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AI ON MAIN STREET: HOW AI IS SHAPING THE FUTURE OF SMALL BUSINESS

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BEFORE THE

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UNITED STATES
HOUSE OF REPRESENTATIVES

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AI ON MAIN STREET: HOW AI IS SHAPING THE FUTURE OF SMALL BUSINESS

TUESDAY, JULY 14, 2026

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:03 a.m., in Room 2360, Rayburn House Office Building, Hon. Roger Williams [chairman of the Committee] presiding.

Present: Representatives Williams, Meuser, Van Duyne, Alford, Finstad, Bresnahan, Jack, King-Hinds, Patronis, Fuller, Cisneros, Velázquez, Scholten, McIver, Tran, and Goodlander.

Chairman WILLIAMS. Before we get started, I want to recognize Representative Van Duyne from the great state of Texas to lead us in the Pledge and the prayer. Would you stand?

Ms. VAN DUYNE. Heavenly Father, we come before you with gratitude for the privilege and responsibility of serving the American people. Grant the Members of this committee wisdom to discern the truth, courage to do what is right, and humility to listen with respect to one another. Help us to seek solutions that strengthen our nation, protect the freedoms we cherish, and honor the first—the trust placed in us by those we represent. We ask your blessings on our country, our servicemembers, first responders, and all who labor for the peace, safety, and prosperity of the United States. In your holy name we pray. Amen.

If you please join me in the Pledge.

ALL. I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

Chairman WILLIAMS. Good morning, everyone. I now call the Committee on Small Business to order. Without objection, the Chair is authorized to declare a recess of the Committee at any time.

I now recognize myself for my opening statement.

Welcome to today's hearing, "AI on Main Street: How AI is Shaping the Future of Small Business." I want to thank our witnesses for coming with us today and being part of this.

Artificial intelligence has quickly transitioned from a novelty to an indispensable business tool for main street businesses across the country. AI is streamlining administrative tasks that once required significant time and resources and it is allowing small businesses to focus on growth instead of paperwork. Small businesses are using AI to respond quickly to customers, manage inventory, strengthen cybersecurity, and automate routine paperwork. And as

a small business owner myself, I have seen the difference these tools can make and I know firsthand how much of that burden falls on the owner.

Artificial intelligence is no longer something reserved for big tech companies and Fortune 500 boardrooms. Today, nearly three-quarters of small businesses are using AI in some form, and this is more than triple the share from just 3 years ago. So small businesses are closing in on technology gap with the big corporations faster than any prior wave of innovation.

Importantly, early data is showing that AI rises, not coming at the expense of workers. In fact, 82 percent of small businesses using AI grew their workforce over the past year. Of course, real barriers to broader AI adoption remain. Many owners tell us that they simply don't know how or where to start and that they worry about costs, so that they are unsure how to keep their data secure.

But one of the biggest barriers in Washington is created, it is called uncertainty. And the Biden administration took a heavy-handed approach to AI. In October 30, 2023, they released the executive order imposing sweeping regulatory requirements and compliance burdens that threatened to smother AI innovation before small businesses ever got the chance to benefit from it. We only need to look across the Atlantic to see where that road leads. Europe chose to regulate first and innovate later, and today their small businesses are falling behind and the United States cannot make the same mistake.

Thankfully, the Trump administration reversed course. They rescinded the Biden approach and replaced it with a pro innovation strategy through Executive Order 14179 in America's AI Action Plan, clearing away for red—doing away with red tape so that AI tools can be adopted with confidence. The SBA is doing its part by also expanding access to AI through its new main street AI Accelerator program. And, of course, the Committee has led the way with bipartisan legislation such as the AI-WISE Act, the AI for Main Street Act, and the SBA Artificial Intelligence Utilization Act of 2026. So together, these bipartisan bills ensure that entrepreneurs have access to practical AI and the barriers to AI adoption are reduced.

Our goal is to make every small business and entrepreneur make sure they have the opportunity to succeed in the emerging age of AI. So when small businesses have the tools, they have the training and freedom to innovate, they will out compete, they will out build, and out hire anyone in the world, and our economy will be stronger because of it.

I want to thank our witnesses again for joining us today. I look forward to the conversation ahead.

And I now yield to Ranking Member Congressman Cisneros from the great state of California.

Mr. CISNEROS. Good morning and thank you, Mr. Chairman, for convening this important hearing.

Artificial intelligence will revolutionize the way businesses work and humans operate. AI could allow main street businesses to scale their capabilities and perform routine tasks faster and cheaper. However, AI's many risks have incurred costs for small firms. AI can produce false outputs, a phenomenon known as hallucinations.

Further, bias and discrimination AI decision-making undermines its effectiveness, unduly hurts underserved communities, and exposes users to legal and reputational harm. And AI companies often take and use the data and information users input into their models for further training and sale to other parties, posing privacy risk.

