that necessitated an extension until June 30, 2011. The Senate passed S. 990 via unanimous consent on May 19, 2011.

On May 24, 2011, Chairman Graves moved to suspend the rules and pass S. 990, as amended. Chairman Graves amended the legislation to provide for an additional temporary extension of the programs under the Small Business Act and the Small Business Investment Act of 1958 through September 30, 2011. The House passed S. 990, as amended, on May 24, 2011, via voice vote.

On the same day, Senator Reid offered a perfecting amendment to S. 990 in the Senate. The perfecting amendment stripped all of the text of S. 990 and inserted certain extensions relating to the Patriot Act. The Senate passed S.990 by a recorded vote of 72-23, on May 26, 2011. The House also passed S. 990 on May 26, 2011 by a recorded vote of 250-153. On May 26, 2011, the President signed the legislation and it became Public Law 112-14.

AN ACT TO PROVIDE FOR AN ADDITIONAL TEMPORARY EXTENSION OF
PROGRAMS UNDER THE SMALL BUSINESS ACT AND THE SMALL BUSINESS
INVESTMENT ACT OF 1958 THROUGH MAY 31, 2012, AND FOR OTHER PURPOSES

(S. 1082)

Summary

S. 1082 extends the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs through September 30, 2011. Additionally, it extends all other programs under the Small Business Act and the Small Business Investment Act of 1958 that necessitated an extension until July 31, 2011.

Legislative History

Senator Landrieu introduced and the Senate passed S. 1082 via unanimous consent on May 26, 2011. The House passed the legislation, under suspension of the rules, by a recorded vote of 387-33, on May 31, 2011. On June 1, 2011, the President signed the legislation, and it became Public Law 112-17.

THE CREATING JOBS THROUGH SMALL BUSINESS INNOVATION ACT OF 2011

(H.R. 1425)

Summary

H.R. 1425, the “Creating Jobs Through Small Business Innovation Act of 2011,” modernizes and reauthorizes the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs through September 30, 2014. The legislative goal of the bill is to strengthen these programs, ensure efficient use of taxpayer dollars, utilize the best science offered by small firms, use existing federal funds to help small firms commercialize technology, and create jobs.

The bill, among other things, would encourage greater commercialization success, a primary objective of the programs, by instituting commercialization initiatives at federal agencies that administer SBIR programs. The legislation also increases Phase I and Phase II award sizes for both programs, shortens the time frame between application and notice of award, and reduces the time between award and dispersal of funds. H.R. 1425 also allows for greater participation of small companies regardless of their financial structure. It codifies in statute the programmatic flexibility that federal agencies need in order to administer SBIR awards in a manner that is most consistent with the agency’s specific mission. The bill reduces the programs’ risk of waste, fraud, and abuse by requiring the Small Business Administration to develop preventive measures and requiring the Inspector General of each participating agency to establish fraud detection measures and share best practices. The bill permits agencies to use three percent of their SBIR and STTR budget for administrative, oversight, and contract processing costs. Finally, the bill continues the current 2.5 percent set aside of existing federal extramural research dollars for the SBIR and STTR programs.

Legislative History

Representative Renee Ellmers introduced H.R. 1425 on April 7, 2011. Original cosponsors include Representative Sam Graves, Chairman of the Committee on Small Business; Representative Ralph Hall, Chairman of the House Committee on Science, Space and Technology; Representative Eddie Bernice Johnson, Ranking Member of the Committee on Science, Space and Technology; Representative Ben Quayle, Chairman of the Subcommittee on Technology and Innovation of the Committee on Science, Space and Technology; Representative David Wu, Ranking Member of the Subcommittee on Technology and Innovation of the Committee on Space, Science and Technology; Representative Cedric Richmond, Ranking Member of the Subcommittee on Healthcare and Technology of the Committee on Small Business; and Representative Jason Altmire.

The Subcommittee on Healthcare and Technology held a hearing on H.R. 1425 on April 7, 2011, and heard various small businesses' views on the legislation.

The Committee on Small Business met in open session on May 11, 2011 and ordered H.R. 1425, as amended, reported favorably to the House by a voice vote.

THE REGULATORY FLEXIBILITY IMPROVEMENTS ACT OF 2011

(H.R. 527)

Summary

H.R. 527 amends the Regulatory Flexibility Act (RFA) of 1980, as amended by the Small Business Regulatory Enforcement Fairness Act, a law that requires federal agencies to consider the economic impact of the rules they propose on small entities. This legislation 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 Lamar Smith, Chairman of the Committee on the Judiciary, introduced H.R. 527, on February 8, 2011. Original cosponsors include Representative Sam Graves, Chairman of the Committee on Small Business, and Representative Howard Coble, Chairman of the Subcommittee on Courts, Commercial and Administrative Law of the Committee on the Judiciary. The bill was referred to the Committee on Judiciary and the Committee on Small Business, for a period to be determined by the Speaker.

On March 30, 2011, the Committee on Small Business held a hearing entitled "Reducing Federal Agency Overreach: Modernizing the Regulatory Flexibility Act" to provide an overview of the RFA to Committee members. Subsequently, the Committee held a hearing on H.R. 527 and H.R. 585, to discuss the merits of those bills on June 15, 2011.

The Committee on Small Business met in open session on July 13, 2011 and ordered H.R. 527, as amended, reported favorably to the House by a voice vote. The House passed the bill by a recorded vote of 263-159 on December 1, 2011.

THE SMALL BUSINESS SIZE STANDARD FLEXIBILITY ACT OF 2011

(H.R. 585)

Summary

H.R. 585 amends the Small Business Act to authorize the Chief Counsel for Advocacy of the Small Business Administration to determine size standards for purposes of statutes other than the Small Business Act and Small Business Investment Act of 1958. This ensures that decisions made by the Chief Counsel under the RFA are consistent with an agency's determination of any exemptions or other special treatment of small business.

Legislative History

Representative Sam Graves, Chairman of the Committee on Small Business introduced H.R. 585, on February 9, 2011. Representative Lamar Smith, Chairman of the Committee on the Judiciary is an original cosponsor. The bill was referred to the Committee on Small Business.

On June 15, 2011, the Committee on Small Business held a hearing on H.R. 585.

On July 13, 2011, the Committee on Small Business met in open session on July 13, 2011 and ordered H.R. 585 favorably reported to the House by a recorded vote of 13-8.

THE GOVERNMENT EFFICIENCY THROUGH SMALL BUSINESS CONTRACTING ACT OF 2012

(H.R. 3850)

Summary

H.R. 3850 amends the Small Business Act by: increasing the goals for prime and subcontracts to be awarded to small business concerns; improving the reports of agency compliance with the goals; and imposing penalties on senior executives for failing to meet those goals. The changes are designed to ensure that the goal of the Small Business Act – to ensure that small businesses are awarded a fair share of federal procurement opportunities – is met.

Legislative History

The issues in H.R. 3850 were addressed in the following hearings: full Committee hearing entitled “Beyond the Size Standards: The Sustainability of Small Businesses Graduates” on September 14, 2011; a Subcommittee on Contracting and Workforce hearing entitled “Examining the Barriers for Small Business Contractors at the DoD on November 8, 2011; and a

Subcommittee on Contracting and Workforce hearing entitled “Construction Contracting: Barriers to Small Business Participation on February 9, 2012.

On March 7, 2012, the Committee on Small Business met in open session and ordered H.R. 3850, as amended, be favorably reported to the House by voice vote.

THE SMALL BUSINESS ADVOCATE ACT OF 2012

(H.R. 3851)

Summary

Each federal agency is required to have an official that reports to the head or deputy head of an agency to run an Office of Small and Disadvantaged Business Utilization. H.R. 3851 would strengthen and clarify the responsibilities of the officials designated to run these offices with the expectation that they would improve the ability of small business concerns to obtain federal government contracts.

Legislative History

The Subcommittee on Contracting and Workforce held two hearings to address the issues surrounding the Offices of Small and Disadvantaged Business Utilization. The first was held on June 23, 2011 and entitled “Insourcing Gone Awry: Outsourcing Small Business Jobs” and the second was entitled “Helping Small Businesses Compete: Challenges within Programs Designed to Assist Small Contractors which took place on September 15, 2011.

On March 7, 2012, the Committee on Small Business met in open session and ordered H.R. 3851, as amended, be favorably reported to the House by a recorded vote of 11-7.

THE SUBCONTRACTING TRANSPARENCY AND RELIABILITY ACT OF 2012

(H.R. 3893)

Summary

H.R. 3893 imposes additional limitations on the ability of small businesses that obtain contracts through preferences established in the Small Business Act to subcontract the performance of that work to large businesses. The bill also imposes additional penalties for this type of improper subcontracting. To improve the subcontracting plans that large business prime contractors must submit with their bids, H.R. 3893 amends the reporting of subcontracting actions taken by the large prime contractors by requiring more accurate information. Finally, the

legislation imposes additional restraints on the ability of the federal government to transfer work performed under contract by small businesses and transfer it to federal employees.

Legislative History

Three hearings were held to address subcontracting and insourcing. One was conducted by the Subcommittee on Contracting and Workforce at a hearing entitled “Insourcing Gone Awry: Outsourcing Small Business Jobs” on June 23, 2011. The second, also conducted by the Subcommittee on Contracting and Workforce was entitled “Subpar Subcontracting: Challenges for Small Business Contractors” held on October 6, 2011. The third was held by the Subcommittee on Investigations, Oversight and Regulation on October 27, 2011 and entitled “Misrepresentation and Fraud: Bad Actors in the Small Business Procurement Programs.”

On March 7, 2012, the Committee on Small Business met in open session and ordered H.R. 3893, as amended, be favorably reported to the House by a voice vote.

THE SMALL BUSINESS OPPORTUNITY ACT OF 2012

(H.R. 3980)

Summary

The bill would improve the ability of procurement center representatives (PCRs) (personnel of the Small Business Administration assigned to major federal contracting activities) to provide input into the acquisition strategy; the premise being that such earlier input by PCRs will lead to greater contracting opportunities for small businesses. The bill also requires improved training on small business contracting for federal procurement officials.

Legislative History

Two hearings of the Subcommittee on Contracting and Workforce considered matters raised in H.R. 3980: “Insourcing Gone Awry: Outsourcing Small Business Jobs on June 23, 2011; and “Helping Small Businesses Compete: Challenges within Programs Designed to Assist Small Contractors” on September 15, 2011.

On March 7, 2012, the Committee on Small Business met in open session and ordered H.R. 3980, as amended, be favorably reported to the House by a voice vote.

THE BUILDING BETTER BUSINESS PARTNERSHIPS ACT OF 2012

(H.R. 3985)

Summary

The bill would revamp the requirements for establishing mentor-protégé agreements under the Small Business Act. The modifications will provide better guidance to large business mentors and small business protégés on how to prepare such agreements, the standards by which the Small Business Administration will approve such agreements, and limitations on the ability of other federal agencies to establish mentor-protégé programs absent approval by the Administrator of the Small Business Administration.

Legislative History

At a hearing conducted by the Subcommittee on Contracting and Workforce on September 15, 2011 entitled “ Helping Small Businesses Compete: Challenges within Programs Designed to Assist Small Contractors,” issues related to the inadequacy of current mentor-protégé programs was addressed.

On March 22, 2012, the Committee on Small Business met in open session and ordered H.R. 3985, as amended, be favorably reported to the House by a voice vote.

THE SMALL BUSINESS PROTECTION ACT OF 2012

(H.R. 3987)

Summary

H.R. 3987 imposes additional constraints on the ability of the Administrator of the Small Business Administration to create size standards for small business concerns. Specifically, the legislation requires the Administrator to justify the rationale for adopting a common size standard for a group of industries, requires such size standard to be adopted after notice and comment rulemaking, and prohibits the Administrator from artificially limiting the number of size standards needed to define a small business concern for each of the industries enumerated in the North American Industrial Classification System.

Legislative History

The procedures used by the Administrator to create size standards was fully ventilated in a hearing conducted by the Subcommittee on Economic Growth, Capital Access and Tax entitled

“Professional Services: Proposed Changes to the Small Business Size Standards” on May 5, 2011.

On March 22, 2012, the Committee on Small Business met in open session and ordered H.R. 3987, as amended, be favorably reported to the House by a voice vote.

THE CONTRACTOR OPPORTUNITY PROTECTION ACT OF 2012

(H.R. 4081)

Summary

The bill collects all of the provisions concerning contract bundling currently in the Small Business Act and transfers them to a revised § 44. In addition to making this significant clarifying change, the bill strengthens the requirements that agencies must demonstrate before they are entitled to bundle or consolidate contracts that would have, absent such bundling or consolidation, been able to be performed by small businesses.

Legislative History

Issues related to contract bundling were addressed at multiple hearings held to address federal government contracting at both the full and Subcommittee levels. One hearing, conducted by the Subcommittee on Contracting and Workforce entitled “Construction Contracting: Barriers to Small Business Participation” on February 9, 2012, focused specifically on contract bundling and consolidation in federal procurement for construction services.

On March 22, 2012, the Committee on Small Business met in open session and ordered H.R. 4081, as amended, be favorably reported to the House by a voice vote.

THE SMALL BUSINESS PROCUREMENT IMPROVEMENT ACT OF 2012

(H.R. 4118)

SUMMARY

H.R. 4118 addresses a miscellany of important small business procurement policy matters. First, the legislation seeks to improve participation by small businesses in multiple contracts by encouraging outreach and mandating that the President establish government-wide goals for small business participation in such contracting vehicles. Second, the bill raises the small business reserve to \$200,000 and makes it applicable to multiple award contracts. Finally,

the legislation expands the Federal Acquisition Regulatory Council to include the Administrator of the Small Business Administration.

Legislative History

The issues raised in H.R. 4118 were examined in multiple hearings held by the Committee and Subcommittees.

On March 7, 2012, the Committee on Small Business met in open session and ordered H.R. 4118 be favorably reported to the House by a voice vote.

THE EARLY STAGE SMALL BUSINESS CONTRACTING ACT OF 2012

(H.R. 4121)

Summary

The bill reestablishes in a slightly different format a successful program to help very small businesses win federal government contracts. The original program's authorization had lapsed, and H.R. 4121 rectifies that situation.

Legislative History

Since H.R. 4121 is reauthorizing a program with a lapsed authorization, the findings of previous Congresses with respect to the matter raised in the legislation were determined still to be valid. As a result, no hearings were held on H.R. 4121.

On March 7, 2012, the Committee on Small Business met in open session and ordered H.R. 4121, as amended, be favorably reported to the House by a voice vote.

THE WOMEN'S PROCUREMENT PROGRAM IMPROVEMENT ACT OF 2012

(H.R. 4203)

Summary

The bill makes technical changes to the Women's Procurement Program enacted by Congress in 2000. The specific changes relate to the size of contracts that could be awarded in the program to maintain consistency with similar specialized contracting programs in the Small Business Act.

Legislative History

Since changes made in the bill were of a technical nature, no hearings were necessary to address the legislation.

On March 22, 2012, the Committee on Small Business met in open session and ordered H.R. 4203 be favorably reported to the House by a voice vote.

THE CONTRACTING OVERSIGHT FOR SMALL BUSINESS JOBS ACT OF 2012

(H.R. 4206)

Summary

H.R. 4206 increases the adverse consequences for misrepresenting the status of small businesses by raising the criminal penalties and raising the probability that such concerns will be suspended or debarred. It creates a safe harbor for good faith efforts to properly certify the status of small business concerns. The bill makes necessary changes to the Office of Hearings and Appeals at the Small Business Administration. Finally, the bill requires increased reporting by the Administrator of the Small Business Administration to report on suspensions and debarments.

Legislative History

Two hearings covered the matters raised in H.R. 4206. One was held by the Subcommittee on Contracting and Workforce entitled “Subpar Subcontracting: Challenges for Small Businesses Contractors” on October 6, 2011. The other was conducted by the Subcommittee on Investigations, Oversight and Regulation entitled “Misrepresentation and Fraud: Bad Actors in the Small Business Procurement Programs” on October 27, 2011.

On March 22, 2012, the Committee on Small Business met in open session and ordered H.R. 4206, as amended, be favorably reported to the House by a voice vote.

OVERSIGHT SUMMARY

Clause 1(d) of rule XI of the Rules of the House of Representatives requires that not later than the 30th day after June 1, a Committee shall submit to the House a semiannual 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 describes the hearings that relate to the requirements of clauses 2(n), (o), or (p) of rule XI.

PART A

FULL COMMITTEE HEARINGS

TAX PROVISIONS UNDER HEALTH CARE REFORM

On February 9, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on “Buried in Paperwork – A 1099 Update.” The hearing focused on the health care law’s expanded 1099 reporting mandate, which will require businesses to file a 1099 form for virtually every business-to-business transaction of \$600 or more in property and services.

The witness for the first panel was The Hon. Daniel E. Lungren (R-CA). The witnesses for the second panel were: R. Jerol Kivett, President, Kivett’s Inc., Clinton, NC, testifying on behalf of the National Federation of Independent Business; John “Mark” Eagleton, Managing Member, Eagleton Ventures, LLC, Golden, CO, testifying on behalf of the National Restaurant Association; Seth Shipley, Owner, Shipley’s Fine Jewelry, Hampstead, MD, testifying on behalf of the National Retail Federation; and Mike Kegley, President, B.O.L.D. Homes, Inc., Union KY, testifying on behalf of the National Association of Home Builders.

At the hearing, House Administration Committee Chairman Dan Lungren testified about H.R. 4, his bipartisan legislation to repeal Section 9006 of the health care law. Chairman Lungren said the expanded reporting requirement “conveys the worst possible message to the small business community [and] reflects a disconnect with the day to day reality faced by men and women involved with companies in each and every one of our districts.” All of the small

business owners testified that the 1099 mandate will impose a substantial and costly paperwork burden.

At the hearing's close, Chairman Graves said he would send a letter to the Chairman and Ranking Member of the House Committee on Ways and Means urging the Committee to consider the burdens on small businesses as they move H.R. 4 and other legislation to relieve job destroying tax and regulatory burdens through the Committee.

THE STATE OF THE U.S. ECONOMY FOR SMALL BUSINESS

On February 16, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on the state of the small business economy. The hearing, entitled "Putting Americans Back to Work: The State of the Small Business Economy," focused on examining obstacles to small business job creation and economic growth and identifying specific tax, regulatory and health care policies that inhibit job creation and economic growth.

The witnesses for the hearing were: William Phelan, President and Co-Founder, PayNet, Inc., Skokie, IL; Terry Frank, Owner, Nature's Marketplace, Oak Ridge, TN; Dixie Kolditz, Owner, Open-Box Creations, Cathlamet, WA; and Bill Feinberg, President of Allied Kitchen and Bath, Ft. Lauderdale, FL, testifying on behalf of the U.S. Chamber of Commerce.

Mr. Phelan began the testimony stating that while there has been a thaw in the extension of credit to small businesses, there are several negative factors that are continuing to inhibit access to credit. Ms. Frank stated that the federal tax burden has become too difficult to navigate by herself and suggested the best way to raise tax revenue is to make the process easier to comply with and lower the burden so that small business owners could reinvest that money back onto their businesses. Ms. Kolditz focused her testimony on importing and exporting regulations citing specific examples of new regulations that are costing her significant amounts of money and preventing her from expanding her business. Finally, while Mr. Feinberg stated that offering health care was imperative to recruiting and retaining the best employees, he expressed concern that the new Patient Protection and Affordable Care Act could impose significant regulatory and penalty burdens on his business. These additional burdens make him doubt he will be able to expand his business to as large as he feels it could be.

THE SMALL BUSINESS ADMINISTRATION FY 2012 BUDGET

On March 2, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony from the Hon. Karen Mills, Administrator, United States Small Business Administration, Washington, DC on the President's

proposed budget for the Small Business Administration (SBA) and the programs authorized by the Small Business Act and Small Business Investment Act. The hearing, logically enough, was entitled “The Small Business Administration FY 2012 Budget.”

The Administrator commenced her testimony by noting that the agency focuses its mission on providing small businesses with capital, contracts, and counseling. The Administrator noted the number of small businesses assisted by the agency. However, she recognized the current fiscal situation will require a reduction in the budget. The Administrator recommended a number of minor programs for elimination.

The Committee used her testimony in preparing its views and estimates on the President’s Budget for the SBA. Those views and estimates were adopted by the Committee on March 15, 2011.

FEDERAL RESEARCH AND DEVELOPMENT GRANTS FOR SMALL BUSINESSES THE SBIR PROGRAM

On March 16, 2011, 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 Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs. The hearing, entitled “Spurring Innovation and Job Creation: The SBIR Program,” focused on the benefits of the SBIR and STTR programs.

The witnesses for the hearing were: Tom Tullie, Chief Executive Officer, President and Chairman of EcoATM San Diego, CA; Dr. David Audretsch, Indiana University Bloomington, IN; Dr. Mike Squillante, Vice President of Radiation Monitoring Devices, Inc. Watertown, MA, testifying on behalf of the Small Business Technology Council; and Amy Comstock Rick, Chief Executive Officer, Parkinson’s Action Network, Washington DC.

Mr. Tullie began the testimony stating that in EcoATM’s critical second year, they received an SBIR Phase I award that directly funded the development of the beginning technology they would later deploy in their handheld electronic automated recycling devices. Dr. Audretsch commented on his role in the National Research Council’s *An Assessment of the Small Business Innovation Research Program* study that is widely recognized as one of the most comprehensive examinations of the SBIR program since its inception. Dr. Squillante provided an extensive overview of the SBIR program and offered suggestions as to how to improve it. Finally, Ms. Comstock Rick noted the large role the SBIR program plays in research for diseases such as Parkinson’s Disease—especially because of the relatively few sufferers leads to less private funding due to a smaller potential market.

FEDERAL REGULATORY OVERREACH AND COMPLIANCE WITH THE REGULATORY FLEXIBILITY ACT

On March 30, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on the Regulatory Flexibility Act (RFA). The hearing, titled “Reducing Federal Agency Overreach: Modernizing the Regulatory Flexibility” focused on introducing the concepts of the RFA to members of the Committee, showing them how the Act helps reduce regulatory burdens on small business, and explaining its weaknesses.

The witnesses for the hearing were: Bill Squires, Esq., Senior Vice President and General Counsel, Blackfoot Telecommunications Group, Missoula, MT, testifying on behalf of the National Telephone Cooperative Association; David Frulla, Esq., Partner, KelleyDrye, Washington, DC; Craig Fabian, Vice President of Regulatory Affairs and Assistant General Counsel, Aeronautical Repair Station Association, Alexandria, VA; and Rich Draper, Chief Executive Officer, The Ice Cream Club, Inc., Boynton Beach, FL, testifying on behalf of the International Dairy Foods Association.

Mr. Squires testified that the Federal Communications Commission frequently fails to comply with the RFA by treating small firms, such as Blackfoot, no differently than the largest telecommunications providers in the United States. Mr. Frulla noted that the RFA and the Office of Advocacy have proven valuable in reducing regulatory burdens on small businesses but needs to be overhauled. Mr. Fabian discussed litigation by the Aeronautical Repair Station Association challenging agency compliance with the RFA and the length of time it took the agency to comply with the court order mandating such compliance. Mr. Draper testified that small businesses, like his own, had significant difficulty dealing with regulatory creep and the cumulative effect of disparate agency regulations.

Mr. Graves noted that the hearing would be part of the Committee’s record as it considers modifications that strengthen the RFA.

FREE TRADE AGREEMENTS AND SMALL BUSINESS EXPORTS

On April 6, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on “Help Wanted: How Passing Free Trade Agreements Will Help Small Businesses Create New Jobs.” The hearing focused on the benefits and importance of passing the pending free trade agreements to small businesses. Lowering trade barriers will spur small business exports, which will then lead to job creation and long-term economic growth.

The witnesses included: Bill Patterson, Founder and Chief Engineer, TEI Rock Drills, Montrose, CO; Phillip Wise, Owner and Operator, Wise Family Farm, Harris, MO, testifying on

behalf of the National Pork Producers Council; Trevor Myers, CEO, Cloyes Gear & Products, Inc., Fort Smith, AR, testifying on behalf of the Motor & Equipment Manufacturers Association; and Jason Speer, Vice President, Quality Float Works, Inc., Schaumburg, IL, testifying on behalf of the U.S. Chamber of Commerce.

At the hearing, four small businesses testified on the importance of passing the pending free trade agreements with Panama, Colombia, and Korea and their ability to compete globally, export more products and create more U.S. jobs. Jason Speer from Quality Float Works stated, “With the passage of the three pending trade agreements, our company and more than 250,000 small and medium-sized companies like ours will have the opportunity to gain market share and provide more jobs.” All small business owners testified that failing to pass the three pending free trade agreements would put their small business at a competitive disadvantage with nations who have trade agreements in place.

At the hearing’s close, Chairman Graves said he would continue to spotlight the importance of passing the free trade agreements to small businesses, and he encouraged the Administration and Congress to pass all three agreements by July 1, 2011.

REFORMING AND SIMPLIFYING THE U.S. TAX CODE

On April 13, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on “How Tax Complexity Hinders Small Business Job Creation and Economic Growth.” The hearing focused on the complexity of the current tax code, the difficulty entrepreneurs have complying with it, and the resulting effect on hiring and expansion.

The witnesses were Nina E. Olson, the National Taxpayer Advocate, Washington, DC; Steven J. Strobel, Executive Vice President and Chief Financial Officer, BlueStar Energy Solutions, Chicago, IL, testifying on behalf of the National Small Business Association; Robert Kulp, Founder, Kulp’s of Stratford, Stratford, WI, testifying on behalf of the National Roofing Contractors Association; and Monty W. Walker, CPA, Principal, Walker Business Advisory Services, Wichita Falls, TX.

The witnesses agreed that tax complexity has a direct impact on small business viability and job growth. In her testimony, Nina Olson testified that “it is essential that the tax system does not present an unnecessary hurdle to the success of these already fragile operations. In addition, because a substantial portion of businesses are pass-through entities, a real reduction in complexity will not occur unless individual *and* corporate tax reform occurs at the same time.” Mr. Walker testified that understanding tax matters is confusing and tax compliance comes at a cost. This results in lost resources that could have been used for business operations and business development. Mr. Walker also said that because of tax complexity, some business owners decide to stay small and not expand. Mr. Strobel encouraged Congress to simplify the

tax code, broaden the base and lower all individual and corporate tax rates. He said these reforms will create a surge in economic growth.

At the hearing's close, Chairman Graves said he plans to send a letter to the Chairman and Ranking Member of the House Committee on Ways and Means urging them to enact common sense tax reform that will enable our nation's small businesses to create jobs and spur growth in our economy.

POLITICAL DISCLOSURE IN FEDERAL CONTRACTING

On May 12, 2011, the Committee on Small Business and Committee on Oversight and Government Reform met in Room 2154 of the Rayburn House Office Building to receive testimony on the April 13, 2011 draft Executive Order (EO) entitled, "Disclosure of Political Spending by Government Contractors." The EO directs agencies to require contractors to disclose political expenditures and contributions, including those to third parties, made within two years of all proposal submissions in an official contracting certifications, and to certify their acknowledgement that full disclosure of this information is a precondition to contract award.

The first panel witness was the Hon. Daniel Gordon, Administrator, Office of Federal Procurement Policy. The second panel consisted of Alan Chvotkin, Executive Vice President and Counsel, Professional Services Council, Arlington, VA; D. Mark Renaud, Partner, Wiley Rein LLP, Washington, DC; ML Mackey, CEO, Beacon Interactive Systems of Cambridge, MA, testifying on behalf of the National Defense Industrial Association; the Hon. Marion Blakey, CEO, Aerospace Industries Association, Arlington, VA; and the Hon. Bradley A. Smith, Josiah H. Blackmore II/Shirley M. Nault Designated Professor of Law, Capital University Law School, Columbus, Ohio, testifying on behalf of the Center for Competitive Politics; and Lawrie Hollingsworth, President, Asset Recovery Technologies, Inc., Annapolis, MD, testifying on behalf of the U.S. Women's Chamber of Commerce.

Administrator Gordon declined to answer questions about the proposed EO, but testified that the Administration remains fully committed to a merit-based contracting process rooted in the highest levels of integrity and transparency, and simultaneously asserted that, "[t]here is no place for politics in federal acquisition."

Mr. Chvotkin opposed the EO, stating that political contributions do not currently impact federal contract awards, that contributions would not help contracting officers make awards, and that much of the information required by the EO is currently publicly available. As an expert on pay to play laws, Mr. Renaud explained that the "President's proposal actually create several new problems where none existed before" by injecting disclosure into the procurement process and creating an expensive recordkeeping requirement for small firms. Ms. Mackey stated that, as a small business owner, she had no problem with disclosure per se, but that it should be separate from contract consideration and should not be injected into the workplace. Ms. Blakey

agreed that “Political contributions should never be considered by any procurement officer when making a decision to either award or deny a contract to any entity.” Mr. Smith, as a former Commissioner of the Federal Elections Commission, summarized that the propose EO, “imposes junk disclosure requirements that serve no good purpose; [c]hills protected political activity; [and] seems motivated by simple partisan politics.” Ms. Hollingsworth, while concerned by the administrative burdens the EO would place on small businesses, disagreed with the rest of the panel and testified that disclosure would level the playing field for small business.

GOVERNMENT WASTE AND DUPLICATION IN SBA PROGRAMS

On May 25, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose providing oversight on duplication in the U.S. Small Business Administration’s (SBA’s) entrepreneurial development programs. The hearing, entitled “Promoting Entrepreneurship and Job Creation by Decreasing Duplication at SBA,” focused on four programs at SBA dealing with entrepreneurial development. Those programs are the Small Business Development Companies (SBDC), the Service Corps for Retired Employees (SCORE), Women’s Business Centers (WBCs) and Veterans’ Business Outreach Centers (VBOCs).

The witnesses were William Shear, Director, Financial Markets and Community Investment, U.S. Government Accountability Office (GAO), Washington DC; Arnold Baker, President and Founder, Baker Ready Mix and Building Materials, New Orleans, LA, testifying on behalf of the National Black Chamber of Commerce; Jody Keenan, Director, Virginia Small Business Development Center Network, Fairfax, VA, testifying on behalf of the Association of Small Business Development Centers; and Denise Pickett, Executive Vice President, American Express OPEN, New York, NY.

Mr. Shear discussed the GAO’s efforts to uncover waste and duplication in the federal government, including a recent GAO report pointing to 80 economic development programs that exist in four federal agencies costing taxpayers \$6.2 billion in fiscal year 2010. Mr. Shear testified that the four agencies identified in their report appear to have taken some actions to implement collaborative practices, but they have offered little evidence that they have developed compatible policies or procedures. Mr. Shear testified that when you have separate infrastructures to deliver similar services it could lead to inefficiencies and confusion for small businesses. Mr. Baker testified that SBA has sustained too many cuts to its programs over the last several years and that the agency cannot afford further cuts. He argued that a better funded and better staffed field infrastructure at SBA is critical for continued improvement of this nation’s economy. Ms. Keenan testified that the SBDC network is on the front line of providing services to entrepreneurs. She indicated that SBDC’s serve all types of businesses and would very easily be able to deliver services to the small business community currently being served by other entrepreneurial development programs funded by SBA. Ms. Pickett testified about the programs that American Express offers to small business owners and stated that the public sector

needs to work together with both the private sector and non-profits to meet to meet the needs of business owners.

ACCESS TO CAPITAL FOR SMALL BUSINESS

On June 1, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on small business access to capital. The hearing entitled “Access to Capital: Can Small Businesses Access The Credit Necessary To Grow and Create Jobs?” provided a forum for lenders and business owners to discuss the current economic environment and how they are working together to support private sector job growth.

The witnesses included William Hall, a Dairy Queen Franchisee, Ft. Worth, Texas, testifying on behalf of the National Franchise Association; Lynn Ozer, Executive Vice President, Susquehanna Bank, Pottstown, PA, testifying on behalf of the National Association of Government Guaranteed Lenders (NAGGL); Robert Kottler, Executive Vice President, Director of Retail and Small Business Banking, Iberia Bank, Lafayette, LA, testifying on behalf of the Consumer Bankers of American; and Dennis Jacobe, Chief Economist, Gallup, Washington, DC.

Mr. Hall testified about his struggle to obtain capital in recent years and the needs of small businesses to obtain capital to maintain operations as well as grow. He cited a \$2 billion shortfall in available loans, which if filled could create more than 332,000 new jobs in the franchise industry. Ms. Ozer testified that the economic circumstances of the last several years, combined with increased federal banking regulations, have created the “perfect storm of circumstances that together serve to stifle banks’ abilities to make credit available to small businesses.” Loan underwriting standards are significantly tighter today than they were just a few years ago. Many banks are taking advantage of the SBA 7(a) program since it takes less capital to support an SBA loan than it does a conventional loan. Mr. Kottler testified that over the last few years, his bank has seen weaker demand for small business loans, but they are starting to see an increase. Factors affecting credit demand are lower sales and collateral value, mainly in the housing sector. To increase demand, lenders are working closer with borrowers, and many banks have instituted “second look” programs for those borrowers who are initially denied credit. Mr. Jacobe testified that the downfall in the housing industry and the recent financial crisis have caused huge disruptions in the financial services sector that have resulted in the continued economic “soft patch.” Citing research performed by the Gallup Organization, Mr. Jacobe reported that business owner optimism is down from early 2011, getting credit is slightly less difficult and small business owners are hiring fewer employees than they need.

REDUCING REGULATORY BURDENS BY THE AMENDING THE REGULATORY FLEXIBILITY AND SMALL BUSINESS ACTS

On June 15, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony to review H.R. 527, the Regulatory Flexibility Improvements Act of 2011 and H.R. 585, the Small Business Size Standard Flexibility Act of 2011. The hearing titled “Lifting the Weight of Regulations: Growing Jobs by Reducing Regulatory Burdens” asked experts on the regulatory process for input on improvements to both bills.

The witnesses for the hearing were: Frank Swain, Esq., Partner, Baker & Daniels, Washington, DC; Jane C. Luxton, Esq., Partner, PepperHamilton, Washington, DC; Harry J. Katrichis, Esq., Partner, The Advocacy Group, Washington, DC; and Adam Finkel, Ph.D., Fellow and Executive Director, Penn Program on Regulation, University of Pennsylvania Law School, Philadelphia, PA.

Mr. Swain testified about the history of agency compliance with the Regulatory Flexibility Act (RFA). He noted that, even since the 1996 strengthening of the RFA, agencies continued to avoid compliance. Mr. Swain concluded by noting support for the changes made by H.R. 527 and H.R. 585. Ms. Luxton focused on the failure of agencies to consider indirect effects when they assess impacts on small businesses. She noted how significant the change would be to have agencies consider such indirect effects. Mr. Katrichis testified about the value of the RFA and the history of how the Committee passed the RFA initially and amended it in 1996. Dr. Finkel noted that the concepts behind H.R. 527 and H.R. 585 were interesting but he thought them unnecessary.

Mr. Graves noted that the hearing would lay the foundation for the Committee’s consideration of the legislation at a full Committee markup.

SMALL BUSINESS ACCESS TO CAPITAL: TREASURY DEPARTMENT PROGRAMS

On June 22, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony from the Hon. Timothy Geithner, Secretary of the Treasury, on the implementation of the Small Business Lending Fund and the State Small Business Credit Initiative – two programs established in the Small Business Jobs Act of 2010.

The only witness at the hearing was Secretary Geithner. The Secretary began his testimony with a brief recap of the events that led to the financial crisis, the resulting difficulties

in the American economy, and the responses by President Bush and, primarily, President Obama. Secretary Geithner then noted that small businesses faced stiffer obstacles because they were overrepresented in businesses affected by the downturn in the residential and commercial real estate markets. That in turn limited the ability of small businesses to obtain capital and credit. Secretary Geithner then explained how the Small Business Lending Fund and State Small Business Credit Initiative would increase capital access for small businesses.

Chairman Graves noted that the Committee would continue to monitor the impacts of the two programs on small businesses.

INCREASING INTERNATIONAL TRADE BY SMALL BUSIENSSES

On Wednesday, July 27, 2011, the House Committee on Small Business held a hearing titled, “Bureaucratic Obstacles for Small Exporters: Is our National Export Strategy Working?” The hearing examined the National Export Strategy and the effect that bureaucratic obstacles are having on small exporters. With over 20 federal agencies involved in the exporting process, many small firms have voiced the difficulty of maneuvering through the bureaucracy and regulations.

Witnesses on Panel I were: Hon. Marie Johns, Deputy Administrator, United States Small Business Administration, Washington, DC; Hon. Suresh Kumar, Assistant Secretary of Commerce and Director General of the United States Commercial Service, Department of Commerce, Washington, DC; and Christian Foster, Deputy Administrator, Foreign Agriculture Service, United States Department of Agriculture, Washington, DC. The witnesses on Panel II were: Mark Rice, Founder and CEO of Maritime Applied Physics Corporation, Baltimore, MD; Mitchell Goetze, President and COO of Goetze Candy Inc., Baltimore, MD, testifying on behalf of the National Confectioners Association (NCA); and Maurice Kogon, Director, California Institute for International Trade and Development, El Camino Community College, Hawthorne, CA.

At the hearing, the government officials testified on the status of the National Export Initiative and the Administration’s strategy to improve agency coordination to make the export process easier for small businesses. The private sector witnesses offered direct examples of the barriers that limit their ability to export, including higher tariffs. Mr. Goetze stated “We support the President’s NEI to double U.S. exports, and the most efficient way to do this is through Congressional approval and the timely implementation of the pending free trade agreements with Korea, Colombia and Panama.”

In closing, Chairman Graves said he would continue to work on reducing the bureaucratic obstacles faced by small business exporters. He will also focus on improving the coordination and efficiency within the federal trade agencies. He is planning on sending a letter to the United

States Government Accountability Office requesting an updated report on the efficiency and duplication of the Trade Promotion Coordinating Committee.

PRIVATE WORKFORCE TRAINING INITIATIVES

On September 8, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on “Innovative Approaches to Meeting the Workforce Needs of Small Businesses.” The hearing focused on how private, industry-led skills certification programs are helping meet the workforce needs of small business while improving career and educational prospects for students and workers. The Committee heard testimony from representatives of small businesses and skills certification programs.

The witnesses were: Jennifer McNelly, Senior Vice President, The Manufacturing Institute, Washington, DC; Roger Tadajewski, Executive Director, National Coalition of Certification Centers, Kenosha, WI; Scott Watkins, CEO, Modern Tech Squad, Bonifay, FL, testifying on behalf of the Computing Technology Industry Association (CompTIA); and Robert Scott Ralls, Ph.D., President, North Carolina Community College System, Raleigh, NC testifying on behalf of the American Association of Community Colleges.

Ms. McNelly testified about the National Association of Manufacturers’ skills certification system, which teaches skills that may be used in any manufacturing business with a particular emphasis on knowledge needed to work at small manufacturers. Mr. Tadejewski discussed the cooperation between private businesses and the development of innovative training programs at community and technical colleges. Mr. Watkins testified that the CompTIA skills certification program enhanced his own skills and provided his small business with new opportunities that would have been unavailable without the CompTIA certification. Dr. Ralls testified that industry-led skills credentialing programs are important to local and state-wide economic development efforts in North Carolina and serve as a means to attract employers to the state.

All the witnesses expressed their desire that the government do more to promote industry-led skills certification programs through higher and secondary education programs as well as the Workforce Investment Act.

SMALL BUSINESSES AND FEDERAL GOVERNMENT CONTRACTING

On September 14, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to hold a hearing titled “Beyond Size Standards: Sustainability of Small Business Graduates” to consider two legislative proposals for creating a medium-sized business contracting program. The first proposal was introduced by Representative Michael Rogers (R-AL) as an amendment to the National Defense Authorization Act, H.R. 1540, and would have

created a pilot set-aside contracting program at the Department of Defense for firms with fewer than 2,500 employees. The Committee on Rules found the amendment to be non-germane, so it was not made in order for consideration when H.R. 1540 went to the floor. The second proposal was the Small Business Growth Act, H.R. 1812, introduced by Representative Gerald Connolly (D-VA) introduced to create a pilot set-aside contracting program at the General Services Administration for firms with fewer than 1,500 employees that were participants in the agency's Mentor-Protégé program.

The witnesses were the Hon. Gerald Connolly (D-VA), United States House of Representatives, Washington, DC; Tonya Speed, Founder, Washington Premier Consulting, Washington, DC, testifying on behalf of the Mid-Tier Advocacy; Christopher Yukins, Esq., Professor of Law, George Washington University, Washington DC; Michael D. Frisbey, President, Government Suppliers & Associates, Knoxville, TN, testifying on behalf of the National Small Business Association; and Margot Dorfman, CEO, U.S. Women's Chamber of Commerce, Washington, DC.

The witnesses disagreed about the wisdom of a medium-size business program, with Ms. Speed supporting the proposal as a method to increase competition, create jobs and sustain the industrial base. Professor Yukins testified that any proposal needed to account for current trade agreements and urged members to be mindful of the affiliation rules generally found in small business contracting. Mr. Frisbey began his testimony opposed to a mid-sized business pilot, but retracted his objection if the pilot would not encroach on the 23 percent small business prime contracting goal. Ms. Dorfman opposed any pilot since the federal government is not currently meeting the statutory small business prime contracting goals.

Chairman Graves stated that for any legislative proposal to be considered favorably by the Committee, it must meet two mandates. First, it must provide benefits to the taxpayers and the government. Second, it must protect the ability of current small businesses to compete for federal contracts.

REDUCING REGULATORY BURDENS THROUGH PRESIDENTIAL EXECUTIVE ORDERS

On September 21, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on Executive Order 13,563. The hearing titled, "Eliminating Job-Sapping Federal Rules through Retrospective Reviews – Oversight of the President's Efforts," examined President Obama's order that executive branch agencies establish a process for reviewing their federal regulations and eliminating those that are unnecessary, duplicative or burdensome.

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

Administrator Sunstein commenced his testimony by noting that he is responsible for overseeing agency compliance with the retrospective review process. The Administrator then noted that there already were savings associated with the removal of certain regulations associated with telemedicine, paperwork burdens imposed by the Department of Labor, and spill prevention rules from the Environmental Protection Agency. The Administrator closed by stating his interest in working with all members of the Committee to ensure that agencies do not skip review of regulations important to small businesses.

At the close of the hearing, the Chairman noted that he would continue to monitor the compliance and alert the Administrator if agencies were not complying with the requirements to assess the impact of rules on small businesses, especially those small businesses involved in the regulation of the general aviation industry.

REGULATORY BURDENS OF LABOR LAWS AND REGULATIONS ON SMALL BUSINESSES

On October 5, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on labor law rules affecting small businesses. The hearing titled “Adding to Uncertainty: The Impact of DOL/NLRB Decisions and Proposed Rules on Small Businesses” examined the following issues: eliminating secret ballots for union decertification; narrowing the scope of the bargaining unit; truncating time periods for union representation elections; and requiring disclosure of attorney communications to employers during unionization campaigns.

The witnesses on the only panel were: Elizabeth Milito, Senior Executive Counsel, NFIB Small Business Legal Center, Washington, DC; Michael Mittler, President, Miller Brothers Machine and Tool, Wright City, MO, testifying on behalf of the National Tooling and Machining Association and the Precision Metalforming Association; Beverly McCauley, President, Hunt Country Masonry Inc., Leesburg, VA, testifying on behalf of the Mason Contractors Association of America; and Allen William West, Jr., President, West Sheet Metal Co., Sterling, VA.

Ms. Milito testified that most small businesses are unfamiliar with the complexities of labor law. As a result, the rules proposed by the Department of Labor (DOL) and the National Labor Relations Board (NLRB) will make it more difficult for small businesses to understand their rights during a unionizing campaign. Mr. Mittler reiterated the point made by Ms. Milito concerning the complexity of labor law, and stated that the new proposals are likely to lead to greater antagonism between workers and management hindering productivity. Ms. McCauley opined that the new rules are one-sided in favor of union certifications even though workers may not (if given sufficient time and information) support efforts at unionization. Mr. West summed

up his review of the recent proposals from the DOL and NLRB as not imposing any disadvantages on small businesses.

SPECTRUM ALLOCATION AND IMPACT ON AVIATION SMALL BUSINESSES

On Wednesday, October 12, 2011, the House Committee on Small Business held a hearing titled, "LightSquared: The Impact to Small Business GPS Users." The hearing examined the impact on small businesses that may result from LightSquared's plan to provide broadband service using its spectrum that is adjacent to the spectrum utilized by the Global Positioning System (GPS). Thousands of small businesses rely on an accurate GPS signal for their day-to-day operations, and potential interference could severely handicap or impair their business.

Witnesses were: Dennis Boykin IV, Principal, DB4 Consulting, Leesburg, VA, testifying on behalf of the Leesburg Executive Airport Commission; Rick Greene, Precision Agronomy Manager, MFA, Inc., Columbia, MO, testifying on behalf of the Agriculture Retailers Association; Tim Taylor, President and CEO, Free Flight Systems, Irving, TX, testifying on behalf of the Aircraft Electronics Association; and Jeffrey Carlisle, Executive Vice President of Public Policy, LightSquared, Reston, VA.

At the hearing, small businesses explained how the LightSquared proposal would impact their business, including the costs of repairing and retrofitting their GPS devices. Mr. Greene, discussed the economic impact LightSquared would have on the agriculture industry, "It will take 10-15 years to complete a normal replacement cycle and affects up to \$10 billion in equipment. Even if the Javad filter (\$300 - \$800) works, implanting it to the 1 million receivers will cost \$300 to \$800 million, which doesn't include the additional personnel, installation and down-time. It's like saying that because Chevy has an all-electric car on the market we can shut down every gas station in the US next year or all analog TVs need to be replaced the day the digital switch was turned on."

In closing, Chairman Graves said he will continue to closely follow the action of the FCC and the LightSquared proposal. He plans to send a letter to the FCC reinforcing the need for comprehensive tests of all types of devices to ensure there is no interference and added costs for small business GPS users.

OVERSIGHT OF THE SMALL BUSINESS ADMINISTRATION'S FINANCING PROGRAMS

On October 26, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of conducting an oversight hearing titled "Oversight of the Small Business Administration's Financing Programs." The hearing focused

on the Small Business Administration's (SBA) Fiscal Year 2011 performance and whether the SBA programs met its goal of filling a void in the private lending market.

The witness on first panel witness was the Hon. Karen Mills, Administrator, United States Small Business Administration, Washington, DC. Witnesses on the second panel were: Lynetta Tipton Steed, Executive Vice President, Business and Community Banking Division, Regions Financial Corp., Birmingham, AL, testifying on behalf of the Consumer Bankers Association; Sally Robertson, President, Business Finance Group, Fairfax, VA, testifying on behalf of the National Association of Development Companies; Gary Grinnell, President and CEO, Corning Federal Credit Union, Corning, NY, testifying on behalf of the National Association of Federal Credit Unions; and Rodger Davis, Managing Partner, Northcreek Mezzanine, Cincinnati, OH, testifying on behalf of the Small Business Investor Alliance.