It is challenging to know exactly how to assess and address these problems, in part because AI developers through automated machine learning and most AI developers do not disclose their model's training information. I support the consideration and use of AI by our small businesses, but we need to protect our businesses from flexible flaws.

Small businesses need to be ready to effectively evaluate and adopt these tools. Uneven access to AI and knowledge about how to use it and avoid its risks threaten to cut whole segments of our population off from the benefits of AI. Underserved people have especially fallen behind in their understanding of AI tools, increasing the digital divide and hurting their businesses. It is this Committee's responsibility to address these issues.

The SBA must provide AI literacy resources to educate entrepreneurs on the risk and potential benefits of AI. This will reduce the digital divide and equip entrepreneurs with the tools and information to make well-informed, thoughtful decisions about whether AI is right for them, what AI can and cannot do, and which specific AI tools are suitable for a specific task.

Furthermore, the inherent risk of AI must be addressed through smart and sensible AI regulation. Smart, well-crafted federal regulation will minimize the risk of AI, maximize its benefits, and prevent criminal and unethical use. These regulations are needed to protect all Americans, especially small business owners.

Small businesses are crucial to the technological progress of our country. Entrepreneurs use their unique perspectives, passion, and resourcefulness to support and grow our country's economy. That is why we must support our small businesses by educating them on this revolutionary technology, how to use it effectively, and how to avoid its risk. It is important that the federal government supports small businesses developing new AI technologies with safety and security in mind. It is vitally important that we do not leave small businesses behind as we race to enhance our country's competitiveness. I look forward to discussing how we can better assist our small businesses in this new era.

With that, I thank the witnesses for being here today and I yield back.

Chairman WILLIAMS. The gentleman yields back.

We will now move to witness introductions. The first witness is Mr. Jordan Crenshaw. Mr. Crenshaw is the senior vice president at the U.S. Chamber of Commerce Technology Engagement Center. Before joining the Chamber, he was an attorney focused on environmental issues and consumer privacy laws. Mr. Crenshaw worked at McGuireWoods and also held roles in the Virginia Senate leadership, the Office of the Attorney General of Virginia, the U.S. Department of Labor, and the National Right to Work Defense Foundation. He earned both his undergraduate and law degree

from the College of William and Mary. I want to thank you for being here and look forward to our discussion.

Our next witness is Anthony Qaiyum. He is the president of Merz Apothecary, a locally owned small business serving customers across the Chicago area and through his online store, smallflower.com, across the country. The Qaiyum family has owned and operated the business for decades. And under Mr. Qaiyum's leadership, it has grown from a neighborhood apothecary into a nationally recognized destination for natural health, personal care, and specialty products. Mr. Qaiyum earned his bachelor's degree from Williams College, one of the great schools, I might add. And I look forward to your testimony, and thank you for you being here today.

Our next witness is Mr. France Hoang. Mr. Hoang is the founder and CEO of BoodleBox, a collaborative AI platform that gives small business educators and workforce programs secure, affordable access to multiple premium AI models in a single workspace. Prior to starting BoodleBox, Mr. Hoang served as an executive officer of the U.S. Army Special Forces Company during combat deployment in Afghanistan. Thank you for that. And he also served as associate counsel of the President under President George W. Bush. And he has been on the founding teams of companies across the fields of law, aerospace, defense, government services, and AI. He earned a bachelor's of science degree from the United States Military Academy at West Point. Beat Navy, right? And a law degree from Georgetown University. I want to thank you for being here today and look forward to our discussion.

I now recognize Congressman Cisneros from California to briefly introduce our last witness appearing before us today.

Mr. CISNEROS. Thank you, Mr. Chairman. It is my honor to introduce Mr. Chike Aguh, the head of innovation and strategy at the Kapor Center, a tech policy focused on making the tech industry more diverse, equitable, and inclusive. He is also the Vice Chair of the Maryland Higher Education Commission. Previously, Mr. Aguh was the chief innovation officer at the last administration's Labor Department. While there, he led efforts to use big data and emerging tech to empower and protect American workers. Mr. Aguh also has extensive experience in private industry, broadband access, nonprofits, and the education system. He holds a bachelor's degree from Tufts, master's degree in education and public administration from Harvard, and an MBA degree from University of Penn Wharton. A lot of education there. Thank you for being with us, Mr. Aguh.

Chairman WILLIAMS. The gentleman yields back. And thank you again, all of you, for being here today.

And before recognizing the witnesses, I would like to remind them that their oral testimony is restricted to 5 minutes in length. That is a big number around here. Five minutes, okay? And if you see the light turn red in front of you, it means your 5 minutes has concluded and you should wrap up your testimony. If you continue to go, you will hear this. Okay? And it will get louder and louder.

So I now recognize Mr.—and I will say one other thing, too. You are going to see Members going in and out. It is not because any-

thing you said or did. We have other hearings going on, so there will be people coming in and out all the time.

I now recognize Mr. Crenshaw for his 5-minute opening remarks.