Administrator Mills testified that SBA financing programs supported over \$30 billion in lending to 60,000 small businesses in Fiscal Year 2011. The SBA also is taking steps to streamline paperwork in its loan programs and encourage more lenders to make SBA backed loans.

The second panel testified that while SBA has improved in several areas, problems remain. Ms. Steed testified that small businesses are facing a number of challenges that have diminished overall demand for loans including weak economic conditions and high levels of unemployment resulting in lower sales and a poor general economic outlook. Ms. Robertson testified that the "grease" that gets the small business jobs engine going is capital – both short-term and long-term funding to pay for business plant and store expansions and for inventory, raw materials, and labor costs. Mr. Davis testified that raising leverage limits in the Small Business Investment Company (SBIC) Program will help SBICs provide more patient capital to small businesses. Mr. Grinnell testified that participating in SBA financing programs require meeting stringent government regulations.

OVERSIGHT OF THE SBA'S DISASTER ASSISTANCE PROGRAM

On November 30, 2011, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of conducting an oversight hearing titled "Disaster Assistance: Is SBA Meeting the Needs of Disaster Victims?" The hearing focused on the Small Business Administration (SBA) implementation of the Small Business Disaster Response and Loan Improvements Act of 2008 and how those programmatic changes have affected the delivery of recovery loans. The Committee also learned about SBA's response plans and their capacity to respond to a disaster the size and scope of Hurricane Katrina.

The witnesses were: Mr. James Rivera, Associate Administrator, Office of Disaster Assistance, United States Small Business Administration, Washington, DC; and Mr. William

Shear, Director, Financial Markets and Community Investment, U.S. Government Accountability Office (GAO), Washington, DC.

Mr. Rivera testified that the SBA is making progress towards fulfilling all of the requirements of the Small Business Disaster Response and Loan Improvements Act of 2008. Since hurricanes Katrina, Rita and Wilma, Mr. Rivera claimed that the SBA has greatly improved its capacity to process disaster loan applications in a timely manner. Mr. Shear testified that SBA continues to make progress towards implementing the statutory changes to the disaster program and other GAO recommendations on how to improve the disaster program. However, GAO reported that SBA needed to take additional steps to fully address several shortcomings, including improvements in the application process, increasing the celerity of loan disbursements, and improved coordination with state and local officials.

THE PATH TO JOB CREATION: THE STATE OF AMERICAN SMALL BUSINESS

On February 1, 2012, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on obstacles to small business job creation and economic growth. The hearing, titled “The Path to Job Creation: The State of American Small Business,” focused on informing Committee members of the most pressing obstacles facing small businesses in an effort to narrow the Committee’s focus to the most pertinent impediments and to tackle the most egregious obstructions to job creation and economic growth.

The witnesses for the hearing were: Dennis Jacobe, Ph.D., Chief Economist, Gallup, Washington, DC; Mr. Peter Ferrara, Senior Fellow, Entitlement and Budget Policy, Heartland Institute, Chicago, IL; Martin Neil Baily, Ph.D., Senior Fellow, Economic Studies, The Brookings Institution, Washington, DC; and Mr. Michael Fredrich, President, Manitowoc Custom Molding, Manitowoc, WI testifying on behalf of the Small Business and Entrepreneurship Council.

Dr. Jacobe began the hearing with testimony outlining the results of an October 24, 2011 Gallup poll that showed that excessive government regulation, lack of available capital, and low consumer confidence as the biggest hurdles small business must overcome. He also stated that a one-year moratorium on all new federal regulations would be an immediate stimulus to the economy. Mr. Ferrara argued against further stimulus packages. Dr. Baily explained that the housing crisis is the mitigating factor in the current slow recovery of the economy following the 2007-2009 recession. He went on to state that while recent economic indicators have been somewhat positive, much more progress needs to be made to get the economy back to what is was before the recession. Mr. Fredrich stated that the ever-changing and confusing actions of the Federal Reserve and what appears to be the insouciance of Washington regarding the federal

debt creates a level of uncertainty in the private sector which will only result in stagnation and decline.

PLACING FEDERAL TAX DOLLARS AT RISK: HOW THE SMALL BUSINESS ADMINISTRATION MISMANAGES THE MODERNIZATION OF ITS INFORMATION TECHNOLOGY

On February 8, 2012, 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 Administration's (SBA) efforts to modernize its computer systems used to manage its loan portfolio. The hearing, titled "Placing Federal Tax Dollars at Risk: How the Small Business Administration Mismanages the Modernization of its Information Technology" focused on a Government Accountability Office review of the SBA's prolonged modernization efforts.

The hearing consisted of one panel: The Honorable Marie Johns, Deputy Administrator, United States Small Business Administration, Washington, DC; and Mr. David Powner, Director, Information Technology Management Issues, United States Government Accountability Office, Washington, DC.

Deputy Administrator Johns noted that the modernization process of the Loan Management Accounting System (LMAS) commenced in 2005. The update efforts were reengineered in 2009. Ultimately, the SBA determined to reduce the scope of the LMAS project thereby reducing the cost of the modernization effort. Nevertheless, Deputy Administrator Johns stated that certain legacy issues, such as the use of the COBOL computer language, will continue even after the updates are fully implemented.

Mr. Powner noted that the reengineering stemmed from the SBA's inability to properly manage the original scope of the LMAS modernization. Even with the significant smaller scale project, the SBA remains behind schedule on milestones established for the modernization effort. Mr. Powner noted that the SBA did not have proper management practices needed to ensure successful completion of the modernization effort.

A JOB CREATION ROADMAP: HOW AMERICA'S ENTREPRENEURS CAN LEAD OUR ECONOMIC RECOVERY

On March 21, 2012, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "A Job Creation Roadmap: How America's Entrepreneurs Can Lead Our Economic Recovery."

The witnesses were Andrew Razeghi, Adjunct Assistant Professor, Kellogg School of Management, Northwestern University, Evanston, IL; Mr. Seth Goldman, President and CEO, Honest Tea, Bethesda, MD, testifying on behalf of the American Beverage Association; Mr.

Heath Hall, President, Pork Barrel BBQ, Washington, DC; and Mr. Clinton Tymes, State Director, Delaware Small Business Technology Development Center, Newark, DE, testifying on behalf of the Association of Small Business Development Centers.

Professor Razeghi noted that entrepreneurial ecosystems are instrumental in helping to support high potential investors. He also said that innovation reduces barriers to entry for entrepreneurs, but also reduces the need for employees, thereby reducing job growth. Mr. Goldman mentioned that running a lean small company had advantages, because the company made less expensive mistakes as a result. He also said that a differentiated product (the first organic tea beverage) was key to the company's survival. The best thing the government did to support the company, he noted, was to not get in the company's way. Mr. Hall said every regulation, requirement or delay that the government imposes is a burden that new small businesses have to overcome. These burdens cost entrepreneurs time and money, and often lead to many small firms prematurely calling it quits, opting to create fewer jobs and slowing innovation, he said. Mr. Tymes testified that Small Business Development Centers (SBDCs) educate entrepreneurs to access capital, improve sales, and manage the day-to-day complexities of a business.

At the hearing's close, Chairman Graves said the Committee would continue to follow the research on, and needs of, America's entrepreneurs – our best job creators.

LARGE AND SMALL BUSINESSES: HOW PARTNERSHIPS CAN PROMOTE JOB GROWTH

On March 28, 2012, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on large and small businesses partnering to create added value, jobs and economic growth. The hearing titled "Large and Small Businesses: How Partnerships Can Promote Job Growth" focused on the strategic affiliations created between large and small businesses and how these can help us to create more jobs and grow the economy.

The witnesses for the hearing were: Matthew Slaughter, Ph.D., Signal Companies Professor of Management, Tuck School of Business, Dartmouth College, Hanover, NH; William C. McDowell, Ph.D., Assistant Professor of Management, East Carolina University, Greenville, NC; Mr. Robert E. Bruck, Corporate Vice President & General Manager, Technology Manufacturing Engineering, Intel Corporation, Santa Clara, CA; and Mr. Paul Blackborow, Chief Executive Officer, Energetiq Technology, Inc., Woburn, MA.

Dr. Slaughter began the testimony by stating that *neither* small business nor large business operates in a vacuum. Rather, each is deeply embedded in the overall U.S. economy—with extensive connections to each other in product markets, capital markets, and labor markets.

He added that one important link between small business and big business is time: small businesses of today can grow to become the big businesses of tomorrow. Many of America's largest and most successful companies started small—indeed, as the quintessential person pursuing a dream from a garage or dorm Room. Dr. McDowell testified that traditionally, small businesses are at a disadvantage to large businesses in the access to capital and tax realms and that these issues must be addressed to have small businesses drive the United States economy. Both Mr. Bruck and Mr. Blackborow testified about the significant benefits their respective companies have realized by their partnership by stating that as a result of the technical and investment relationship with a small company, two technologies critical to the manufacture of Intel's present generation and future generation semiconductor chips have been developed and commercialized. They continued that Energetiq had benefitted not only from the revenue generated by sales to Intel's suppliers, but its relationship with Intel provides significant credibility with its customers, suppliers and other investors enabling it to enlarge its business.

THE TAX OUTLOOK FOR SMALL BUSINESSES: WHAT'S ON THE HORIZON?

On April 18, 2012, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "The Tax Outlook for Small Businesses: What's on the Horizon?" The witnesses were: Aparna Mathur, Ph.D., Resident Scholar, American Enterprise Institute, Washington, DC; Mr. Leonard Steinberg, Principal, Steinberg Enterprises, LLC, West Windsor, NJ, testifying on behalf of the Small Business and Entrepreneurship Council; Mr. Martin J. Mitchell, Vice CEO, Mitchell & Best Homes, Rockville, MD, testifying on behalf of the National Association of Home Builders; and Ms. Margot Dorfman, CEO, U.S. Women's Chamber of Commerce.

Dr. Mathur cited the study by Department of the Treasury's Office of Tax Analysis, which said in 2007, about 4% of small businesses faced the high marginal tax rates of 33% and 35%. However, nearly 32% of small business income was subject to this tax. For employer small businesses, 10% of small businesses and 38% of small business income was subject to these rates. The effect of high tax rates is reduced business entrepreneurship.

Mr. Steinberg, whose tax practice is a small business, serves small business clients. He testified that whatever money is taken out of the economy from the small business community, the consequences have multiple effects. Business owners cannot afford to give their employees timely raises, and fringe benefits are cut or withdrawn, business owners defer capital expenditures affecting their suppliers and the supplier's workers.

Ms. Dorfman discussed the frustration of small business owners with tax complexity. She expressed support for simplifying the tax code, particularly because so many small businesses are structured as pass-through entities and pay business taxes on their individual tax

returns. She testified that the difficulties of tax compliance are compounded by the challenges of the recession.

Mr. Mitchell strongly urged Members to extend the 2001 and 2003 tax cuts. He said tax policy can have a dramatic effect on an industry like home building that is dominated by small businesses. Because so many builders are organized as pass-through entities that pay business taxes on their individual tax returns, individual income tax rates are business tax rates.

All witnesses expressed support for ending the estate tax.

At the hearing's close, Chairman Graves said the Committee would continue to stay active in the debate on taxes in the months ahead.

RUNNING ON EMPTY: THE EFFECTS OF HIGH GASOLINE PRICES ON SMALL BUSINESSES

On May 9, 2012, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "Running on Empty: The Effects of High Gasoline Prices on Small Businesses." The purpose of the hearing was to examine the causes of high fuel prices and to learn of the direct and indirect economic effects of high gasoline prices on small businesses.

The witnesses were: Mr. Robert McNally, President, The Rapidan Group, LLC, Bethesda, MD; Ms. Jamie Smith, Owner and General Manager, Mr. Rooter Plumbing of Greater Baltimore, Baltimore, MD; Ms. C. Cookie Driscoll, Owner, C. Cookie Driscoll, Inc., Fairfield, PA, testifying on behalf of the National Small Business Association; and Michael Greenberger, Esq., Professor and Director, Center for Health and Homeland Security, Francis King Carey School of Law, University of Maryland, Baltimore, MD.

Robert McNally testified that gasoline prices are largely dependent on the price of crude oil, the price of which is determined in international markets. He testified that recent increases in the cost of crude oil are largely the result of a lack of excess supply capacity relative to demand. Professor Greenberger testified that his research indicates that recent high crude oil prices, and the concomitant increase in gasoline prices, are not the result of market supply and demand fundamentals, but are a consequence of increased financial speculation in oil futures markets.

Jaime Smith testified that small businesses such as his have less opportunity to hedge or mitigate the effects of high gasoline prices on their bottom line. He mentioned that his business has recently imposed a fuel surcharge in order to recoup a portion of the increase in his gasoline costs. However, he believes the fuel surcharge may have helped with one problem by creating another, as some customers strenuously object to the surcharge.

C. Cookie Driscoll testified that the cost of all of the inputs she utilizes on her horse farm are directly linked to the price of fuel and that when oil prices go up, so does the cost of these inputs. As a result of high gasoline prices, Ms. Driscoll has stopped paying herself a salary and has been forced to increase the price she charges customers for boarding horses on her farm. Ms. Driscoll and Mr. Smith both testified that demand for their services declines when fuel prices increase.

Professor Driscoll noted that the fundamental supply and demand for oil should not result in price spikes and attributed it to speculation. He went on to note that more concerted efforts by the Commodity Futures Trading Commission to implement provisions of Dodd-Frank and take other steps against index trading used by speculators would reduce price spikes for crude oil.

U.S. TRADE STRATEGY: WHAT'S NEXT FOR SMALL BUSINESS EXPORTERS?

On May 16, 2012, the Committee on Small Business held a hearing titled, "U.S. Trade Strategy: What's Next for Small Business Exporters?" The hearing examined the trade policy initiatives of the Administration and their effect on small business exporters. Specifically, the Committee heard from the Office of the United States Trade Representative (USTR) on the status of current trade negotiations and the overall strategy to open new markets for United States goods and services. In addition, the Committee received recommendations directly from small businesses on how to best increase exports and create new local jobs.

The only witness on the first panel was: Ambassador Miriam Sapiro, Deputy United States Trade Representative, Office of the United States Trade Representative, Washington, DC. The second panel consisted of the following witnesses: Mr. Mark Luden, CEO of Guithammer Company, Westerville, OH, on behalf of the Consumer Electronics Association; Mr. Robert Sinner, President and Partner, SB&B Foods Inc, Casselton, ND, on behalf of the American Soybean Association; Mr. Thomas Crafton, President, Thermcraft Inc, Winston Salem, NC, on behalf of the National Association of Manufacturers; and Joshua Meltzer, Esq., LL.M., S.J.D., Fellow, Brookings Institute, Washington, DC.

At the hearing, Ambassador Sapiro first testified on the Administration's efforts to help small businesses increase their exports. She explained the implementation status of the free trade agreements (FTAs) passed last year with Colombia, Panama and Korea. She stated the Colombia FTA, which just went into force on May 15, 2012, will help the already 13,000 small firms that currently export to Colombia increase their sales. The Ambassador also updated the Committee on the current Trans-Pacific Partnership (TPP) negotiations with nine nations in the Asia-Pacific Region.

The second panel of private witnesses discussed key policy issues affecting their ability to compete globally and provided recommendations on future trade policy. Mr. Luden praised

the free trade agreements and their ability to open new markets. He also advocated expanding the Information Technology Agreement (ITA) within the World Trade Organization (WTO), as this would lower the export tariff on his electronic products. Mr. Crafton explained how vital exports are to his business, as they account for approximately 35 percent of total sales. Mr. Sinner explained some of the key barriers for soybean exporters, including the complex international standards promulgated by foreign nations. The final witness, Dr. Joshua Meltzer highlighted the potential gain for small business exporters through the TPP agreement, including a \$14 billion trade surplus.

In closing, Chairman Graves said he will continue to work on opening new markets, reducing barriers, and making the trade process easier for small business exporters. He also stated the Committee will continue to focus on improving the coordination and efficiency of the federal trade agencies to ensure small firms have the resources available to export.

SBA'S MANAGEMENT OF ITS CAPITAL ACCESS PROGRAMS

On June 6, 2012, the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of conducting an oversight hearing on the Small Business Administration's (SBA's) financial assistance programs. The hearing addressed SBA's oversight of the capital access programs with a special focus on the ad hoc procedures used to manage those programs.

The only witness at the hearing was The Honorable Karen Mills, Administrator, United States Small Business Administration, Washington, DC.

Administrator Mills testified that federal financial regulators have been sharing their best practices with SBA including the importance of establishing a comprehensive risk plan for the agency. The Administrator stated that the agency expects to complete its first comprehensive risk plan for its loan portfolios (which exceed \$90 billion) before the beginning of the next fiscal year. Administrator Mills also remarked that lending partners have asked SBA for greater "clarity, consistency, and transparency" in lender oversight and that the agency would incorporate those concepts into upcoming revisions to its regulations.

PART B

SUBCOMMITTEE HEARINGS

SMALL BUSINESS PROGRAMS CREATING INNOVATION AND JOBS

On April 7, 2011, the Subcommittee on Healthcare and Technology of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on draft legislation reauthorizing the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs. The hearing, titled “The Creating Jobs Through Small Business Innovation Act of 2011,” focused on improving the SBIR and STTR programs via the legislation.

The witnesses for the hearing were: Glenn Norem, Executive Chairman Totus Lighting Solutions, Inc. Lakeway TX; Terry Brewer, Ph.D., President, Brewer Science, Inc., Rolla, MO; Albert Link, Ph.D., Professor, Department of Economics, University of North Carolina at Greensboro, Greensboro, NC; and Scott Koenig, Ph.D., Chairman of the Board, Applied Genetics Technology Corporation (AGTC) and CEO of MacroGenics, Inc. Rockville, MD, testifying on behalf of the Biotechnology Industry Organization.

Dr. Norem began the testimony by stating that the current Small Business Administration (SBA) rules regarding the participation of majority owned venture-backed small businesses has handicapped his business’ access to capital. He stated that because of the rule, his company has had to make the choice between participation in the SBIR program or accepting venture capital investment. Dr. Brewer stressed the importance of the SBIR program on emerging as well as established companies and suggested that the SBIR program be a catalyst for American manufacturing. Dr. Link detailed the findings of the National Research Council’s *An Assessment of the Small Business Innovation Research Program* of which he was a part. Dr. Koenig focused his testimony on the SBA’s venture capital rule, contrasting two unique therapies two different companies have developed; one that succeeded (the company MedImmune and the treatment called Synagis) prior to the SBA’s 2003 decision to limit the participation of venture-backed companies in the SBIR program and one that has been shelved (the company AGTC and the treatment for Pompe’s disease) because the company had too much venture capital support under the current rules.

THE EFFECT OF HIGH GAS PRICES ON SMALL BUSINESS

On April 14, 2011, 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 “Drilling for a Solution: Finding Ways to Curtail the Crushing Effect of High Gas Prices on Small Business.” The hearing focused on the negative impacts of rising fuel costs on small business and policies that should be implemented to decrease the United States’ dependence on foreign oil and ease the cost burden on small businesses.

The witnesses were Jim Ehrlich, Executive Director, Colorado Potato Administrative Committee, Monte Vista, CO; Rick Richter, owner of Richter Aviation, Maxwell, CA, testifying on behalf of the Agricultural Aviation Association; Dick Pingel, owner of Finally Trucking, Inc., Plover, WI, testifying on behalf of the Owner-Operator Independent Drivers Association, Inc.; and Robert Weiner, Professor of International Business, Public Policy, Public Administration and International Affairs, George Washington University, Washington, DC.

The witnesses spoke about the impacts of increasing fuel costs within their industries and other small businesses, and agreed that the United States government should encourage increases in domestic energy development to reduce dependency on foreign sources and decrease fuel costs. Mr. Weiner stated, “[t]o foster investment and future production [of oil] it is important to establish and implement clear, stable policy in the areas that affect petroleum the most – taxes and regulation.” Mr. Ehrlich noted that “for every \$0.10 increase in gas prices there is a net loss of \$5 billion dollars to the United States economy,” and pointed to the fact that the “total energy cost of an irrigated potato crop in the San Luis valley can be as great as fifty percent of total production.” Mr. Pingel testified that despite the fact that most owner-operators earn less than \$40,000 a year in income, “each time the price of a gallon of diesel fuel increases by a nickel, a trucker’s annual costs increase by \$1,000.” He also advocated fuel-efficiency driver training in lieu of costly government regulations. Finally, Mr. Richter encouraged Congress to prevent the EPA from promulgating new regulations on avgas. If these standards are put into place, it would effectively ground over 50 percent of agricultural aircraft, as there are no acceptable substitutes for piston-powered engines.

SMALL BUSINESS SIZE STANDARDS REGULATION

On May 5, 2011, 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 the U.S. Small Business Administration’s (SBA) proposed rule, “Small Business Size Standards: Professional, Scientific and Technical Services,” 74 Fed. Reg. 14323 (March 16, 2011). The proposed rule addresses industries within North American Industry Classification System (NAICS) Sector 54, Professional, Scientific and Technical Services, and one industry in NAICS Sector 81, Other Services. It would increase the small business size standards for 35 industries and one sub-industry, reduce the number of available size standards from 41 receipt and employee based standards to 16 standards, and bundle NAICS codes together to form common industry group size standards.

The witnesses were Walter J. Hainsfurther, FAIA, President, Kurtz Associates Architects of Des Plaines, IL, testifying on behalf of the American Institute of Architects (AIA); John Woods, Partner, Wood Peacock Engineering Consultants of Alexandria, VA, testifying on behalf of the American Council of Engineering Companies (ACEC); Roger Jordan, Vice President, Professional Services Council (PSC) of Arlington, VA; and Odysseus Lanier, Partner, McConnell Jones Lanier & Murphy LLP of Houston, TX, testifying on behalf of the American Institute of Certified Public Accountants (AICPA).

The witnesses agreed growth in the size standards is necessary to reflect economic conditions, but each disagreed with changes proposed by SBA. Mr. Hainsfurther testified that raising the standard for architectural firms from \$4.5 million from \$19 million, due to the use of common group size standards, would result in over 97% of architectural firms qualifying as small businesses, and stated that an employee based standard would better represent his industry. Mr. Woods testified that ACEC needed more time to respond to the SBA proposal, since the proposed rule would result in “more than 90% of the nation’s engineering industry . . . [being] classified as small business[es].” Mr. Jordan protested the use of common size standards when those standards “eliminate[d] legitimate small businesses from being able to qualify.” Mr. Lanier testified that SBA was not using the best industry data, and that the methodology did not address whether a firm was dominant in its field.

At the hearing’s close, Chairman Walsh said he plans to submit the hearing record to SBA for inclusion in the administrative record, and to request that SBA extend the comment period on the rulemaking.

ENVIRONMENTAL PROTECTION AGENCY REGULATIONS

On May 12, 2011, the Subcommittee on Oversight, Investigations and Regulations of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on “Green Isn’t Always Gold: Are EPA Regulations Stifling Small Business?” The hearing focused on the negative impacts of the United States Environmental Protection Agency (EPA) regulations on small businesses.

The witnesses were Glenn Johnston, Vice President of Regulatory Affairs, Gevo, Inc., Englewood, CO; John Ward, Chairman, Citizens for Recycling First, BRoomfield, CO; and Bradford Muller, Vice President of Marketing & Corporate Communications, Charlotte Pipe and Foundry Company, Charlotte, NC, testifying on behalf of the American Foundry Society.

The witnesses spoke about the impacts of various EPA proposed and final rules and how they negatively impact their industries, most specifically as they relate to the Clean Air Act and the Resources Conservation and Recovery Act. Witnesses also spoke about how EPA has neglected to take into account the Regulatory Flexibility Act when promulgating regulations, despite significant direct and indirect burdens experienced by small businesses. In his remarks,

Mr. Muller stated, “on the question of whether the EPA Regulations are harming small businesses...[t]he answer is unequivocally yes.”

Mr. Ward, a former member of the National Coal Council and American Coal Council, testified that between 1999 and 2009, 138 million tons of greenhouse gas emissions were decreased through the use of coal fly ash in concrete products, and that designating these byproducts as hazardous waste would only serve to increase waste and pollutant emissions.

Mr. Johnston indicated that biofuels with broad market applications as a solvent and a gasoline blendstock cannot compete with ethanol due to EPA policies. “Gevo and the Advanced Biofuels industry in general believe that the EPA should review its regulatory regime and to the extent possible should assure that biofuels other than ethanol have equal and unfettered access to the market,” he said.

GOVERNMENT CONTRACTORS’ TAX COMPLIANCE

On May 26, 2011, 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 implementing Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005, Pub.L. No. 109-222. As revised and implemented, the provision requires that payments by federal, state and local governmental entities for goods and services made after December 31, 2013 be subject to 3% income tax withholding in order to address the tax gap.

The first panel witness was the Hon. Wally Herger (R-CA). The second panel consisted of Brian George, Deputy Director, Office of Cost, Pricing & Finance, U.S. Department of Defense (DoD), accompanied by Dave McDermott, Director, Standards and Compliance, Defense Finance and Accounting Service, DoD, and the Hon. Curtis M. Loftis Jr., Treasurer of the State of South Carolina. The third panel witnesses were Mike Murphy, President, Turner Murphy Construction of Rock Hill, SC, testifying on behalf of the Associated General Contractors; Ian Frost, Principal, EEE Consulting, Inc. of Mechanicsville, VA, testifying on behalf of the American Council of Engineering Companies; and James M. Gaffney, Vice President, Goshen Mechanical Inc. of Malvern, PA, testifying on behalf of the Quality Construction Alliance; and Kara M. Sacilotto, Partner, Wiley Rein LLP, Washington DC. Over thirty additional groups submitted testimony for the record.

Congressman Herger expressed his support for repeal of Section 511, and encouraged passage of H.R. 674, which would eliminate the 3% withholding provision.

Messrs. George and McDermott provided information regarding the 2008 DoD study which found that implementation of Section 511 would cost DoD \$17 billion and deny the Department full small business participation, competition, and innovation. Mr. Loftis denounced

the provision as an unfunded mandate that would create unnecessary budget stress on state and local governments while simultaneously harming small businesses.

Each of the small business witnesses testified that the 3% withholding provisions exceed their profit margins and thereby prevent them from expanding or creating jobs. Ms. Sacilotto, a government contracts attorney, explained that the unintended consequences costs of the Section 511 on the procurement system outweighed any recaptured revenue.

Chairman Mulvaney concluded the hearing by promising to work with the Committee on Ways and Means to repeal Section 511. A copy of the hearing transcript will be sent to the Committee on Ways and Means once it is available.

HEALTH INFORMATION TECHNOLOGY IMPLEMENTATION AND REGULATION

On June 2, 2011, the Subcommittee on Healthcare and Technology of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of a hearing entitled, "Not What the Doctor Ordered: Health IT Barriers for Small Medical Practices." The hearing focused on the implementation of health IT by small physician practices, barriers that small practices have encountered and possible solutions to those barriers.

The witnesses were: Farzad Mostashari, M.D., M.Sc., National Coordinator for Health Information Technology (ONC), Department of Health and Human Services, Washington DC; Karen Trudel, Acting Director, Office of E-Health Standards and Services, Centers for Medicare and Medicaid Services (CMS), Baltimore, MD; Sasha Kramer, M.D., Olympia, WA, testifying on behalf of the American Dermatological Society; Denise Elliott, D.P.M., Marrero, LA, testifying on behalf of the American Podiatric Medical Association; Andrew Slavitt, Chief Executive Officer, OptimumInsight, Eden Prairie, MN; and David L. Baumer, Ph.D., Professor of Law and Technology, North Carolina State University, Raleigh, NC.

Dr. Mostashari testified that the Regional Extension Centers offer training and technical assistance to small practices that are working toward meaningful use of Electronic Health Records (EHR). Ms. Trudel said CMS and the states have made incentive payments to 1139 eligible professionals who have successfully adopted EHRs.

The second panel's witnesses agreed that health information technology can help to boost a medical practice's quality of care, but that barriers can prevent smaller practices from adopting it. Dr. Elliott noted that more than 65% of podiatrists practice in one or two person groups, and requiring them to implement electronic health records for Medicare is an undue financial burden. Dr. Kramer purchased a system by a company that was acquired by another company whose software is not compatible. Now she is facing the purchase of a new system. Mr. Slavitt said the purchase and design of technology have taken a back burner to all of the compliance reporting requirements needed to qualify for federal incentive payments. Dr. Baumer testified that the

efficiency gains are offset by the possible increased risks to the privacy of medical records and recommended legal safe harbors for small firms to protect them from lawsuits.

DEPARTMENT OF TRANSPORTATION REGULATION OF TRUCKING

On June 14, 2011, the House Committee on Small Business' Subcommittee on Oversight, Investigations and Regulations met in Room 2360 of the Rayburn House Office Building for the purpose of receiving testimony on "Do Not Enter: How Proposed Hours of Service Trucking Rules are a Dead End for Small Businesses." The hearing focused on the Federal Motor Carrier Safety Administration's proposed rule on Hours of Service for property-carrying truckers.

The witnesses were: Paul James, President, Rex Oil Company, Denver, CO, testifying on behalf of the Petroleum Marketers Association of America; James Burg, Owner, James Burg Trucking, Warren, MI, testifying on behalf of the American Trucking Association; J.D. Morrisette, President, Interstate Van Line Operations, Inc., Springfield, VA, testifying on behalf of the American Moving and Storage Association; and Rusty Rader, Co-Owner, J.J. Kennedy, Inc., Fombell, PA, testifying on behalf of the National Ready-Mixed Concrete Association.

The witnesses discussed how this proposed regulation would harm their industries by reducing allowed duty times for property-carrying trucks, hindering the ability for owner-operators and other small businesses to transport goods nationwide. In his remarks, Mr. Burg stated, "[t]hese changes, if finalized, would have a profoundly negative impact on small businesses, would restrict productivity, and would result in greater congestion and increased emissions. These impacts are significant since there are some 500,000 trucking companies in the United States and 99 percent of these companies are small businesses." Mr. Morrisette spoke to the complexities of the proposed rule: "[t]he proposed hours of service changes are complicated, difficult to understand and difficult for the customer to appreciate...the current rules should continue to apply." Mr. Rader testified to the challenges that would be created as a result of changed restart provisions: "[b]y mandating a driver's off duty time to include at least two consecutive periods of midnight to 6 a.m. reduces the number of hours available to meet construction and delivery schedules to an unacceptable level. Not every work day takes place during daylight hours, making this proposed change overly restrictive." Mr. James said, "[w]ith fewer hours to drive each day, any companies would be forced to hire additional drivers or delay deliveries to the following day...[t]he daily reduction in driving hours would thus decrease overall safety by putting less experienced drivers on the road."

NEW FINANCIAL SERVICE REGULATION AND IMPACT ON SMALL BUSINESS

On June 16, 2011, 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 a hearing titled "The Dodd-Frank Act: Impact on Small Business Lending." The

hearing examined the regulatory structure of financial institutions including the new requirements placed on them by the Dodd-Frank Act.

The witnesses were: Thomas Boyle, Vice Chairman, State Bank of Countryside, LaGrange, IL, testifying on behalf of the American Bankers Association; Mark Sekula, Executive Vice President, Randolph-Brooks Federal Credit Union, San Antonio, TX, testifying on behalf of the National Association of Federal Credit Unions; William Daley, Legislation and Policy Director, Main Street Alliance, Washington, DC; and Mr. Greg Ohlendorf, President and CEO, First Community Bank and Trust, Beecher, IL, testifying on behalf of the Independent Community Bankers of America.

Witnesses spoke about the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and offered solutions to minimize its burdens. Mr. Boyle stated that community banks understand the financial needs of local community and is concerned that the community banking model will collapse under the massive weight of new rules and regulations. Mr. Sekula, testified that “[w]ith a slew of new regulation emerging from the Dodd-Frank Act, such relief from unnecessary or outdated regulation is needed now more than ever by credit unions.” Mr. Daley testified that the members of his organization were concerned more about the over health of the economy and the impact on their community, then they were about over regulations. Mr. Ohlendorf, testified that “[t]he stakes were raised sharply after the financial crisis, but I believe many examiners have overreacted and now the pendulum has swung too far in the direction of over-regulation.”

INSOURCING OF FEDERAL PROCUREMENTS AND ITS EFFECTS ON SMALL BUSINESSES

On June 23, 2011, 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 implementation of the Administration’s insourcing policies, and the effect of these policies on small businesses. Specifically, five issues were discussed: the lack of transparency in the insourcing process; inconsistencies in the cost studies used to justify insourcing; the prohibition on public-private competitions when insourcing; the lack of standing for small businesses that wish to challenge agency insourcing decision; and the role of the Small Business Administration in insourcing.

The witnesses were Dawn L. Hamilton, President and Chief Executive Officer, Security Assistance Corporation, Arlington, VA; Bryant S. Banes, Managing Shareholder, Neel, Hooper & Banes, P.C., Houston, TX; Bonnie C. Carroll, President, Information International Associates, Oak Ridge, TN; and Jacque Simon, Public Policy Director, American Federation of Government Employees, Washington, DC.

Ms. Hamilton, who had a contract insourced by the United States Coast Guard, provided testimony explaining the analysis used to insource her company's contract was irrevocably flawed, as it began with the assertion that "that the cost of a contractor is automatically higher than a government employee and that the insourcing would have no adverse impacts to other organizations." Ms. Carroll, who had contracts insourced by the United States Air Force and the Department of Labor, testified that "decisions to insource are driven more by arbitrary budget and manpower boogies than by the objectives of enhancing the government's workforce capabilities or by true cost savings." Mr. Banes provided testimony in his capacity as a government contracts expert. Specifically, he addressed the findings of the United States Court of Federal Claim in the decision of *Hallmark-Phoenix 3, LLC v. United States*, 99 Fed. Cl. 65 (2011) where the court determined that it lacked jurisdiction to consider insourcing decisions under statutes that give the Court of Federal Claims the authority to hear disputes over the award of federal government contracts. Ms. Simon focused on "the importance of insourcing and reducing the Federal government's expensive and risky overreliance on service contractors."

Chairman Mulvaney stated that the Committee would consider legislative actions in response to the testimony received.

REGULATORY BURDENS ON LIVESTOCK PRODUCERS – NEW RULES FOR COMPLYING WITH THE PACKERS AND STOCKYARDS ACT

On July 7, 2011, 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 "Regulation Gone Awry: How USDA's Proposed GIPSA Rule Hurts America's Small Businesses." The hearing focused on USDA's Proposed Grain Inspection, Packers and Stockyard Administration (GIPSA) rule and the changes on livestock marketing practices.

The witness for the first panel was the Hon. Edward Avalos, Under Secretary for Marketing and Regulatory Programs, United States Department of Agriculture, Washington, DC. The witnesses on the second panel were: Robbie LeValley, Hotchkiss, CO, testifying on behalf of the Colorado Cattlemen's Association and the National Cattlemen's Beef Association; Gary Malenke, CEO, Natural Food Holdings, Sioux City, IA, testifying on behalf of the National Meat Association; Joel Bradenberger, President, National Turkey Federation, Washington, DC; and Bob Junk, Local Economy Manager, Fay Penn Economic Development Council, Uniontown, PA.

At the hearing, Undersecretary Avalos explained that the USDA was still reviewing the 60,000+ comments they received in response to the rule. He assured the Committee that the Agency was taking all of the comments seriously and with a heavy heart. The Undersecretary refused to answer any specific questions about where USDA was in the rule making process but

did tell the Committee that they expected a final rule “soon”. All of the small business owners on the second panel, minus Mr. Junk, testified that the proposed GIPSA rule was bad for their business and that some of the provisions in the rule would set back the livestock industry 30 years. Mr. Junk testified that the rule was necessary and it stemmed from language in the 2008 Farm Bill.

At the hearing’s close, Chairman Tipton encouraged USDA to take into consideration all of the testimony and questioning that they heard during the Committee as they work through the economic analysis. Mr. Tipton also urged the USDA to revise their analysis on small businesses as part of a more detailed economic analysis and then publish the new Regulatory Flexibility Analysis for comment to ensure small businesses can inform the Agency on its effect to their business. After the hearing, Chairman Tipton sent a letter to Undersecretary Avalos on July 21, 2011 with five follow up questions.

ADVERSE IMPACT OF HEALTHCARE LAW ON SMALL BUSINESSES THAT CURRENTLY OFFER HEALTH INSURANCE

On July 28, 2011, the Subcommittee on Healthcare and Technology of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of holding a hearing titled, “Small Businesses and PPACA: If They Like Their Coverage, Can They Keep It?” The hearing focused on whether small firms can keep their current health insurance under the Patient Protection and Affordable Care Act.

The witnesses were: Steven Larsen, Deputy Administrator and Director, Center for Consumer Information and Insurance Oversight, Centers for Medicare and Medicaid Services, Department of Health and Human Services, Washington, DC; Douglas Holtz-Eakin, Ph.D., President, American Action Forum, Washington, DC; William Dennis, Research Fellow, National Federation of Independent Business, Washington, DC; Brian Vaughn, President, Nearly Famous, Inc., Douglas, GA, testifying on behalf of the U.S. Chamber of Commerce; and Timothy Stoltzfus Jost, Esq., Robert Willett Family Professor of Law, Washington and Lee University School of Law, Lexington, VA.

Mr. Larsen testified that the Patient Protection and Affordable Care Act (PPACA) contains a number of provisions that will help close the gap between small and large business’ ability to offer health insurance to their employees. Dr. Holtz-Eakin said PPACA raises the overall cost of operating a small business and undermines job growth. Mr. Dennis reported that NFIB’s recent survey found by overwhelming margins, small employers with some knowledge of PPACA think it will not reduce the rate of health insurance cost increases, will not reduce the administrative burden, will increase taxes and will add to the federal deficit. Mr. Vaughn testified that his plan has been to expand and open a new store by reinvesting profits back into his business, but he is instead worried that everything he has worked for will be wiped out by the

new law. Professor Jost said that it is not possible to predict exactly how employers will react to all of the cross-cutting incentives, and that the effect of PPACA on employer-sponsored insurance is only one of many considerations that must be weighted in evaluating health care reform.

REGULATORY BURDENS OF THE NEW CONSUMER FINANCIAL PROTECTION BUREAU

On July 28, 2011, 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 a hearing titled “Open for Business: The Impact of the CFPB on Small Business.” The hearing focused on the new Consumer Financial Protection Bureau (CFPB) created by the Wall Street Reform and Consumer Protection Act and its impact on small business.

The only witness on Panel I was Dan Sokolov, Deputy Associate Director for Research, Markets and Regulations, Consumer Financial Protection Bureau, Washington, DC. The witnesses on panel II were: Jess Sharp, Executive Director, Center for Capital Markets Competitiveness, U.S. Chamber of Commerce, Washington, DC; Terry Jones, Chairman, Legislative and Regulatory Affairs Committee, Colorado Mortgage Lenders Association, Denver, CO; Mr. Daniel Fleming, President, Fleming NationalLease, Springfield, VA, testifying on behalf of the Truck Renting and Leasing Association; and Adam Levitin, Esq., Professor of Law, Georgetown University Law Center, Washington, DC.

Mr. Sokolov testified that the CFPB is working to minimize the regulatory burden on small business by following procedural safeguards in the rulemaking process including compliance with the Small Business Regulatory Enforcement Fairness Act. The CFPB is focused on consumer transactions and does not have authority to regulate small business credit. Mr. Sharp testified that large numbers of small businesses turn to consumer financial products to fund their business because they are very affordable and that any restriction on use of those products could have a detrimental impact on small business. Mr. Jones testified that CFPB is already working on several regulations that focus on the mortgage lending industry and he hopes the CFPB does not turn into a “super regulator” for the mortgage industry. Mr. Fleming testified that the new small business data collection requirements will force him spend money on regulatory compliance, rather than on growing his business. Professor Levitin testified that the CFPB is good for consumers and will have only tangential impact small business lending.

SMALL BUSINESS ACCESS TO CAPITAL

On August 25, 2011, the Subcommittee on Oversight, Investigations and Regulations of the Committee on Small Business met in Greenwood Village, Colorado for the purpose conducting a hearing titled “Small Business Committee Field Hearing in Colorado: Local Perspectives on the State of Small Business Lending.” This hearing focused on the regulatory

burdens to small business lending and provided attendees the opportunity to hear from the Small Business Administration (SBA) about the government backed lending programs available to help small businesses access capital.

The witnesses were: Steve Smits, Associate Administrator, Office of Capital Access, United States Small Business Administration, Washington, DC; Jay Davidson, Chairman & CEO, First American State Bank, Greenwood, CO; David Brown, President Southeast Denver Centennialbank, Centennial, CO; and Mr. Jeff Wasden, Owner, PROformance Apparel, Littleton, CO.

Associate Administrator Smits testified that SBA lending programs are providing access to capital to small businesses and that could not otherwise obtain a loan without assistance. Mr. Davidson testified that the economic recovery is slower than it should be because regulators are requiring banks to raise additional capital. Mr. Brown testified that all of the new laws will lead to new regulation and this has been happening at a much quicker pace than at any time in the past. Further, each new regulation will be very expensive for banks to understand and implement. Mr. Wasden testified that business owners need to be focused on the day-to-day operations of their business and not on government policies. He believes that ten percent of businesses are thriving, twenty percent are seeing a slight increase, thirty percent are holding even, and the balance are struggling to stay in business.

INCREASING PROCUREMENT OPPORTUNITIES THROUGH IMPROVEMENTS TO SBA PROCUREMENT ASSISTANCE PROGRAMS

On September 15, 2011, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for a hearing titled “Helping Small Businesses Compete: Challenges within Programs Designed to Assist Small Contractors.” The hearing addressed recent Government Accountability Office (GAO) reports on small business contracting assistance programs. The reports were: (1) GAO-11-548R, Mentor-Protégé Programs Have Policies That Aim to Benefit Participants but Do Not Require Postagreement Tracking; (2) GAO-11-549R, Improvements Needed to Help Ensure Reliability of SBA’s Performance Data on Procurement Center Representatives; and (3) GAO-11-418, Small Business Contracting: Action Needed by Those Agencies Whose Advocates Do Not Report to Agency Heads as Required.

The witnesses were: Joseph G. Jordan, Associate Administrator of Government Contracting and Business Development, United States Small Business Administration (SBA), Washington, DC; Jiyoung Park, Associate Administrator, Office of Small Business Utilization, United States General Services Administration, Washington, DC; and William B. Shear, Director, Financial Markets and Community Investment, GAO, Washington, DC.

The witnesses provided testimony on challenges facing the SBA's Procurement Center Representative (PCR) program, the individual agency Offices of Small and Disadvantaged Business Utilization (OSDBU), and the thirteen Mentor-Protégé programs currently available. Mr. Shear discussed GAO's finding that the Departments of Agriculture, Commerce, Justice, Interior, State, and the Treasury, and at the Social Security Administration were not complying with Section 15(k)(3) of the Small Business Act, which requires that the OSDBU Director "report directly to the head of such agency or to the deputy." Furthermore, he explained that most Mentor-Protégé programs do not adequately measure outcomes, and provided insight into the challenges facing the SBA's PCRs. Mr. Jordan testified that SBA recently reviewed the PCR program and metrics, and is "currently reviewing the results of this analysis and working to develop and implement an improved system, along with revised standard operating procedures and tools." Ms. Park explained GSA's Mentor-Protégé, and that it had produced results by increasing both prime and subcontract awards to participants as well as creating "132 new jobs as a direct result of participation in the program."

At the conclusion of the hearing, Chairman Mulvaney stated the Subcommittee would continue to work towards holding those government agencies accountable that refuse to comply with the requirements of the Small Business Act, and towards improving the small business contracting assistance programs.

REGULATORY BARRIERS TO ENERGY PRODUCTION

On September 19, 2011, the Subcommittee on Agriculture, Energy and Trade met in the City Hall Auditorium, Grand Junction, CO for a hearing titled "Are Excessive Energy Regulations and Policies Limiting Energy Independence, Killing Jobs and Increasing Prices for Consumers?" The hearing examined burdensome federal regulations and policies on the energy industry and their impact on small businesses, jobs, and consumer prices. Specifically, the issues addressed at the hearing included: the proposed regulation of coal combustion residuals under the Resource Conservation and Recovery Act as a hazardous waste; proposed rule to limit air certain toxics emitted from coal-fired powerplants; potential rules proffered by EPA to limit emission of greenhouse gases; and regulations to address hydraulic fracking in the natural gas extraction industry.

Witnesses on Panel I were: James Martin, Regional Administrator, Environmental Protection Agency, Denver, CO; and Helen Hankins, Colorado State Director, Bureau of Land Management (BLM), United States Department of Interior, Lakewood, CO. The second panel consisted of the following witnesses: David White, Commissioner, Montrose County, Montrose, CO; David Ludlam, Executive Director, West Slope Oil & Gas Association, Grand Junction, CO; Jennifer Bredt, Development Manger, Renewable Energy Systems Americas, BRoomfield, CO; James Kiger, Environmental Manager, Oxbow Mining, LLC, Somerset, CO, testifying on

behalf of the Colorado Mining Association; Richard Welle, General Manager, White River Electric Association, Inc., Meeker, CO.

Mr. Martin testified that EPA was still evaluating various regulations but did not believe that any final rules would impose significant costs on small businesses involved in energy extraction or production. Ms. Hankins stated that BLM is, by statute, committed to multiple use of federal lands and manage such lands to permit responsible use of public lands for energy and mineral development. Mr. White testified about the regulatory barriers imposed by EPA and BLM to siting energy production (both extractive and renewable) facilities in Montrose County, Colorado. Mr. Ludlam stated that the Department of Interior blocked a number of oil and gas drilling operations in western Colorado while at the same fracking for extraction of natural gas may be subject to stricter EPA regulation. Ms. Bredt testified about the impediments imposed by the Department of Interior to the development of wind energy projects. Mr. Kiger stated that in thirty plus years of “working in the Colorado coal mining industry ... I have never before seen such a concerted emphasis by numerous federal agencies to create additional head winds for the coal industry....” Mr. Welle testified that his customers (who also are the owners since White River is a rural electric cooperative) support the use of clean coal and renewable energy but cannot afford rate increases that harm industry and punish consumers.

SUBCONTRACTING OPPORTUNITIES FOR SMALL BUSINESS

On October 6, 2011, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for a hearing titled “Subpar Subcontracting: Challenges for Small Business Contractors.” Specifically, the problems discussed were: problems with the limitation on subcontracting requirements; noncompliance with subcontracting plans; and duplicative government contracting systems which fail to support enforcement or compliance.

The witnesses were: Joseph G. Jordan, Associate Administrator of Government Contracting and Business Development, United States Small Business Administration (SBA), Washington, DC; Mary L. Kendall, Acting Inspector General, United States Department of the Interior, Washington, DC; Jenifer Bisceglie, President, Interos, McLean, VA, testifying on behalf of Women Impacting Public Policy; and Jamie Borromeo, President, The E & J Commission, LLC, Washington, DC.

Mr. Jordan testified that SBA is working to ensure compliance with the limitation on subcontracting requirements, and is developing and maintaining tools, systems, and resources needed to monitor and track subcontracting achievements. Acting Inspector General Kendall testified that confusion as to the division of responsibilities between SBA and contracting agency personnel contributes to enforcement and compliance issues.

The private sector witnesses agreed that small businesses are harmed by failure to enforce the subcontracting rules. Ms. Bisceglie testified that large prime contractors do not honor their subcontracting plans and the government fails to evaluate, monitor, and document compliance. Ms. Bisceglie recommended that the Subcommittee consider revising the limitation on subcontracting provisions to make them price-based rather than cost-based, and to encourage small business teaming. She further recommended increased enforcement and transparency of subcontracting plans. Ms. Borromeo concurred, and also recommended the following steps to prohibit fraudulent contracting practices: 1) ensure government contracting professionals are complying with rules and systems in place to ensure prime contractors are performing well on existing contracts and subcontracting the proper amount to small businesses; and 2) ensure diligent and proper market research performed by program offices.

Chairman Mulvaney asked the witnesses to work with the Subcommittee on ideas to improve large business compliance with subcontracting plans, and to improve the limitation on subcontracting requirements.

TECHNICAL ASSISTANCE PROGRAMS FOR NEW ENTREPRENEURS

On October 17, 2011, the Subcommittee on Contracting and the Workforce of the Committee on Small Business met for a field hearing in Pasadena, CA titled “Land of Opportunity: Pursuing the Entrepreneurial American Dream.” The hearing examined the resources available to new legal immigrants interested in becoming entrepreneurs.

Witnesses at the hearing were: Manuel Martinez, President, Greater Los Angeles SCORE, Los Angeles, CA; America Tang, President and CEO, Ace Fence Co., La Puente, CA; Mr. Jesse Torres, President & CEO, Pan American Bank, Los Angeles, CA; and Yusa Chang, COO, of Pacific Asian Consortium in Employment (PACE), Los Angeles, CA.

Witnesses discussed the training and services new legal immigrants need to become successful entrepreneurs. The hearing also focused on the resources that are currently available to help prospective business owners and whether additional outreach methods should be considered. Mr. Martinez testified about his experience as a volunteer counselor for SCORE and stated that the business owner is the only one who can truly make a business successful. Ms. Tang testified that Small Business Administration (SBA) programs can help her business, but the SBA needs to do a better job of letting people know of new programs that assist small business. Mr. Torres testified that his bank does not use SBA loan products because the rules for participation are too stringent and it would require too much of an investment to train his lending officers on how to work within SBA strictures. Ms. Chang provided several anecdotes about businesses that PACE has counseled and what services they could have used to be successful.

REDUCING FRAUD IN FEDERAL PROCUREMENT PROGRAMS

On October 27, 2011, the Subcommittee on Investigations, Oversight and Regulations of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building to hold a hearing titled “Misrepresentation and Fraud: Bad Actor in the Small Business Procurement Programs.” The hearing focused on problems in the Small Business Prime Contract Program, Historically Underutilized Business Zone (HUBZone) Small Business program, Women-Owned Small Business program, Service-Disabled Veteran-Owned Small Business Program, and Small Disadvantaged Business program.

The witnesses were: the Hon. Peggy E. Gustafson, Inspector General, United States Small Business Administration, Washington, DC; and the Hon. Brian D. Miller, Inspector General, General Services Administration, Washington, DC.

The witnesses provided examples of the types of fraud they have encountered in the small business procurement programs, including misrepresentations of size, program specific misrepresentations, pass-through contracts, violations of the non-manufacturer rule, incorrect assignment of size standards to contracts, and recurring acts of bribery and kickbacks. Inspectors General Miller and Gustafson stated that these fraudulent activities harm legitimate small businesses by denying them opportunities; the government, because statutory procurement goals are skewed and program reputation suffers; and the American people, as small businesses are not able to create more jobs. Finally, the witnesses explained that the current remedies available through the procurement process, False Claims Act, Program Fraud Civil Remedies Act, and the Small Business Jobs Act, still leave gaps in enforcement. Specifically, Inspector General Miller indicated that since small business fraud cases usually cost more to prosecute than they collect in damages, the Department of Justice is reluctant to use scarce resources to prosecute these cases, which results in agency Inspectors General devoting investigative resources elsewhere, which in turn results in mediocre enforcement by agency contracting personnel, ultimately leaving legitimate small businesses and taxpayers unprotected.

At the conclusion of the hearing, Chairman Coffman asked the Inspectors General to work with the Subcommittee on ways to deter and punish bad actors, examine the sufficiency of the current remedies and whether there are sufficient monitoring mechanisms in place, or how these should be strengthened to detect fraud and misrepresentation in the small business procurement programs.

TAX REFORM FOR SMALL BUSINESSES

On November 3, 2011, 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 “Pro-Growth Tax Policy: Why Small Businesses Need Individual Reform.” The hearing focused on the importance of tax policies to our nation’s small businesses, our best job creators.

The witnesses were: Robert Carroll, Principal, Ernst & Young, Washington, DC; Gary Marowske, President & CEO, Flame Furnace, Heating, Cooling, Plumbing & Electrical, Warren, MI, testifying on behalf of the Air Conditioning Contractors of America; William R. Smith, President & CEO, Termax Corporation, Lake Zurich, IL, testifying on behalf of the Precision Metalforming Association; and Stephen Capp, President & CEO, Laserage Technology Corporation, Waukegan, IL, testifying on behalf of the National Federation of Independent Business.

Mr. Carroll estimated that 95% of U.S. businesses are pass-through entities – sole proprietorships, LLCs, partnerships or S corporations. He opined that if Congress enacts only corporate tax reform, and not individual tax reform, the income taxes paid by owners of pass-through businesses could increase, on average, by 8%, or \$27 billion annually from 2010-2014. Mr. Smith testified that “[d]ue to our current U.S. tax code, we are taxed on income we do not take out of the company, but leave in the business to reinvest. This means we have fewer resources to put toward hiring, training and buying new machines. We need a comprehensive approach that addresses corporate, pass-through businesses and individual tax rates, deductions and credits.” Mr. Marowske said “I wholeheartedly agree that tax reform must address individual rates because of their impact on small businesses. Not everyone understands that sole proprietors, partners and S corporation shareholders pay taxes on business income through the individual income tax rate schedules.” Mr. Capp testified that “[a]t the very least, the tax rate paid by pass-through small businesses should be the same rate that applies to C corps.”

At the hearing’s close, Chairman Walsh said he plans to send a letter to the Joint Select Committee on Deficit Reduction asking that the Committee consider the concerns of small business owners when they evaluate approaches to tax reform.

SMALL BUSINESS CONTRACTING OPPORTUNITIES AT THE DEPARTMENT OF DEFENSE

On November 8, 2011, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Sumter, South Carolina for the purpose of receiving testimony on small business contracting issues at the Department of Defense. The hearing, titled “Examining the Barriers for Small Business Contracting at the DOD,” focused on examining the specific process by which the Navy determined the contract for the 3rd Army headquarters building construction on Shaw Air Force base. Additionally, testimony was delivered on the difficulties small businesses face when entering the federal contracting arena along with their potential solutions.

The witnesses for the hearing were: Robert Griffin, Assistant Commander for Acquisition, United States Navy Facilities Engineering Command, Washington, DC; Jackie Robinson-Burnette, Associate Director of Small Business Programs, United States Army Corps of Engineers, Washington, DC; John Caporal, Secretary, United States Air Force Small Business Programs Office, Washington, DC; Bill Lynam, Owner, Lynam Construction, Sumter, SC; William Aycock, President, Aycock Construction, LLC., Sumter, SC; and Scott H. Bellows, Program Manager, South Carolina Procurement Technical Assistance Center, The Moore School of Business Small Business Development Center, University of South Carolina, Columbia, SC.

Mr. Griffin began the testimony by detailing the process by which the Navy awarded the contract for construction of the 3rd Army headquarters building. The contract was awarded under a full and open process and no small business set aside programs were used. Ms. Robinson-Burnette detailed the efforts taken by the U.S. Army Corps of Engineers to include small businesses in their contracting plans. Mr. Caporal provided testimony outlining the efforts of the Air Force to include small business in their contracting efforts and explained several areas in which small businesses can compete for contracts at Shaw Air Force base.

The second panel began with Mr. Lynam explaining that he believes that 8(a) firms have a virtual monopoly on contracts at Shaw. He also explained that while he appreciated the recent Administration efforts to hasten payments to prime contractors, he feels that it ought to be extended to subcontractors as well as there is often a delay in payments from prime contractors to subcontractors. Mr. Aycock testified that he found it disheartening that prime contracts and some subcontracts go to out of state companies, and that it seemed counterintuitive to force local companies to partner with out of state companies to get work literally right down the street. Finally, Mr. Bellows explained the services and benefits available for small businesses looking to get into the federal contracting arena at the South Carolina Procurement Technical Assistance Center.

REGULATORY BURDENS ON THE AGRICULTURAL SECTOR

On November 17, 2011, 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 “Adrift in Regulatory Burdens and Uncertainty: A Review of Proposed and Potential Regulations on Family Farms.” The hearing focused on National Pollutant Discharge Elimination System (NPDES) requirements under the Clean Water Act (CWA) for the application of pesticides and other chemicals that must be registered under the Federal Insecticide, Rodenticide and Fungicide Act (FIFRA). In addition, the Subcommittee addressed new National Ambient Air Quality Standards (NAAQS) for coarse particulate matter (PM) that may or not incorporate dust.

The witnesses were: Philip Nelson, President, Illinois State Farm Bureau, Bloomington, IL; Mr. Leonard Felix, President, Olathe Spray Service, Inc., Olathe, CO, testifying on behalf of the National Agriculture Aviation Association; Mr. Ray Vester, Vester Farms, Stuttgart, AR, testifying on behalf of the USA Rice Federation; and Carl Shaffer, President, Pennsylvania State Farm Bureau, Mifflinville, PA.

At the hearing, the witnesses discussed onerous, overreaching proposed and potential regulations that the current Administration is considering which leave family farmers and ranchers adrift in new regulatory burdens. Extra regulation is potentially concerning at this time with nearly one in ten Americans unemployed and our country still struggling to crawl out of this economic downturn. All of the witnesses testified that the EPA was overreaching with their new regulations, and that it was clear the EPA does not understand the improvements in agricultural practices over the years.

At the hearing's close, Chairman Tipton vowed to continue to focus on burdensome regulations that affect our farmers, ranchers and small businesses.

CYBER SECURITY FOR SMALL BUSINESS

On Thursday December 1, 2011, the Subcommittee on Healthcare and Technology of the Committee on Small Business held a hearing entitled: "Cyber Security: Protecting Your Small Business." This hearing focused on the issues faced by small businesses in combating cyber security threats, including the role of the federal government and best practice solutions. According to a recent study, small businesses are the victims of nearly 40 percent of cyber attacks in the United States.

The only witness on panel I was the Hon. William M. "Mac" Thornberry (R-TX). Witnesses on panel II were: David Beam, Senior Vice President, North Carolina Electric Membership Corporation, Raleigh, NC, testifying on behalf of the National Rural Electric Cooperative Association; Glenn Strebe, Chief Executive Officer, Air Academy Federal Credit Union, Colorado Springs, CO, testifying on behalf of the National Association of Federal Credit Unions; Phyllis Schneck, Vice President and Chief Technology Officer, McAfee, Inc., Reston, VA; and Michael Kaiser, Executive Director, National Cyber Security Alliance, Washington, DC.

At the hearing, Congressman Thornberry provided testimony on House Republican Cybersecurity Task Force's policy recommendations. He stressed the importance of establishing a strong public-private partnership to voluntarily share information and raise awareness. Next, a panel of private sector witnesses provided chilling reports on the severity of cyber attacks on small businesses. Michael Kaiser, Executive Director of the National Cyber Security Alliance in Washington, DC, provided some daunting statistics. He stated the average annual cost of a cyber

attack on a small business was \$188,242, and more than 60 percent of victims will shut down within six months.

In closing, the Chairwoman said she will continue to closely follow the action around cybersecurity legislation. She plans on working with the Committees of jurisdiction to make sure small businesses have the resources available to combat cyber attacks, while not adding any duplicative regulatory burdens.

IS UNCERTAINTY CONTRIBUTING TO THE JOBS CRISIS: THE VIEWS OF LOCAL ILLINOIS SMALL BUSINESSES

On December 12, 2011, the Subcommittee on Economic Growth, Tax and Capital Access of the Committee on Small Business met for a field hearing at the Woodstock City Hall, Woodstock, IL for the purpose of receiving testimony on “Is Uncertainty Contributing to the Jobs Crisis: The Views of Local Illinois Small Business.” The hearing focused on how uncertainty over the direction of federal policies are effecting small business investment and hiring decisions.

The witnesses were: Eric Treiber, President and CEO, Chicago White Metal Casting, Inc., Bensenville, IL, testifying on behalf of the North American Die Casting Association; Perry Moy, Owner of Plum Garden Restaurant, McHenry, Il., testifying on behalf of the National Restaurant Association; and Craig Larsen, Founder/President, AHC Advisors Inc., St. Charles, Il.

At the hearing, the witnesses testified that uncertainty over the direction of federal tax, spending and regulatory policy affected their decisions to undertake new investments and hire more workers. The most common sources of policy uncertainty were large federal budget deficits, the looming expiration of the 2001 and 2003 tax cuts, and federal regulations.

Eric Treiber described how concerns over government regulations, particularly the EPA rules, have supplanted unfair foreign trade as a predominate concern of small business manufacturers. Perry Moy testified that the federal government policies that affect the economic welfare of businesses in other industries ultimately affect the economic welfare of businesses in the service industry. Craig Larsen testified that uncertainty over the outcome of the 2001 and 2003 tax cuts is a significant source of small business uncertainty and results in less hiring and investment by small businesses.

All the witnesses agreed that policy uncertainty is resulting in less than potential economic growth and is hindering business investment and job creation.

NEW MEDICAL LOSS RATIOS: INCREASING HEALTH CARE VALUE OR JUST ELIMINATING JOBS?

On December 15, 2011, 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 on “Medical Loss Ratios: Increasing Health Care Value or Just Eliminating Jobs?” The hearing focused on the Patient Protection and Affordable Care Act (PPACA) and its regulations, which require health insurers to spend 80% of every premium dollar on health care claims or activities to improve health care quality (the Medical Loss Ratio) and cap administrative expenses at 20%. Under the law, insurance agent commissions are an administrative expense.

The witnesses were Mitchell West, Insurance Broker, HealthChoiceOne, Greenwood Village, CO; Gary Livengood, Principal, What a Stitch, LLC, Mt. Airy, MD; Grace-Marie Turner, President, Galen Institute, Alexandria, VA; and Timothy Jost, Professor of Law, Washington and Lee School of Law, Lexington, VA.

Mr. West stated that since the new MLRs became effective, all of the eight major insurance carriers in Colorado have reduced their commissions by an average of 47% for new business and 20% on existing business. He said his health insurance clients will not get the same high level of service because he must spend so much time selling and servicing other products to maintain his income. Mr. Livengood testified that he relies heavily on his agent for details about insurance products and claims assistance, and the agent’s role will become increasingly important as more of the health care law’s complex provisions become effective. Ms. Turner cited data showing that the MLR regulations have resulted in lower broker commissions, employee layoffs, reduced client service and higher premiums. Professor Jost said the National Association of Insurance Commissioners found that consumers in states with state-enacted MLRs continued to have access to brokers. He said he believes the new MLRs will make health insurance more affordable.

At the hearing’s close, Chairman Coffman pledged to continue to closely monitor how the implementation of health care reforms affects small businesses.

THE FUTURE OF THE FAMILY FARM: THE EFFECTS OF PROPOSED DOL REGULATIONS ON SMALL BUSINESS PRODUCERS

On February 2, 2012, 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 Future of the Family Farm: The Effects of Proposed DOL Regulations on Small Business Producers.” The purpose of the hearing was to examine a

notice of proposed rulemaking from the United States Department of Labor (DOL) that would have made significant changes to exemptions to Fair Labor Standards Act (FLSA) pertaining to youth employment on family-owned agriculture operations and those involving agriculture vocational education.

The witness were: Nancy Leppink, Esq., Deputy Administrator, Wage and Hour Division, United States Department of Labor, Washington, DC; Mr. Chris Chinn, Owner, Chinn Hog Farm, Clarence, MO, testifying on behalf of the American Farm Bureau Federation; Mr. Kent Schescke, Director of Strategic Partnerships, National Future Farmers of America, Alexandria, VA; Mr. Robert Tabb, Deputy Commissioner, West Virginia State Department of Agriculture, Charleston, WV; and Mr. Richard Ebert, Vice President, Pennsylvania Farm Bureau, Blairsville, PA.

At the beginning of her testimony, Deputy Administrator Leppink notified the Committee that DOL was going to withdraw and repropose the portion of the rule addressing the parental exemption. She then explained that the purpose of the proposed rule was to update and clarify existing FLSA regulations pertaining to the employment of youth in agriculture occupations.

Ms. Chinn and Mr. Ebert testified that changes in the farm economy have resulted in changes to farm ownership patterns as families consolidate numerous individual farms and ranches into a single operation to take advantage of economies of scale. Mr. Schescke expressed concerns that the Department's attempts to narrow the Fair Labor Standards Act exemptions applicable to youth working with machinery could negatively affect their ability to provide comprehensive education and training to these youths. Mr. Tabb noted that current DOL FLSA regulations have resulted in a substantial decrease in the number and severity of on-farm accidents involving youth. All of the witnesses on the second panel agreed that DOL's proposed rule narrowing the parental exemption would negatively affect family-owned agriculture operations and vocational education programs.

At the hearing's close, Chairman Tipton urged the Department of Labor to modify or rescind the parental exemption portion of the proposed rule.

CONSTRUCTION CONTRACTING: BARRIERS TO SMALL BUSINESS PARTICIPATION

On Thursday, February 9, 2012, 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 construction contracting and barriers related to small businesses. The hearing focused on contracting areas that can limit small businesses from competing on construction projects, such as: 1) contract bundling; 2) the sealed bid award process; 3) allowing prime contractors to take credit for low tier subcontracting; 4) prompt payment of prime contractors and subcontractor; 5) necessity of retainage; 6) effectiveness of the Small Business Administration (SBA) surety bond program; and 7) desirability of a locality preference.

The witnesses on Panel I were: Mr. Mark McCallum, CEO, National Association of Surety Bond Producers, Washington, DC; Dirk D. Haire, Esq., Partner, Fox Rothschild, Washington DC, on behalf of the Associated General Contractors of America; Ms. Rosie Privitera Biondo, President, Mark One Electric Co., Kansas City, MO, on behalf of the Women Construction Owners and Executives; and Mr. Miguel Galarza, President, Yerba Buena Engineering and Construction, San Francisco, CA. The witnesses on Panel II were: Mr. William Guerin, Assistant Commissioner, Public Building Service, General Services Administration (GSA), Washington, DC; James C. Dalton, P.E., Chief, Engineering and Construction Division, Directorate of Civil Works, United States Army Corps of Engineers (USACE), Washington, DC; and Ms. Jeanne Hult, Acting Associate Administrator for Capital Access, Small Business Administration (SBA), Washington, DC.

The private sector witnesses provided examples of why the contracting areas, highlighted in the hearing, prohibit small businesses from competing on construction projects. The witnesses supported expanding the statutory definition of contract bundling to specifically include procurements for new construction. Ms. Privitera Biondo and Mr. Galarza advocated for a bid listing provision to combat bid shopping on sealed bid awards, but Mr. Haire argued that industry should police itself in this area. The panel generally supported allowing prime contractors to count lower tier subcontracting work towards their small business subcontracting goals; accelerating prime contract payments on construction and architect and engineering contract to 14 days; and notifying subcontractors when the government pays prime contractors. Furthermore, the panel agreed that retainage should not be an arbitrary percentage automatically assessed the prime contractor and passed onto the subcontractor, and should not exceed the value of the remaining work. All agreed that improvements should be made to the SBA Surety Bond Guarantee program. The witnesses were not united behind the local geographic preference, and stated that it may be more detrimental than beneficial to the construction industry.

The GSA and USACE witnesses highlighted their success including small businesses as prime contractors in their construction programs. Each denied that they bundle contracts, but both admitted that they consolidate contracts. SBA discussed its surety bond program and improvements underway to make the program more effective to small businesses, and recommended legislatively raising the cap on the guarantees to \$5 million.

At the conclusion of the hearing, Chairman Mulvaney thanked the witnesses for their testimonies, and asked them to work with the Subcommittee on ideas and ways to eliminate and minimize the impediments, mentioned in the hearing, that often limit or preclude a small business from effectively competing for construction contracts.

BROADBAND: A CATALYST FOR SMALL BUSINESS GROWTH

The Subcommittee on Healthcare and Technology of the Committee on Small Business met for hearing on February 15, 2012 titled, “Broadband: A Catalyst for Small Business Growth.” The purpose of the hearing was to examine the growth and importance of broadband to small businesses, including the role of the federal government in providing access to rural America.

Witnesses included: Ms. Mitzie Branon, General Manager, Yadkin Valley Telecom, Yadkin, NC, on behalf of the following organizations: National Telecommunications Cooperative Association, Organization for the Promotion and Advancement of Small Telecommunication Companies, and Western Telecommunications Alliance; Mr. Roger Bundridge, General Manager, NorthwestCell, Maryville, MO, on behalf of the Rural Cellular Association; Ms. Rebecca Sanders, Indiana Telehealth Network Director, Indiana Rural Health Association, Plainfield, IN, on behalf of the National Rural Health Association; and Mr. Darrell West, Vice President and Director of Governance Studies, The Brookings Institution, Washington, DC.

At the hearing, Ms. Branon and Mr. Bundridge explained their effort to expand both wireline and wireless broadband to more small businesses, especially in rural areas. They provided best practices and policy recommendations on certain federal programs, including the Universal Service Reform initiative and spectrum auctions. In addition, Mr. West and Ms. Sanders explained how access to those broadband services is essential for economic growth and success of small businesses. Ms. Sanders said, “In many parts of Indiana, patients have no local access to specialists in critical fields, such as radiology, cardiology, and neurology and must travel great distances, often in very fragile health, to obtain those services. When adequate broadband is available in rural areas, patients are able to access specialists via telemedicine while staying in their local communities. This results in time savings to the patients through reduced travel, and higher laboratory and radiology revenues to the local healthcare providers who would have lost those revenues to the urban healthcare provider.”

In closing, the Chairwoman said she will continue to closely follow the actions of the Federal government in expanding broadband to small businesses. She will also work with House colleagues to ensure that federal policies do not obstruct the private sector investment in broadband infrastructure, as this will have an adverse impact on small businesses and their ability grow.

EXAMINING THE ROLE OF GOVERNMENT ASSISTANCE FOR DISASTER VICTIMS:
A REVIEW OF H.R. 3042

On February 16, 2012, 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 examining legislation that would amend the Small Business Administration's (SBA) programs that provide long-term disaster recovery assistance and short-term business interruption assistance. The legislation, H.R. 3042, further lowers the interest loans for SBA loans to small businesses under section 7(b) of the Small Business Act.

The witnesses were: Mr. H. Doug Hoell, Director, North Carolina Division of Emergency Management, Raleigh, NC, testifying on behalf of the National Emergency Management Association; Mr. Gene Tighe, Owner, GT Fabrication, Pittston, PA; Howard Kunreuther, Ph.D., James G. Dinan Professor of Decision Sciences and Public Policy, The Wharton School, University of Pennsylvania, Philadelphia, PA; and David B. Muhlhausen, Ph.D., Research Fellow in Empirical Policy Analysis, The Heritage Foundation, Washington D.C.

Mr. Hoell testified that state emergency management officials work closely with the Federal Emergency Management Agency (FEMA) and the SBA to provide information to disaster victims about the recovery assistance available from the government. Mr. Tighe testified that after Tropical Storm Lee, he experienced multiple delays and misinformation while applying for an SBA disaster loan which would not be of significant help given the interest rate on such loans. Professor Kunreuther testified that natural disasters are becoming more costly because the government is providing incentives for rebuilding in disaster prone areas without providing any incentives to mitigate damage from such disasters. Mr. Muhlhausen testified that the federal government disaster response supplants the historical state role in such matters and such relief discourages individuals from obtaining private insurance to protect themselves.

POWERING DOWN: ARE GOVERNMENT REGULATIONS IMPEDING SMALL ENERGY
PRODUCERS AND HARMING ENERGY SECURITY?

On March 8, 2012, 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 on "Powering Down: Are Government Regulations Impeding Small Energy producers and Harming Energy Security?" The purpose of the hearing was to examine federal policies that were impeding small energy producer access to federal lands containing oil and gas deposits.

The witnesses were: Mr. Tim Barber, Environmental/Federal Regulator Supervisor, Yates Petroleum, Gillette, WY; Mr. David Ewing, President, Ewing Exploration Company, Sugarland,

TX; Ms. Kimberly Rodell, Regulatory Project Manager, Banko Petroleum Management, Inc., Englewood, CO; and Mark Squillace, Esq., Professor of Law and Director, Natural Resources Law Center, University of Colorado School of Law, Boulder, CO.

Mr. Barber and Mr. Ewing testified that recent United States Department of Interior Bureau of Land Management (BLM) policies have greatly impeded the ability of small oil and gas production firms to obtain leases and permits to drill for oil and gas deposits on federal lands. They both claimed that BLM's decisions to delay putting new lands up for lease until the agency completes Master Resource Plans are arbitrary and not based on sound science or land management principles. The overall effect of these policies, Mr. Ewing testified, will be to drive small producers out of energy production on federal lands.

Ms. Rodell testified about difficulties small producers are having obtaining permits to drill. Banko Petroleum Management, Inc. provides consulting services to small producers filing applications for permits to drill to BLM. She noted that the time it takes for BLM to approve an application for a permit to drill has increased significantly over the past few years. She also questioned BLM's increased use of stipulations on leases and drilling permits, such as a stipulation that prevents companies from disturbing Sage Grouse habitat.

Professor Squillace testified that, in his opinion, oil and gas producers have ample access to lease opportunities on federal lands. He also stated that the federal land use planning and leasing processes are critical to sound decision-making and should not be compromised for any perceived short term benefits to small oil and gas producers.

THE HEALTH CARE REFORM LAW: ITS PRESENT AND FUTURE IMPACT ON SMALL BUSINESSES AND JOB CREATION

On March 16, 2012, the Subcommittee on Investigations, Oversight, and Regulations of the Committee on Small Business met at Greenwood Village, Colorado for the purpose of conducting a hearing titled "The Health Care Reform Law: Its Present and Future Impact on Small Businesses and Job Creation." The hearing examined the implementation of the Patient Protection and Affordable Care Act (PPACA) and its impact on small businesses. In particular, the Subcommittee considered the employer mandate and how that provision will affect small business job creation. The Subcommittee also discussed the confusion and uncertainty the PPACA is causing small businesses as the law is implemented.

The witnesses for the hearing were: Keith Small, DMD, Cody Dental Group, Denver, CO; Mr. Matt Tynan, Secretary and Treasurer, Tynan's VW, Nissan, Kia, Aurora, CO, testifying on behalf of the National Automobile Dealers Association; Mr. John W. Leever, President, Leever Supermarkets, Inc., Franktown, CO, testifying on behalf of the National Grocers

Association; and Mr. Mark Rogers, President and Chief Operating Officer, Roaring Fork Restaurants, Castle Rock, CO, testifying on behalf of the International Franchise Association.

Dr. Small began the testimony by stating that the long standing cafeteria plan structure in existence since 1986 has been very beneficial to his employees. He went on to say that, unfortunately, due to the PPACA's abrupt change in the flexible spending account medical over the counter allowance in January of 2011 coupled with the 68.75% reduction in the maximum benefit on January 1, 2013 will be a major burden on the budgets of his employees. Mr. Tynan testified that instead of doing what is in the best interests of his employees and his business by offering health insurance coverage, the PPACA removes incentives to provide such coverage and makes it a simple math equation where businesses will look to their bottom lines and nothing else. Mr. Leever expanded on the point made by Mr. Tynan by saying that he currently covers 80% of the health benefit costs for his full time employees with about \$480,000. He stated that should the employer mandate come into effect unchanged in 2014, his health insurance costs would skyrocket to around \$2 million. He finalized that point by saying that the penalties contained in the PPACA would only be around \$440,000. Mr. Rogers stating that should the employer mandate be put into full effect, he envisions that he would have to raise prices three or four percent in each of his restaurants to cover the additional costs and believes that other industries would face similar, or perhaps higher, increases.

IMPACT OF UNITED STATES TRADE POLICIES ON SMALL BUSINESSES AND MANUFACTURING

On April 2, 2012, the Subcommittee on Agriculture, Energy and Trade of the Committee on Small Business held a hearing titled, "Impact of United States Trade Policies on Small Businesses and Manufacturing" at the Pittsburgh Technology Council in Pittsburgh, PA. The hearing provided an opportunity to examine the impact of international trade policies on small manufacturers.

The witnesses on Panel I were: Mr. Thomas Cummings, Northeast Regional Director, Export-Import Bank of the United States, New York, NY; Mr. Joseph Hanley, Mid-Atlantic Director, United States Department of Commerce Export Assistance Centers, Philadelphia, PA; and Mr. Peter O'Neill, Executive Director, Center for Trade Development, Pennsylvania Department of Community and Economic Development, Harrisburg, PA. The witnesses on Panel II were: Mr. Walt Robertson, President, Johnstown Wire Technologies, Johnstown, PA, testifying on behalf of the American Wire Producers Association; Mr. Justin McElhattan, President and CEO, Industrial Scientific Corporation, Oakdale, PA; and Mr. David Groll, CEO, Circadian LLC, Export, PA.

At the hearing, the first panel of government witnesses explained the importance of and opportunities to increase exports from small businesses in the United States. Mr. Hanley stated

the trade offices located in Pennsylvania helped counsel over 1,000 businesses in FY2011 and 2012, resulting in over \$500 million in exports. Mr. O'Neil explained his role in promoting Pennsylvania exports and recommended stronger coordination between state and federal trade offices. Mr. Cummings stated the Export-Import Bank of the United States set a new record by financing over \$6 billion to small business exporters.

The second panel of private witnesses discussed key policy issues affecting their ability to compete globally. Mr. Groll said the possible enactment of the 2.3 excise tax on manufactured medical devices mandated by the Patient Protection and Affordable Care Act will force a 23 percent cut in his firm's research and development program thereby impinging on Circadiance's ability to stay competitive in the global market. Mr. McElhattan voiced his concerns around the export control process and encouraged policymakers to streamline the process. Finally, Mr. Robertson expressed his concerns over unfair trade practices with foreign competitors, especially in China. He stated actions must be taken to combat these practices and level the playing field.

In closing, Chairman Tipton said he will continue to work on reducing barriers to better assist small business exporters, while making the overall trade process simpler and stronger. He will also work to ensure our foreign competitors are playing by the same rules as domestic manufacturers.

EQUITY FINANCE: CATALYST FOR JOB CREATION

On Thursday, April 19, 2012, the Subcommittee on Economic Growth, Tax and Capital Access met in Room 2360 of the Rayburn House Office Building, for the purpose of examining the current state of equity financing for small businesses. In particular, the hearing focused on barriers to new ideas for the provision of equity capital to startup ventures.

Witnesses for the hearing were: Mary Dent, Esq., General Counsel, Silicon Valley Bank, Palo Alto, CA; Mr. Jason Best, Co-founder, Startup Exemption, San Francisco, CA; Mr. Tony Shipley, Founder & Chairman, Queen City Angels, Cincinnati, OH, testifying on behalf of the Angel Capital Association; and Ms. Angela Jackson, Managing Director, Portland Seed Fund, Portland, OR.

Ms. Dent testified that the level of competition and the availability of credit varies depending on the maturity of the company in commerce, and younger companies (generally with lower cash flows) require greater access to equity capital. Mr. Best, discussed crowdfunding and how that would work given the recent enactment of the Jumpstart Our Business Startups Act (JOBS Act). Mr. Shipley testified that angel investors are passionate about helping start small businesses but may need certain tailored tax incentives to make angel investing a widespread option for early-stage small businesses and that angel investors enjoy being part of the

entrepreneurial ecosystem. Ms. Jackson testified that even with the passage of the JOBS Act, other potential federal barriers exist to full participation by angel investors in providing equity capital to small businesses.

HOW THE REPORT ON CARCINOGENS USES SCIENCE TO MEET ITS STATUTORY OBLIGATIONS, AND ITS IMPACT ON SMALL BUSINESS JOBS

On April 25, 2012, the Subcommittee on Healthcare and Technology of the Committee on Small Business and the Subcommittee on Investigations and Oversight of the Committee on Science, Space and Technology met in Room 2318 of the Rayburn House Office Building for the purpose of receiving testimony on the Report on Carcinogens (RoC) and its impact on small business. The hearing, titled “How the Report on Carcinogens Uses Science to Meet its Statutory Obligations, and its Impact on Small Business Jobs,” focused on examining the process used by the National Toxicology Program (NTP) to determine which substances should be listed in the congressionally mandated RoC and the impact of a substance listing on small business.

The witnesses for the first panel were: Linda S. Birnbaum, Ph.D., Director, National Institute of Environmental Health Sciences and National Toxicology Program, United States Department of Health and Human Services, Research Triangle Park, NC; Charles A. Maresca, Esq., Director of Interagency Affairs, Office of the Chief Counsel for Advocacy, United States Small Business Administration, Washington, DC. The second panel witnesses were: James S. Bus, Ph.D., Director of External Technology, Toxicology and Environmental Research and Consulting, The Dow Chemical Company, Midland, MI; L. Faye Grimsley, Ph.D., Associate Professor, School of Public Health and Tropical Medicine, Tulane University, New Orleans, LA; Ms. Bonnie Webster, Vice President, Monroe Industries, Inc., Avon, NY; Ms. Ally LaTourelle, Vice President of Government Affairs, BioAmber, Inc., Plymouth, MN; Mr. John E. Barker, Corporate Manager, Environmental Affairs, Safety and Loss Prevention, Strongwell Corp., Bristol, VA; Richard B. Belzer, Ph.D., President, Regulatory Checkbook, Mount Vernon, VA.

Dr. Birnbaum began the hearing by providing an overview of the process used to prepare the 12th RoC and the changes to the process for the 13th RoC. Mr. Maresca voiced the Office of Advocacy’s concerns with the peer review and public comment process and discussed the potential regulatory and economic impact of a substance listing on small business. Dr. Bus said that the RoC process was largely *ad hoc* and lacked explicit criteria to ensure that NTP’s reviews of scientific information are transparent and consistent. Ms. Grimsley noted the importance of the NTP to public health. Ms. Webster and Mr. Baker discussed the impact and uncertainty the listing of styrene in the 12th RoC was causing for their businesses. Ms. LaTourelle stated that regulations lead to innovation and that consumers are the ultimate regulators. Dr. Belzer stated that the RoC does not contain all the information mandated by Congress and recommended legislative changes to make the RoC a useful scientific compendium about human carcinogens.

SMALL BUSINESS INNOVATORS: ON THE CUTTING EDGE OF ENERGY SOLUTIONS

On April 26, 2012, 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 from witnesses regarding role of small business innovation in the energy industry. The hearing, titled “Small Business Innovators: On the Cutting Edge of Energy Solutions,” focused on innovative ways small businesses contribute to energy production. Specifically, the Subcommittee focused on advanced biofuels, such as cellulosic ethanol, and new innovative technologies small companies have developed to produce energy from previously unused materials.

The witnesses for the hearing were: Mr. Ralph Tommaso, CEO & Head of Business Development, Greenworks Holdings, Bethlehem, PA; Mr. Jerry Taylor, President & CEO, MFA Oil Company, Columbia, MO; Mr. Michael McAdams, President, Advanced Biofuels Association, Washington, DC; and Mr. Matthew Hughes, Director of Business Development - ETC (Environmental Tank & Container), JWF Industries, Johnstown, PA.

Mr. Tommaso testified that biofuels represent a potentially cost effective way for the manufacturing industry to reduce harmful emissions, thus saving manufacturing jobs while simultaneously creating and preserving jobs in the biofuels industry. He added that small businesses need stable policies as the main challenge in his industry is regulatory uncertainty and the fluctuating and, more often than not, tightening policies under the Renewable Fuel Standard 2. While discussing MFA Biomass, LLC., Mr. Taylor stated that his MFA farmer-owners recognize the potential to offer America’s rural communities permanent manufacturing jobs, a new cash crop for farmers, a local source for green heating, renewable liquid fuel sources, biobased chemicals, green building materials, water treatments systems, soil reclamation systems, and consumer packaging. Mr. McAdams testified that the advanced biofuels industry is extremely innovative and has evolved rapidly over the last five years and that the country is already starting to see advanced biofuels delivering on its promise of creating new jobs and helping to strengthen our nation’s economic and energy security. Mr. Hughes testified that his company works in conjunction with their customers to develop new technologies to mitigate some of the fears and risks associated with fracking.

PLANNING FOR THE DEATH TAX: CAN SMALL BUSINESSES SURVIVE?

On May 31, 2012, 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 “Planning for the Death Tax: Can Small Businesses Survive?” The purpose of the hearing was to examine the ability of familial heirs to maintain the business in light of estate taxes.

The witnesses were Neil D. Katz, Esq., Managing Partner, Katz, Bernstein & Katz, LLC, Syosset, NY; Karen Madonia, Chief Financial Officer, Illco, Inc., Aurora, IL, testifying on behalf of the Heating, Air-Conditioning & Refrigeration Distributors; Michael G. Flesher, Owner, Taylor Rental Center, Vestal, NY, testifying on behalf of the American Rental Association; and Thala Taperman Rolnick, Owner, Thala T. Rolnick, CPA, PLLC, Phoenix, AZ.

Mr. Katz, who not only advises small business owners about tax matters, but is also managing partner of a small family business (law practice with his father), cited small businesses that are struggling in today's economy to meet their obligations and provide for their families. He said that adding the burden of an estate tax to be due, or one currently due as the result of the death of a former business owner, can make the operation of a small business a nearly impossible task.

Ms. Madonia testified that she finds it fundamentally wrong to place a tax on death. If someone is able to accumulate wealth through hard work and pays taxes on income as it is earned, she believes the government cannot justify taking a significant portion of what is left simply because that person has saved and re-invested rather than consumed. Her small heating and air conditioning business carries capital intensive inventory valued at \$10,000,000 and accounts receivable of \$5,000,000, because they supply equipment to hospitals, schools, nursing homes and grocery stores.

Mr. Flesher said that under current law, his heirs would be able to continue to operate the business, keeping sixteen full-time employees working. The business would continue to invest in equipment and provide services to the community where it is located. If the estate tax reverts to the levels of 2000, it could mean sixteen people would no longer have a job, the businesses that have served his company may no longer have a customer, and the economic security of his heirs could be uncertain.

Ms. Rolnick recommended that Congress pass a permanent estate tax exclusion. Such exclusion should include a reasonable valuation discount for operating small businesses where the death of the owner truly reduces the value of the business.

At the hearing's close, Chairman Walsh said the Committee would continue to raise awareness of the impact of the estate tax on small businesses. He asked that numerous statements from trade associations representing small firms be admitted to the hearing's record.

SCHEDULING SUCCESS? ISSUES AND OPPORTUNITIES FOR SMALL BUSINESSES ON THE SCHEDULES

On June 7, 2012, 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 various contracting issues related to the General Services Administration's (GSA's) Multiple Award Schedules (MAS or Schedules) program. The hearing specifically addressed four areas: (1) voluntary set-asides on Schedules; (2) strategic sourcing and the Schedules; (3) GSA's proposed Demand Based Efficiency Models; and (4) Brooks Act contracting on the Schedules. The hearing also examined a United States Government Accountability Office (GAO) study on strategic sourcing.

The witnesses on the first panel were: Mr. Thomas Jacobs, Principal, Krueck Sexton Architects of Chicago, IL, testifying on behalf of the American Institute of Architects; Mr. Larry Allen, President, Allen Federal Business Partners, McLean, VA; Mr. Charles Forman, Executive Vice President, Independent Stationers, Indianapolis, IN; and Mr. Mike Tucker, Owner, George W. Allen & Co., Beltsville, MD, testifying on behalf of the National Office Products Alliance. The witnesses on the second panel were: Mr. Steven J. Kempf, Commissioner, Federal Acquisition Service, GSA, Washington, DC; and Mr. William Woods, Director, Acquisition and Sourcing Management, GAO, Washington, DC.

Mr. Jacobs expressed concerns that GSA Schedules are improperly including architects and engineers in violation of the Brooks Act, negatively affecting small architecture firms. Mr. Allen testified on recent changes to GSA's Demand Based Efficiency Model which could have negative consequences for small business owners. Mr. Forman discussed small business successes under GSA's federal strategic sourcing initiative (FSSI) particularly with the Office Supply II (OS II) awards. Mr. Tucker, in contradistinction, opined that FSSI and OS II awards limit small business contracting with the federal government.

Mr. Kempf testified on the effects of GSA's recent changes on small businesses including: voluntary-set asides, FSSI, and the MAS demand efficiency model. Mr. Woods testified on GAO's December 2011 report (GAO-12-178) on GSA's strategic sourcing entitled, "Office Supplies Pricing Study Had Limitations, but New Initiative Shows Potential for Savings," noting that small businesses appear to be benefiting from the FSSI.

At the conclusion of the hearing, Chairman Mulvaney stated the Subcommittee would continue to work towards ensuring equitable contracting opportunities with the GSA's Schedules program, and that GSA's proposed changes to the program did not unfairly harm small businesses currently holding a schedule or impede small businesses in receiving a schedule contract.

CAUGHT UP IN RED TAPE: THE IMPACT OF FEDERAL REGULATIONS ON SMALL BUSINESSES AND CONTRACTORS

On June 14, 2012, the Subcommittee on Contracting and Workforce of the Committee on Small Business met in Rock Hill, South Carolina for the purpose of receiving testimony from witnesses regarding on regulatory impediments for small businesses and contractors. Specifically, the Subcommittee examined regulatory obstacles to small business job creation, economic growth, and participation in the federal contracting arena.

The witnesses for the hearing were: Col. Charles O’Cain, USAF, Ret., Owner, Owl Business Consulting, LLC, Rock Hill, SC; Mr. Doug Meyer-Cuno, President, Carolina Ingredients, Rock Hill, SC; and Mr. Monty Felix, CEO, Alaglas Pools, Saint Matthews, SC, testifying on behalf of the American Composite Manufacturers Association.

Col. O’Cain began the hearing by stating that while all of the information that small businesses need to successfully contract with the federal government is available online, there is no central location where small business owners can go to get that information. Col. O’Cain suggested that a central website designed with a checklist of processes and documents needed would better serve small businesses seeking to do business with the federal government.

Mr. Meyer-Cuno focused his testimony on the regulations implementing the Patient Protection and Affordable Care Act, stating that with the complexity and sheer number of regulations coming out of this law, he is unable to predict his future costs when hiring new employees. He also testified that that if the law is fully implemented, his healthcare costs will rise by 100 to 150 percent.

Mr. Felix ended the testimony by focusing his presentation on the lack of valid and transparent reviews of the scientific, economic, and other relevant facts. He cited the Department of Health and Human Services Report on Carcinogens as a prime example federal regulators disregarding scientific evidence contrary to the intended benefit of regulations.

SMALL BUSINESS LENDING: PERSPECTIVES FROM THE PRIVATE SECTOR

On June 21, 2012, the Subcommittee of Investigations, Oversight and Regulations of the Committee on Small Business met in Room 2360 of the Rayburn House Office Building for the purpose of conducting a hearing on small business lending. The hearing was a follow-up to the Committee on Small Business June 6 hearing during which the Administrator of the Small Business Administration (SBA), the Hon. Karen Mills, testified.

Witnesses for the hearing were: Mr. David Rader, Executive Vice President, SBA Lending, Business Executive, Wells Fargo Bank, N.A., Minneapolis, MN; Mr. Timothy Dixon, Senior Vice President & Head of Business-Owner Banking, Citizens Republic Bancorporation,

Warrensville Heights, OH, testifying on behalf of the Consumer Bankers Association (CBA); Mr. Brett Martinez, President and CEO, Redwood Federal Credit Union, Santa Rosa, CA, testifying on behalf of the Credit Union National Association; and Mr. Robert Marquette, President and CEO, Members 1st Federal Credit Union, Mechanicsburg, PA, testifying on behalf of the National Association of Federal Credit Unions.

Mr. Rader asserted that the SBA should focus its attention on extant programs rather than creating new pilot programs. Mr. Dixon suggested that the SBA provide results of audits to lenders in a more timely fashion. Mr. Martinez stated that the SBA should streamline its paperwork requirements since SBA loans require more information than a credit union's normal commercial loans. Mr. Marquette testified that about critical issues facing credit unions in their delivery of capital access to small businesses particularly focusing on the need for greater SBA outreach and removal of the commercial loan lending cap. Both credit union witnesses suggested that the commercial lending cap on credit unions be raised. Finally, all the witnesses were consentient in noting that the standard operating procedure development process needed to be overhauled.

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.

HEARING ON THE FY 2012 BUDGET FOR THE SMALL BUSINESS ADMINISTRATION

During the March 2, 2011 full Committee hearing on the President's FY 2012 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 several pilot programs that are not authorized, as well as the management of the agency related to the distribution of personnel and its reflection of agency priorities. Further, the Committee pointed to issues cited by the agency's Inspector General, namely the SBA's expedited loan processing initiatives and reliance on outside financial institutions, as well as contracts awarded to firms that do not meet program eligibility criteria. These concerns are laid out in greater detail in the Committee's FY 2012 budget views and estimates letter that was adopted by the Committee on March 15, 2011.

HEARING ON ENTREPRENEURIAL DEVELOPMENT PROGRAMS

The Committee hearing on May 25, 2011 examined duplication in the SBA's entrepreneurial development programs. The hearing focused on a report by the Government Accountability Office citing 80 economic development programs throughout the Department of Commerce, the Department of Housing and Urban Development, the Department of Agriculture and SBA. The Committee specifically focused on four programs at the SBA dealing with entrepreneurial development. Those programs are the Small Business Development Companies (SBDC), the Service Corps for Retired Employees (SCORE), Women's Business Centers (WBCs) and Veterans' Business Outreach Centers (VBOCs). In a March 15, 2011 letter to the Senate Committee on Small Business and Entrepreneurship, the SBA's Inspector General pointed to overlap in these SBA programs, reporting that 104 of the 109 WBCs listed on SBA's website are located within 25 miles of either an SBDC or SCORE chapter. Additionally, of the 16 Veterans Business Opportunity Centers, seven are located at the same college or university as an SBDC. Of the remaining veterans' centers, six have an SBDC within 10 miles, two are less than 20 miles from an SBDC and the remaining center is 33 miles away. The Inspector General also noted that the Department of Commerce Minority Business Development agency has 41 outreach centers providing similar services as SBDCs. All of these 41 centers have a SBDC or SCORE chapter within 25 miles. The Committee is examining these programs for consolidation

or elimination, in line with the recommendations made in its FY 2012 budget views and estimates letter.

The Subcommittee on Agriculture, Energy and Trade held a filed hearing on April 2, 2012 in Pittsburgh, PA to address the impact of United States trade policies on small businesses and small manufacturers. One of the key recommendations in the hearing was to increase coordination between federal and state offices that provide small businesses with export assistance. The findings of this hearing comport with the Committee's efforts to reduce duplication in SBA's entrepreneurial assistance programs aimed at providing assistance to small businesses seeking to export their goods.

HEARINGS ON THE SMALL BUSINESS INNOVATION RESEARCH PROGRAM

The Committee held two hearings on the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs. The full Committee held a general hearing to provide an overview of the programs on March 16, 2011. The Subcommittee on Healthcare and Technology held a hearing on April 7, 2011 to examine a draft legislative proposal to reauthorize and modernize the programs. Included in the draft proposal were provisions designed to eliminate waste and fraud in the programs. For example, the legislation establishes an interagency Committee to recommend greater efficiencies in the programs; requires the Comptroller General of the United States to conduct an audit of the SBIR and STTR programs; seeks to amend the SBIR and STTR Policy Directives to include measures to prevent fraud, waste, and abuse, including GAO studies on various measures of effectiveness; and requires the Offices of Inspector General for participating agencies to submit annual reports on fraud elimination in the programs. Ultimately, these provisions were included in legislation (H.R. 1425) that the Committee marked up and reported favorably on May 11, 2011. These anti-fraud provisions then were incorporated into the National Defense Authorization Act for Fiscal Year 2012, Pub. L. No. 112-81, 125 Stat. 1298, 1823-62 (2011).

HEARINGS ON SBA FINANCIAL ASSISTANCE PROGRAMS

The Committee held two hearings to consider the adequacy of programs designed to provide financial assistance to small businesses. On October 26, 2011, the Committee reviewed the capital access programs operated by the SBA in conjunction with private lenders. One of the major issues raised at the hearing related to the adequacy of the SBA's oversight of the lenders to ensure that federal taxpayers were not put at risk. In addition, the hearing also inquired into whether the SBA obtains sufficient returns when it is forced to foreclose on loans. The hearing on November 30, 2011 assessed the SBA's compliance with changes made to the disaster loan program in 2008 and whether the agency was capable of responding to major disasters. GAO noted that SBA was improving its disaster preparedness but still had more to do to ensure adequate handling of disasters.

On February 8, 2012, the Committee held a hearing to discuss a GAO investigation, initiated by Chairman Graves, concerning problems associated with the modernization of information technology resources used by the SBA to manage its loan portfolio. The investigation found numerous deficiencies in the project and the Committee continues to monitor the modernization project to ensure that it complies with sound information resource management practices.

On June 6 and June 21, 2012, the Committee held two hearings to examine the lack of procedural regularity in how the SBA operates its capital access programs. The June 6 hearing was with Administrator Mills and the June 21 hearing had testimony from SBA's private lending partners. The Committee will continue to review SBA operations to ensure that procedures used in the capital access programs are not based on ad hoc procedures allowing the agency to treat similarly-situated entities differently.

HEARINGS ON FEDERAL PROCUREMENT

The Subcommittee on Contracting and the Workforce conducted four hearings on federal procurement matters that addressed problems in efforts by the federal government to increase opportunities for small businesses to participate in federal procurements. Increased utilization of small businesses will increase competition, enhance innovation, and reduce reliance on certain sole source contracts thereby improving the value of goods and services purchased by the federal government.

On June 23, 2011, the Subcommittee examined the impact of insourcing (converting work done by contractors to work done by federal employees) on small business federal government contractors. The hearing revealed that small businesses (who can do work in a more cost effective manner) were having their contracts brought in-house to be performed by federal employees even when those activities were not inherently governmental.

On September 15, 2011, the Subcommittee investigated whether certain SBA programs were working sufficiently to ensure maximum participation by small businesses in the federal procurement arena. The hearing revealed that SBA programs needed further enhancement and revision to ensure maximum utilization from small businesses and the benefits that small businesses would provide to the federal government.

A hearing on October 6, 2011 examined whether large contractors were complying with federal statutes and regulations to utilize small business subcontractors when providing goods and services to the federal government. The hearing found that large contractors did not comply with such requirements and that the computer data systems used by the federal government were inadequate to ensure compliance with the subcontracting requirements.

The Subcommittee examined mechanisms to reduce fraud in special contracting programs overseen by the SBA in a hearing on October 27, 2011. The hearing identified a number of problems associated with these programs, including misrepresentation of status for participation in the programs, improper subcontracting (including violations of the so-called “non-manufacturing rule”), incorrect assignment of size standards by contracting officers, and recurring acts of bribery and kickbacks (which are currently under criminal investigation).

On February 9, 2012, the Subcommittee on Contracting and Workforce held a hearing to investigate barriers that small businesses face in obtaining construction contracts. Although not focused solely on fraud, waste, and abuse, greater involvement by small businesses in construction contracts will lead to increased competition thereby providing the government with better service at lower overall cost.

The Subcommittee on Contracting and Workforce held a hearing on June 7, 2012 to examine recent changes in operation of GSA’s multiple award schedules (MAS). While some of the initiatives appear to be successful in providing increased value to the government, other actions taken by GSA, such as eliminating small sellers from the MAS, may hurt their ability to offer goods and services to states and municipalities that require their suppliers to have a MAS contract. The Subcommittee continues to monitor the impact that the policy changes will have on small government contractors.

OVERSIGHT PLAN FOR THE 112TH CONGRESS

Clause 2(d) of rule X of the Rules of the House of Representatives for the 112th 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.

Clause 1(d) of rule XI of the Rules of the House of Representatives requires each Committee to submit to the House, not later than the 30th day after June 1, a semiannual report on the activities of that Committee. Moreover, that report shall include a summary of the oversight plan submitted under clause 2(d) of rule X and summary of the actions taken with respect to such plan; and a summary of any additional oversight activities undertaken by the Committee.

Part A of this section contains the Oversight Plan of the Committee on Small Business for the One Hundred Twelfth Congress, which the Committee considered and adopted on January 26, 2011.

Part B of this section contains a summary of the actions taken to implement that plan.

PART A

OVERSIGHT PLAN OF THE COMMITTEE ON SMALL BUSINESS FOR THE ONE HUNDRED TWELFTH CONGRESS

January 26, 2011, Approved by the Committee on Small Business

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 from 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 the 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.
- Effectiveness of the Small Business Lending Fund and State Small Business Credit Initiative created by Pub. L. No. 111-240, the Small Business Jobs Act of 2010.
- Impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203 on small business access to capital.

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, loan programs utilizing simplified lending applications, and disaster loans offered by private lenders through interest rate subsidies.

Oversight of SBA and Other Federal Entrepreneurial Development Programs

The Committee will conduct the 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.
- Suggesting methods for enhancing coordination among federal agencies in providing assistance to entrepreneurs.
- 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 program, and Small Business Innovation Research program.
- 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).

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 in which 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 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 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.

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 that 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 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 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.
- Alternatives to the Patient Protection and Affordable Care Act that reduce health insurance costs to small businesses without inhibiting their ability to create jobs.
- 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 increase 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 and any all including, but not limited to, programs and offices listed below in order to find areas in which to reduce the federal deficit:

- Small Business Lending Fund operated by Department of Treasury.
- 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.
- 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.

PART B

IMPLEMENTATION OF THE OVERSIGHT PLAN OF THE COMMITTEE ON SMALL BUSINESS FOR THE ONE HUNDRED TWELFTH CONGRESS

A. Oversight of Federal Capital Access Programs

In its review of the Small Business Administration's (SBA) fiscal year (FY) 2012 budget request, the Committee analyzed the agency programs devoted to providing access to capital to small businesses. During a March 2, 2011 hearing on the SBA budget, at which the SBA Administrator testified, and as part of the Committee's views and estimates on the FY 2012 budget adopted on March 15, 2011, the Committee outlined its concerns with and proposals for improving the SBA programs devoted to small business financing, including the 7(a) Loan Program, the Certified Development Company Loan Program, the Microloan Program, the Small Business Lending Intermediary Pilot Program, the Small Business Investment Company Program, the Surety Bond Program and the Disaster Loan Program.

On June 1, 2011, the Committee on Small Business met for a hearing titled, "Access to Capital: Can Small Businesses Access the Credit Necessary To Grow and Create Jobs?" The hearing provided a forum for lenders and business owners to discuss the current economic environment and how they are working together to support private sector job growth. Witnesses from the lending side discussed the demand for capital and current initiatives to encourage small business lending. Small business owners testified about the current economic environment and the capital that is required to expand and hire new workers. The value of the SBA lending

programs, particularly the 7(a) guarantee program, was discussed in detail. The Committee, in a hearing with Secretary Geithner on June 22, 2011, examined programs operated by the Department of Treasury to increase capital access to small businesses. On October 26, 2011, the Committee examined in greater detail the SBA capital access programs (which use loan guarantees rather than direct loans to small businesses) and whether they were operating in a manner designed to enhance access to capital by small businesses while protecting the federal taxpayer from defaults on such loans. Finally, the Committee continued its oversight of the SBA Disaster Loan Program in a hearing on November 30, 2011 to ensure that it is prepared to assist small businesses in recovering from disasters.

On June 2, 2011, the Committee secured a commitment from the Government Accountability Office (GAO) to review the SBA's Loan Management Accounting system. GAO has concluded its investigation and is awaiting the response from the SBA before finalizing its report to Congress.

This system is designed to manage the SBA guaranteed loan portfolio, but is severely outdated. The Committee's views and estimates letter on the FY 2012 budget request, adopted by the Committee on March 15, 2011, outlines concerns with the Loan Management Accounting System used by the SBA and resources devoted to it. As already noted, elsewhere in this report, the Committee held a hearing to discuss the results of GAO's investigation on the inadequacies of the modernization process.

In June 2012, the Committee held two hearings on the ad hoc procedures used by the SBA in operating its capital access programs. The Committee prepared a series of follow-up questions to Administrator Mills in an effort to further identify weaknesses in the SBA's regulation of its guaranteed lenders.

B. Oversight of SBA and Other Federal Entrepreneurial Development Programs

On March 15, 2011 the Committee adopted its views and estimates on the FY 2012 budget that outlined several duplicative entrepreneurial development programs at the SBA. This letter will be used as a template for legislation to consolidate and/or eliminate said programs.

On May 25, 2011, the Committee on Small Business held a full Committee hearing titled, "Promoting Entrepreneurship and Job Creation by Decreasing Duplication at SBA." This hearing examined duplicative programs at the U.S. Small Business Administration (SBA), specifically focusing on the entrepreneurial development Programs. The panel discussed the overlap that occurs within SBA's entrepreneurial development programs and how private efforts meet the needs of businesses seeking professional educational opportunities.

On July 28, 2011, Chairman Graves sent a letter to the Administrator of the SBA, the Hon. Karen Mills, requesting that the Administrator reconsider the disbursement of funds to grantees

operating Small Business Development Centers (SBDC). The letter contended that the competitive grant program undermined the basic financing structure of the SBDC program.

The following day, the Committee sent a request to the SBA for contracts issued by the agency on a sole source basis to a company that provided certain types of entrepreneurial education. The Committee continues to investigate this sole source contract and whether it duplicates efforts already provided by other entrepreneurial development programs at the SBA.

At a hearing on October 17, 2011, the Subcommittee on Contracting and the Workforce examined whether changes were needed to the SBA's entrepreneurial outreach programs to maximize assistance to new entrepreneurs. The panel determined that improvements could be made with efforts to refocus some of the assistance provided by the SBA's entrepreneurial development partners.

The Subcommittee on Agriculture, Energy and Trade held a field hearing in Pittsburgh, PA on April 2, 2012 to discuss trade policies and its impact on small manufacturers. Although the main thrust of the hearing was not oversight of SBA's entrepreneurial development programs, the issue of duplication and coordination among SBA international trade offices and those other federal and state agencies. Witnesses asseverated that there needs to be greater coordination among federal and state offices to promote the growth of small business exporters.

C. Oversight of Federal Government Contracting Matters

On March 16, 2011, the Committee on Small Business met for a hearing titled, "Spurring Innovation and Job Creation: The SBIR Program." This hearing marked the beginning of the Committee's work to reauthorize the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. Last fully reauthorized in 2000, the SBIR program sets aside federal research and development dollars to be provided in the form of grants to small businesses that offer innovations and needed products to the federal government. As such, the program offers an effective way to jump start entrepreneurs, grow the economy, and create jobs.

On April 7, 2011, the Subcommittee on Healthcare and Technology met for a hearing titled, "The Creating Jobs Through Small Business Innovation Act of 2011." The hearing was the second in a series of Committee events associated with the reauthorization SBIR and STTR programs. This hearing examined a draft of legislation reauthorizing the SBIR and STTR programs. Witnesses discussed the benefits of specific provisions in the draft legislation designed to improve and modernize the SBIR and STTR programs.

On April 15, 2011, the Committee sent a letter to the SBA requesting access to the Electronic Subcontracting Reporting Systems to better carry out its oversight responsibilities.

On May 5, 2011, the Subcommittee on Economic Growth, Capital Access and Tax met for a hearing titled, “Professional Services: Proposed Changes to the Small Business Size Standard.” The Subcommittee hearing examined the impact of size standard regulations proposed by the SBA to redefine who is a small business in the professional, scientific, and technical services industries. The transcript of the hearing and written testimony was provided to the SBA via a letter dated May 6, 2011, to be included in the administrative record.

On May 12, 2011, the House Committee on Small Business and the House Committee on Oversight and Government Reform met for a joint hearing entitled, “Politicizing Procurement: Will President Obama’s Proposal Curb Free Speech and Hurt Small Business?” This hearing examined the proposed Executive Order (“EO”) mandating the disclosure of political donations by government contractors as a prerequisite to receiving a government contract, and evaluated its impact and consequences upon the federal acquisition system. Specifically, the Committees expressed concerns that this proposed EO would inject politics into the procurement process, violate political free speech rights, and usurp the legislative power of Congress. This hearing followed a letter to President Obama, dated April 21, 2011, detailing Chairman Graves’ concerns with the impact of the EO on small contractors.

On May 26, 2011, the Small Business Subcommittee on Contracting and Workforce met for a hearing titled, “Defer No More: The Need to Repeal the 3% Withholding Provision.” The hearing examined the effect of Section 511 of the Tax Prevention and Reconciliation Act of 2005, which will require federal, state and local governments to withhold 3 percent from all payments for goods and services purchased from small businesses. The Subcommittee heard witness testimony that Section 511 will: cost more to implement than it would generate in revenue; restrict the already tight cash flow of small companies; and destroy jobs.

Efforts to examine federal government contracting continued with four hearings by the Subcommittee on Contracting and the Workforce in late June, September and October of 2011. Those hearings were then followed with two more Subcommittee hearings in February and June of 2012. Those hearings have been described in greater detail in the sections on Subcommittee hearings and a description of the Committee’s activities to combat waste, fraud and abuse. For the sake of brevity, their description will not be reiterated here.

On June 9, 2011, the Committee on Small Business and the Committee on Oversight and Government Reform sent a letter to the Department of Health and Human Services to seek information about a contract awarded by the Biomedical Advanced Research and Development Authority (BARDA). The Committees expressed concern about the procurement process used to select the recipient, which started as a small business set-aside, but was then cancelled, and BARDA made a sole source award. The Committee continues to investigate this contract in conjunction with the Committee on Oversight and Government Reform.

On June 29, 2011, as a follow-up to a hearing on insourcing policies, Subcommittee Chairman Mulvaney sent a letter to the Administrator of the Office of Federal Procurement Policy (OFPP), the Hon. Daniel I. Gordon (a copy of which was also sent to the Director of the Office of Management and Budget, the Hon. Jacob Lew). In the letter, Chairman Mulvaney disputed the findings of OFPP that insourcing would result in savings to the federal government. The Subcommittee Chairman then went on to request that insourcing stop until agencies developed transparent and sound cost estimation methodologies.

On November 1, 2011, the Committee issued subpoenas to Deputy Attorney General James Cole, Deputy Secretary of State William Burns, Deputy Treasury Secretary Neal Wolin, and Deputy Secretary of Agriculture, Kathleen Merrigan to testify at a hearing on their agencies' lack of compliance with the requirements for ensuring that the Small and Disadvantaged Business Utilization Offices (SADBUs) reported to the head or deputy head of the agency. The hearing was intended to be the culmination of an investigation by GAO and the Committee on the failure of certain agencies to comply with federal statutes mandating that SADBUs report to either the head or deputy head of each federal agency. After the issuance of the subpoenas, the agencies negotiated changes to their internal reporting structures to the satisfaction of Chairman Graves and Subcommittee Chairman Mulvaney. In addition to these agencies, the Departments of Interior and Health and Human Services also agreed to modify the reporting structures for their Offices of Small and Disadvantaged Business Utilization.

The Committee continues to monitor federal procurement matters as it relates to small businesses through informal contacts with the small business community and regular briefings with agency procurement personnel. For example, Chairman Graves, in conjunction with Chairman Issa, sent another letter to Secretary Sibelius on December 12, 2011 concerning the award of a sole source contract awarded by BARDA already mentioned earlier in this section on government contract oversight. On April 17, 2012, the Committee requested information from the Inspector General of GSA concerning travel and conference planning abuses at that agency.

D. Oversight of SBA Management

The Committee continues to oversee the management of the SBA through hearings, meetings with agency personnel, and industry representatives.

On March 2, 2011, the Committee held a hearing on the SBA's proposed budget for FY2012. This hearing reviewed the administration's funding requests as well as agency management of key policy initiatives for the fiscal year. The Committee heard testimony from SBA Administrator Karen Mills. The information garnered at this hearing was utilized in the Committee's development of views and estimates on the FY 2012 budget, subsequently adopted by the Committee and submitted to the House Budget Committee on March 17, 2011. The Committee's views and estimates letter recommends that 14 programs be zeroed out and three

programs receive less money than the SBA requested for FY12. The total dollar figure is difficult to quantify, but is approximately \$100 million in cuts or 10 percent less than the SBA's FY12 budget request.

In two hearings, one on October 26, 2011 and one on November 30, 2011, the Committee held hearings to assess the management of SBA's capital access and disaster loan programs. Those hearings were described in greater detail elsewhere in this document and a reiteration of their descriptions would be pleonastic.

The examination of the Loan Management Accounting System by the GAO at the behest of the Committee, perforce, delves into SBA management of complex information technology. In addition, it examines whether the SBA has the tools needed to manage an \$80 billion loan portfolio. A detailed description of the Committee's oversight hearing can be found elsewhere in this document and will not be repastinated here.

Chairman Graves sent a letter to Administrator Mills on April 11, 2012 concerning the SBA's award of a grant in the State Trade Export Promotion (STEP) program created by the Small Business Jobs Act of 2010. Chairman Graves noted that a grant was made to an ineligible territory – the Northern Marianas Islands – and requested that the funds be returned to the United States Treasury rather than retained by the SBA. In addition, the Chairman requested information on protocols that will be followed to ensure that similar situations do not occur in the agency's oversight of the STEP program.

E. Oversight of Federal Regulatory and Paperwork Burdens

On February 16, 2011, the Committee on Small Business met for a hearing titled, "Putting Americans Back to Work: The State of the Small Business Economy." The Committee examined obstacles to small business job creation and economic growth and attempted to identify specific tax, regulatory and health care policies that are inhibiting job creation and economic growth. The hearing set the stage for future Committee deliberations related to the obstacles impeding entrepreneurs' and small firms' ability to strengthen our economy and put Americans back to work.

On March 21, 2011, the Committee sent a letter to the Department of Labor (DOL) regarding a rule on wage methodology for temporary non-agricultural employment H2B program (76 Fed.Reg. 3,452). The letter questioned the methodology used to determine the prevailing wage under the rule and the impact on small businesses.

On March 30, 2011 the Committee on Small Business met for a hearing entitled, "Reducing Federal Agency Overreach: Modernizing the Regulatory Flexibility Act." The purpose of the hearing was to examine the Regulatory Flexibility Act (RFA) as amended by the Small Business

Regulatory Enforcement Fairness Act (SBREFA). This hearing laid the foundation for Committee consideration of RFA reform and efforts to improve agency compliance with the Act.

On April 12, 2011, the Committee sent a letter to the Commissioner of the Food and Drug Administration (FDA) regarding potential regulatory action related to the extra-label use of cephalosporin antimicrobial drugs in food-producing animals. Concerns were raised by agriculture producers, veterinarians, and consumers over the adverse impact the ban would have on food safety and animal health. A rule was proposed and revoked in 2008. The letter was sent in response to information suggesting the FDA is considering reissuing the rule.

On April 14, 2011, the Committee sent a letter to the Chief Counsel for Advocacy at the SBA to encourage analysis of the Securities and Exchange Commission's proposed rule related to use of conflict minerals (75 Fed. Reg. 80,948). The letter focused on compliance with the Regulatory Flexibility Act and the rule's impact on small entities.

On May 12, 2011 The House Committee on Small Business Subcommittee on Oversight, Investigations and Regulations met for a hearing entitled, "Green Isn't Always Gold: Are EPA Regulations Harming Small Businesses?" The hearing examined Environmental Protection Agency regulations that negatively affect small businesses, most specifically those related to the Clean Air Act and the Resources Conservation and Recovery Act. The Subcommittee heard testimony from small business owners about how EPA has neglected to take into account the Regulatory Flexibility Act when promulgating regulations despite significant direct and indirect burdens experienced by small businesses.

On June 13, 2011, the Committee sent a letter to the Department of Agriculture (USDA) Grain Inspection, Packer and Stockyards Administration (GIPSA) regarding a proposed rule to amend the Packer and Stockyards Act of 1921 (75 Fed. Reg. 35,338). The letter calls into question USDA's compliance with the Regulatory Flexibility Act in determining the impact of the regulation on small businesses involved in the beef, pork, and poultry industries' supply chain.

On June 13, 2011, the Small Business Subcommittee on Investigations, Oversight and Regulations met for a hearing entitled, "Do Not Enter: How Proposed Hours of Service Trucking Rules are a Dead End for Small Businesses." The hearing reviewed the Federal Motor Carrier Safety Administration's proposed rule on trucking Hours of Service and explored how this regulation would harm small businesses by reducing allowed duty times for motor carriers and thereby hindering the ability for owner-operators and other small businesses to deliver goods nationwide.

On June 16, 2011, the Small Business Subcommittee on Economic Growth, Tax and Capital Access convened a hearing titled "The Dodd-Frank Act Impact on Small Business Lending." The hearing examined the impact of Dodd-Frank regulations on the ability of banks to make

loans to small businesses. This was followed by an examination of the potential adverse consequences on small business access to capital that may result from regulations issued by the Consumer Financial Protection Bureau. The hearing, titled “Open for Business: The Impact of the CFPB on Small Business,” was convened by the Subcommittee on Investigations, Oversight and Regulations.

On June 23, 2011, the Committee sent the Commissioner of the Internal Revenue a letter concerning the requirement to report payment card and third party network transactions. The letter noted these requirements would be particularly burdensome on small businesses. As a result, the Committee requested that the Commissioner impose the minimal amount of reporting necessary to comply with the law and to the extent possible, reduce the complexity associated with this information collection.

On July 7, 2011, the Subcommittee on Agriculture, Energy and Trade held a hearing titled “Regulation Gone Awry: How USDA’s Proposed GIPSA Rule Hurts America’s Small Businesses.” The hearing was a follow-up to the June 13, 2011 letter from Chairman Graves and Subcommittee Chairman Tipton concerning the Department’s failure to examine the impact of proposed rules to implement the 2008 Farm Bill changes to the Packers and Stockyards Act. At the hearing, small livestock producers and meat processors testified about the increased uncertainty that would result from the adoption of the Department’s proposed rule.

Chairman Graves sent a letter to EPA Administrator Lisa Jackson on July 11, 2011 concerning the procedures used by the agency to convene a panel of small businesses, as set forth in § 609 of the Regulatory Flexibility Act, 5 U.S.C. § 609, in the development of a proposed rule to establish new source performance standards for utilities in order to control greenhouse gases. The Chairman noted that the small business representatives were not provided sufficient information to provide EPA with appropriate input on the impacts on small businesses.

On September 21, 2011, the Committee on Small Business held a hearing titled “Eliminating Job-Sapping Federal Rules through Retrospective Reviews – Oversight of the President’s Effort” to examine the results of Executive Order 13,563. That order required ongoing retrospective review of all federal regulations and the Committee was raised questions to the Administrator of the Office of Information and Regulatory Affairs, the Hon. Cass Sunstein, concerning whether the Executive Order would be any different than other presidential efforts to reduce regulatory burdens through retrospective reviews. As a follow-up to the Committee’s September 21, 2011 hearing, the Chairman, on November 4, 2011 sent Administrator Sunstein a letter raising multiple concerns about the cost impact of federal rules on general aviation.

On October 5, 2011, the Committee convened to examine the impact of various decisions by the Department of Labor and National Labor Relations Board on small businesses. In particular,

the hearing reviewed decisions that would place small businesses in a significantly disadvantageous position during union organizing campaigns.

The Committee extended its examination of regulatory issues affecting general aviation when it convened a hearing titled “LightSquared: The Impact of Small Business GPS Users” on October 12, 2011. The hearing focused on a proposal before the Federal Communications Commission to allocate spectrum for use of a terrestrial broadband service adjacent to spectrum used for GPS services. Witness testified about the potential interference with GPS devices, the potential serious consequences to aviation, and the costs that would result in needing to buy equipment that can filter out interference from an adjacent terrestrial broadband service.

On November 17, 2011, the Subcommittee on Agriculture, Energy and Trade held a hearing titled “Adrift in Regulatory Burdens and Uncertainty: A Review of Proposed and Potential Regulations of Family Farms.” The primary focus of the hearing was the impact of requiring pesticide applicators to obtain a discharge permit under the Clean Water Act. In addition, the hearing considered the economic consequences of regulating dust on farms pursuant to the Clean Air Act.

On November 17, 2011, Chairman Graves co-signed a letter to the Chair of the Securities and Exchange Commission, the Hon. Mary Schapiro. In the letter, the signatories raised concerns about the Commission’s efforts to issue a final rule on conflict minerals as required by § 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Specifically, the Commission’s failure to assess adequately impacts on small business as mandated under the Regulatory Flexibility Act.

The Subcommittee on Economic Growth, Tax and Capital Access held a field hearing in Woodstock, IL on December 12, 2011 to hear small businesses their concerns about regulatory overreach and uncertainty. The witnesses were consentient in their belief that increased government regulation and what direction it takes is deterring them from making new investments or hiring more workers.

On February 2, 2012, the Subcommittee on Agriculture, Energy and Trade held a hearing to examine regulatory changes proposed by the United States Department of Labor concerning family-farm exemptions under the Fair Labor Standards Act (FLSA). The hearing resulted in the Department withdrawing part of the proposed rule and examining anew the family-farm exemptions under FLSA.

Regulatory barriers and impediments to greater broadband deployment were examined in a Subcommittee on Healthcare and Technology hearing on February 15, 2012. The witnesses noted that reformation of the Universal Service regime and modification of spectrum management policies were needed to increase broadband deployment in rural areas.

The Subcommittee on Economic Growth, Tax and Capital Access held a hearing on April 19, 2012 to examine the impact of regulatory changes wrought by the Dodd-Frank Wall Street Reform and Consumer Protection Act on the ability of small businesses to obtain equity capital. Witnesses testified that regulations, notwithstanding the JOBS Act, emanating from Dodd-Frank continue to impose barriers to small business access to equity capital.

A joint hearing was held by the Subcommittee on Healthcare and Technology of the Committee on Small Business and the Subcommittee on Investigations and Oversight of the Committee on Science, Space and Technology to consider the impact on small business of the 12th Report on Carcinogens. Private sector witnesses, as well as a witness from the Office of the Chief Counsel for Advocacy of the United States Small Business Administration, contended that the Report did not go through a sufficient peer review process or obtain public input. Small businesses with chemicals newly listed in the Report raised concerns about economic impact of being listed as a potential carcinogen as well as legal liability associated with such listing.

The Subcommittee on Contracting and the Workforce examined the impact of federal regulations on small businesses during a June 14, 2012 field hearing in Rock Hill, SC. The businesses noted that the government fails to provide sufficient information enabling them to comply with federal regulations, do not utilize sound science in developing regulatory standards, and future regulatory uncertainty interferes with the ability of businesses to undertake proper short- and long-term planning.

F. Oversight of Federal Tax Policy

On February 9, 2011, the Committee on Small Business met for a hearing titled, “Buried in Paperwork – A 1099 Update.” The hearing focused on the health care reform law’s expanded 1099 reporting mandate, which would have required businesses to file a 1099 form for virtually every business-to-business transaction of \$600 or more in property and services. In a letter dated February 10, 2011, the Committee shared the information garnered at the hearing with the Chairman and Ranking Member of the Committee on Ways and Means.

On April 13, 2011, the Committee on Small Business met for a hearing entitled, “How Tax Complexity Hinders Small Businesses: The Impact on Job Creation and Economic Growth.” As Congress considers the issues related to fundamental tax reform, the concerns of America’s small businesses about tax reform should be part of that debate. This hearing examined the complexity of the current tax code, the difficulty that entrepreneurs have in complying with it and the resulting effect on hiring and economic expansion. In a letter to the Chairman and Ranking Member of the Committee on Ways and Means dated April 13, 2011, the Committee shared the views of the witnesses who testified as relevant to the ongoing debate on tax reform.

On November 3, 2011, the Subcommittee on Economic Growth, Tax and Capital Access held a hearing titled “Pro-Growth Tax Policy: Why Small Businesses Need Individual Reform.”

The hearing focused on the importance of tax policies to our nation's small businesses. The primary issues addressed at the hearing included complexity of the tax code and the taxation of pass-through entities, such as sole proprietorships and S corporations.

The full Committee and the Subcommittee on Economic Growth, Tax and Capital Access held hearings in April and May of 2012 respectively to examine the impact of federal tax policy on small businesses. At the full Committee hearing a wide variety of issues, including high effective tax rates and complexity, were ventilated. During the Subcommittee hearing, witnesses asserted that the estate tax for small business owners should be permanently repealed.

In addition to these hearings, the Committee continues to investigate the impact of Internal Revenue Code § 6050W (dealing with among other things the tracking and reporting of debit and credit card purchases) on small businesses. On February 8, 2012, Chairman Graves sent a letter to IRS Commissioner Shulman requesting more information about the Service's implementation of § 6050W.

G. Oversight of Health Care Policy

On March 22, 2011, the Committee sent a letter to the Department of Health and Human Services requesting information related to the treatment of small businesses in the Patient Protection and Affordable Care Act (PPACA) (P.L. 111-148) waiver process. The Committee is concerned that the process for receiving waivers may be unfair to small firms. The Committee also asked the GAO to examine the waiver process. On June 14, 2011, the GAO issued a report regarding HHS waivers of restrictions on annual limits on health benefits.

On June 2, 2011, the Small Business Subcommittee on Healthcare and Technology met for a hearing entitled, "Not What the Doctor Ordered: Health IT Barriers for Small Medical Practices." The hearing examined the adoption of health information technology by small medical practices. The Subcommittee considered witness testimony regarding the barriers that small providers have encountered and possible solutions for addressing those barriers. As follow-ups to this hearing, Subcommittee Chairwoman Ellmers sent letters to the Department of Health and Human Services (dated July 5, 2011 and August 11, 2011) raising issues about the cost of implementing health information technology and regulatory modifications that could assist small health care providers in overcoming these cost barriers.

The Subcommittee on Healthcare and Technology held a hearing on July 28, 2011 titled "Small Businesses and PPACA: If They like Their Coverage can They Keep It?" Small businesses testified that PPACA will not help them maintain health insurance coverage or reduce their costs of doing business.

On August 30, 2011, Subcommittee Chairwoman Ellmers sent a letter to Secretary Sebelius on a proposed rule concerning the establishment of health insurance exchanges under

the Patient Protection and Affordable Care Act. Subcommittee Chairwoman Ellmers contended that the proposed rule might force small health insurers out of the market. More significantly, Subcommittee Chairwoman Ellmers alleged that the requirements for eligibility as a small business under the insurance exchanges would impose significant additional recordkeeping and reporting requirements thereby increasing rather than decreasing costs for small businesses.

On October 14, 2011, Chairman Graves sent a letter to GAO concerning the Internal Revenue Service's implementation of provisions in the Patient Protection and Affordable Care Act. Mr. Graves, in addition to being added as co-requestor on a study already underway by GAO, he asked GAO to prepare a study on the impact on small business of the Service's implementation of the Patient Protection and Affordable Care Act.

The Subcommittee on Investigations, Oversight and Regulations held a hearing on December 15, 2011 to examine the impact of medical loss ratios (the requirement in the Affordable Care Act that insurers spend at least 80 percent of their premiums on coverage) on agents that sell health insurance. Agents noted that the medical loss ratio provisions will reduce services to small businesses a view seconded by small businesses at the hearing.

Subcommittee Chairman Coffman convened a field hearing on March 16, 2012 in Greenwood Village, CO to assess the impact of the Affordable Care Act on small businesses that provide their employees with health insurance. The witnesses all concurred that the Act would reduce their ability to provide employees with health care coverage.

Subcommittee Chairwoman Ellmers sent a letter to the Acting Administrator of the Centers for Medicare and Medicaid Services on May 1, 2012 concerning a proposed rule to implement the Electronic Health Record Incentive Program. The letter expressed significant concern about the Stage 2 goals in the proposed rule and its potential impact on small physician practices, particularly those with fewer than ten doctors. That was followed with another letter to Secretary Sibelius on June 12, 2012 requesting that the Secretary provide Subcommittee Chairwoman Ellmers with a report outlining plans on how to ensure patient safety during the adoption of health information technology.

H. Oversight of Energy Policy

On April 14, 2011, the Small Business Subcommittee on Agriculture, Energy and Trade met for a hearing titled, "Drilling for a Solution: Finding Ways to Curtail the Crushing Effect of High Gas Prices on Small Business." The purpose of this hearing was to bring to light the negative impacts of rising fuel costs on small business and to understand the effects of short- and long-term solutions such as increasing domestic oil production and further developing renewable energy sources.

On September 19, 2011, the Subcommittee on Agriculture, Energy and Trade held a field hearing in Grand Junction, CO, titled “Are Excessive Energy Regulations and Policies Limiting Energy Independence, Killing Jobs and Increasing Prices for Consumers?” The hearing examined burdensome federal regulations and policies on the development of energy resources located in the United States and, in particular, Colorado.

Chairman Graves convened a hearing on May 9, 2012 to examine the impact of gasoline prices on small businesses. Witnesses testified that small businesses had little control over the volatility in fuel prices, could not (unlike their larger counterparts) effectively hedge against such rapid price increases, and suffered diminution in net profits due to the increased costs of fuel.

Two Subcommittee hearings were held in the first half of 2012 that examined federal energy policy. The first, held on March 8, 2012 by the Subcommittee on Investigations, Oversight and Regulations addressed the barriers to increasing extraction on fossil fuels on federally-managed land, primarily that under the Bureau of Land Management. Witnesses suggested reduction in regulatory barriers to permit greater drilling on federal lands, especially for those lands already identified to be eligible for drilling. The second hearing, before the Subcommittee on Agriculture, Energy and Trade convened on April 26 assayed the current state of small business innovation in developing alternative energy sources.

I. Oversight of Trade and Intellectual Property Policy

On April 6, 2011, the Committee on Small Business met for a hearing entitled, “Help Wanted: How Passing Free Trade Agreements Will Help Small Businesses Create New Jobs.” The hearing focused on the benefits and importance of passing the pending free trade agreements to small businesses. Lowering trade barriers will spur small business exports, which will then lead to job creation and long-term economic growth.

On July 27, 2011, the Committee on Small Business held a hearing titled “Bureaucratic Obstacles for Small Exporters: Is our National Export Strategy Working?” The hearing examined the efforts encapsulated in President Obama’s National Export Strategy to reduce the regulatory barriers facing small businesses to expand their involvement in exports of goods and services.

Ambassador Sapiro, the Deputy United States Trade Representative, testified at a full Committee hearing on May 16, 2012 about trade policy initiative designed to increase exports. In addition to Ambassador Sapiro, small businesses testified at the hearing. Like Ambassador Sapiro, the small businesses supported increased export trade and recommended reducing the complexity of rules covering exports from the United States. The witnesses expressed the same sentiments that the Subcommittee on Agriculture, Energy and Trade heard at its Pittsburgh, PA field hearing on April 2, 2012.

J. Reductions in Programs and Spending

On March 15, 2011 the Committee reported its views and estimates on the FY 2012 budget that outlined several programs at the SBA that should be considered for reduced spending or eliminated altogether. The letter suggested a reallocation of resources, both financial and personnel, to better meet the agency's mission. This letter will be used as a template for legislation to consolidate and eliminate unnecessary or duplicative programs. Overall, the Committee recommended the elimination of 14 programs, totaling approximately \$100 million. The Committee continues to examine programs and options for consolidating and eliminating unnecessary small business programs.

On March 7, 2012, the Committee reported its views and estimates on the FY 2013 budget that identified programs at the SBA that should be considered for reduced spending or eliminated altogether. In addition, the letter recommended a reallocation of resources to enable the agency to better meet its mission of serving small businesses. The Committee continues to examine agency programs and procedures in order to draft legislation that will increase SBA effectiveness without undermining services provided to America's entrepreneurs.

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 BUSINESS¹

Regulation, Order, Administrative Action	Oversight and Legislative Activity
1099 Reporting Requirement in the Patient Protection and Affordable Care Act (PPACA) (P.L. 111-148)	The Committee held a hearing regarding the burden on small businesses of the expanded 1099 reporting requirement in PPACA. The Committee shared the information gained in the hearing with the Committee on Ways and Means in a letter dated February 10, 2011. Ultimately, the provision was repealed (P.L. 112-15)
SBA 504 Loan Refinancing Program (76 Fed. Reg. 9,213)	On March 2, 2011, the Committee held a hearing on the SBA budget request for FY 2012, and on March 15, 2011, the Committee reported its views and estimates on the FY 2012 SBA budget, including a recommendation that the 504 Loan Refinancing Program be considered for elimination and that no funds be allocated for the SBA to oversee this program.
Department of Labor (DOL) rule on wage methodology for temporary non-agricultural employment H2B program (76 Fed.Reg. 3,452)	The Committee sent a letter dated March 21, 2011 to DOL questioning the methodology used to determine the prevailing wage under the rule and the impact on small businesses.
Department of Health and Human Services (HHS) waivers provided under the Patient Protection and Affordable Care Act (PPACA). (P.L. 111-148)	On March 22, 2011, the Committee sent a letter to HHS requesting information related to the treatment of small businesses in the PPACA waiver process.

¹ 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
Securities and Exchange Commission's (SEC) rule related to conflict minerals (75 Fed. Reg. 80,948)	On April 14, 2011, the Committee sent a letter to the Chief Counsel for Advocacy to encourage analysis of the SEC's proposed rule, compliance with the Regulatory Flexibility Act, and the impact on small entities.
Proposed Executive Order on disclosure of political contributions by Federal contractors	The Committee submitted a letter to President Obama on April 21, 2011, to express concerns about the impact of the proposed Executive Order on small contractors. On May 12, 2011, the Committee held a joint hearing with the Committee on Oversight and Government Reform to review the proposal.
SBA Proposed Size Standards for North American Industry Classification System (NAICS) Sector 54 Industries related to professional services (76 Fed. Reg. 14,323)	The Subcommittee on Economic Growth, Tax, and Capital Access held a hearing on May 5, 2011 to review the size standard proposal. On May 6, 2011, via a letter to the SBA, the Subcommittee submitted the transcript of and written statements from the hearing for the administrative record
Environmental Protection Agency (EPA) regulations related to the Clean Air Act (42 USC, Chapter 85) and the Resource Conservation and Recovery Act of 1976 (P. L. 95-609)	The Subcommittee on Investigations, Oversight, and Regulations held a hearing on various EPA regulations and their impact on small businesses on May 12, 2011.
Department of Agriculture (USDA) Grain Inspection, Packer and Stockyards Administration (GIPSA) proposed rule to amend the Packer and Stockyards Act of 1921 (75 Fed. Reg. 35,338)	The Committee sent a letter dated June 13, 2011, to the USDA regarding compliance with the Regulatory Flexibility Act in determining the impact of the regulation on small businesses involved in the beef, pork, and poultry industries' supply chain.

Regulation, Order, Administrative Action	Oversight and Legislative Activity
Tax credit for small businesses established by the Patient Protection and Affordable Care Act (PPACA) (P.L. 111-148)	The Committee requested a GAO analysis of the small business tax credit established by PPACA.
Department of Transportation Federal Motor Carrier Safety Administration's Hours of Service regulations (75 Fed. Reg. 82,170)	The Subcommittee on Investigations, Oversight and Regulation held a hearing on the impact of trucking Hours of Service regulations on small businesses on June 14, 2011.
Presidential Guidance on Government Contracting, (74 Fed. Reg. 9755)	The Subcommittee on Contracting and Workforce held a hearing to examine the President's guidance on insourcing of work currently done by federal contractors on June 23, 2011.
Reporting to IRS on credit card transactions, (28 U.S.C. § 6050W)	Chairman Graves sent a letter to the Commissioner of the Internal Revenue concerning the implementation of reporting requirements for payment card and third party network transactions on June 23, 2011. The Committee continues to work with the IRS on this issue.
Medicare Program; Proposed Changes to the Electronic Prescribing Incentive Program, (76 Fed. Reg. 31,547)	Subcommittee Chair Ellmers sent a letter to the Administrator of the Centers for Medicare and Medicaid Services addressing the impact of changes in the electronic prescribing program on small businesses on July 5, 2011.
Implementation of Regulations Required Under Title XI of the Food, Conservation and Energy Act of 2008; Conduct in Violation of the Act, (75 Fed. Reg. 35,338)	The Subcommittee on Agriculture, Energy and Trade held a hearing on July 7, 2011 which addressed proposed regulations that modify requirements to comply with the Packers and Stockyards Act.

Regulation, Order, Administrative Action	Oversight and Legislative Activity
Draft Rule on Green House Gas New Source Performance Standards for Electric Utility Steam Generating Units	Chairman Graves sent EPA Administrator Jackson a letter on July 11, 2011, about the inadequacy of the Small Business Regulatory Enforcement Fairness Act panel on green house gas emissions for new steam generating facilities constructed by electric utilities.
Patient Protection and Affordable Care Act: Establishment of Exchanges and Qualified Health Plans, (76 Fed. Reg. 41,866)	In a letter dated August 30, 2011, Subcommittee Chair Ellmers provided written comments to the Department of Health and Human Services on the impact of proposed insurance exchanges on small businesses and the agency’s lack of compliance with the Regulatory Flexibility Act.
Mentor-Protégé Programs related to government contracting (13 C.F.R. 124.520)	The Subcommittee on Contracting and Workforce held a hearing on September 15, 2011 to address a number of government contracting issues including SBA improvements needed to maximize benefits of its Mentor-Protégé Program for small government contractors.
Executive Order 13,563 regarding regulatory review, (76 Fed. Reg. 3821)	The Committee held a hearing on September 21, 2011 with OIRA Administrator Sunstein to examine President Obama’s executive order mandating retrospective review of federal regulations.
Representation – Case Procedures, Proposed Rule, (76 Fed. Reg. 36,812); Labor-Management Reporting and Disclosure Act – Interpretation of the “Advice” Exemption, Proposed Rule, (76 Fed. Reg. 36,178)	The Committee held a hearing on October 5, 2011 to address the impact of proposed changes to union representation elections and the impact those changes would have on small businesses.

Regulation, Order, Administrative Action	Oversight and Legislative Activity
<i>In the Matter of LightSquared Subsidiary LLC; Request for Modification of its Authority for an Ancillary Terrestrial Component</i> , Order and Authorization, DA 11-133, 26 FCC Rcd 566 (2011)	The Committee held a hearing on October 12, 2011 to consider the impact of LightSquared's construction of a terrestrial wireless broadband service and its impact on general aviation's use of GPS.
14 C.F.R. Part 91; 14 C.F.R. 39.13; Lead Emissions from Piston Engine Aircraft using Leaded Aviation Fuel, Advanced Notice of Proposed Rulemaking, (75 Fed. Reg. 22,440)	Chairman Graves sent a letter on November 4, 2011 to OIRA Administrator Sunstein concerning regulations affecting small businesses involved in general aviation.
Final National Pollutant Discharge Elimination System Pesticide General Permit for Point Source Discharges from the Application of Pesticides, (76 Fed. Reg. 68,750)	The Subcommittee on Agriculture, Energy and Trade held a hearing on November 17, 2011 to consider the impact of EPA regulatory actions on small agribusinesses.
Conflict Minerals, Proposed Rule, (75 Fed. Reg. 80,948)	Chairman Graves, in conjunction with other members of the House and Senate, wrote to the SEC on November 17, 2011 reminding the agency of the need to comply with the Regulatory Flexibility Act in finalizing a rule on conflict minerals.
Regulations required by the reauthorization of the Small Business Innovation Research (SBIR) program in the National Defense Authorization Act of 2012 (P.L. 112-81)	Chairman Graves and Chairwoman Landrieu of the Senate Committee on Small Business and Entrepreneurship wrote a letter to SBA Administrator Mills to encourage compliance with the deadline in the 2012 NDAA related to the issuance of regulations to implement new provisions of the SBIR program.
DOL proposed rule regarding agricultural youth labor regulations (76 Fed. Reg. 54,836)	The Subcommittee on Agriculture, Energy and Trade held a hearing on February 2, 2012 to determine the impact of the proposed rule on family farms. Ultimately, DOL withdrew part of the proposed rule and is reviewing the family-farm exemptions under FLSA.

Regulation, Order, Administrative Action	Oversight and Legislative Activity
Reporting to IRS on credit card transactions, (28 U.S.C. § 6050W)	Chairman Graves sent a letter to Commissioner Shulman on February 8, 2012 to determine the progress of implementation of requirements that businesses report credit card transactions and the Agency's consideration of small business concerns. Further, two staff briefings by the IRS occurred at the Committee's request.
Department of Health and Human Services 12 th Report on Carcinogens (RoC) (76 Fed. Reg. 36,923)	The Subcommittee on Healthcare and Technology held a joint hearing on April 25, 2012, with the Science, Space and Technology Subcommittee on Investigations and Oversight, to determine the impact of the 12 th RoC on small businesses.
Regulations to implement the electronic health record incentive program (77 Fed. Reg. 13,698)	On May 1, 2012, Chairwoman Ellmers wrote a letter to the Acting Administrator of CMS, Mary Tavenner, regarding the effect of the regulations on small practices and their ability to comply and the associated cost burden.