STATEMENTS OF JORDAN CRENSHAW, SENIOR VICE PRESIDENT, TECHNOLOGY ENGAGEMENT CENTER, U.S. CHAMBER OF COMMERCE; ANTHONY QAIYUM, PRESIDENT, MERZ APOTHECARY; FRANCIS HOANG, CHIEF EXECUTIVE OFFICER & FOUNDER, BOODLEBOX; AND CHIKE AGUH, HEAD OF INNOVATION & STRATEGY, KAPOR CENTER

STATEMENT OF JORDAN CRENSHAW, SENIOR VICE PRESIDENT, TECHNOLOGY ENGAGEMENT CENTER, U.S. CHAMBER OF COMMERCE

Mr. CRENSHAW. Chairman Williams, Representative Cisneros, and distinguished Members of the Committee, thank you for the opportunity to testify today on how artificial intelligence is shaping the future of small business. My name is Jordan Crenshaw and I serve as senior vice president at the U.S. Chamber of Commerce, where I lead the Chamber's technology policy work, including artificial intelligence, data privacy, and emerging technologies.

For small businesses AI is not a distant idea. It is already helping main street businesses save time, serve customers, manage costs, and compete with larger firms. Tools that once required large budgets and dedicated technology teams are now available to entrepreneurs, family-owned businesses, and small employers across the country. A retailer can use AI to understand demand and personalize marketing. A restaurant can improve scheduling and inventory. A professional services firm can automate routine drafting and research. A manufacturer can reduce waste and improve operations. In each case, AI is a force multiplier that helps small businesses do more with limited time, staff, and resources.

The AI adoption trend is clear. According to the U.S. Chamber's Empowering Small Business Report in 2025, 58 percent of U.S. small businesses reported using generative artificial intelligence. That is up from 40 percent in 2024 and 23 percent in 2023. That growth reflects a simple reality: small businesses adopt technology when it delivers practical value.

One example is Henry's House of Coffee in San Francisco, a family-owned roaster that has served its community for generations. Its owner, Hrag Kalebjian, uses AI to improve online product descriptions, better understand customers, and solve production challenges. He even used AI to help design a custom system to address static in his coffee-bagging process, which actually helped him save time on getting coffee outside of his e-commerce platform and to customers. That is what AI adoption looks like on main street. Practical, entrepreneurial, and focused on solving real problems.

AI is also creating workforce opportunities. The Chamber's data shows that 82 percent of small businesses using AI increased their workforce over the last year. These businesses are not using AI to replace people. They are using IT to help employees focus on high-value work that requires judgment, creativity, and relationships.

Small businesses are also investing in their workers. They need accessible training, strong partnerships and policies that make

adoption easier, not harder. It is one reason that the U.S. Chamber and its foundation launched the Small Business Basics Program recently to train 40,000 small businesses across the country on AI. We also support the AI for Main Street Act and the AI-WISE Act, both of which would help put practical AI guidance and education within reach of more small businesses.

At the same time, barriers remain. Small businesses face cost, technical data readiness, trust, and legal uncertainty challenges. The greatest policy threat in front of small businesses is a patchwork of state AI and privacy laws. A small business selling online should not have to navigate dozens of conflicting state rules simply to use common digital tools. Congress should establish a clear national framework for data privacy and AI. These frameworks should protect consumers, promote trust, preserve innovation, and provide strong federal preemption.

A first step is that Congress should pass the Secure Data Act. The Secure Data Act is a comprehensive privacy legislation that is based on a consensus of state privacy laws signed into law by 10 Democrat governors and 15 Republican governors that protects over 150 million Americans across the country. It would give Americans the right to delete their data and opt out of certain AI profiling.

With regard to AI specifically, we should adopt a risk-based, technologically neutral, flexible, and proportionate framework. Congress should also support the foundations of AI adoption: workforce development, broadband access, reliable energy infrastructure, modernized permitting, government technology systems that reduce burdens on small businesses like streamlined permitting.

The question before this committee is not whether AI is going to change small business, it already is. The question today is what policies can Congress put in place that encourage the adoption of this technology and further maximize this transformation to benefit small businesses? With the right approach that provides flexibility, certainty, and a clear standard, AI can help entrepreneurs grow, compete, and serve their communities. The Chamber stands ready to work with this Committee to ensure that AI works for main street, strengthens American competitiveness, and keeps the United States at the forefront of innovation.

Thank you and I look forward to your questions.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Qaiyum for his 5-minute opening remarks.

STATEMENT OF ANTHONY QAIYUM, PRESIDENT, MERZ APOTHECARY

Mr. QAIYUM. Chairman Williams, Representative Cisneros, and Members of the House Small Business Committee, thank you for the opportunity to testify today about how artificial intelligence is helping small businesses like mine compete, grow, and create jobs.

My name is Anthony Qaiyum and I am the owner of Merz Apothecary, a 151-year-old family-owned business in Chicago. We sell natural health, personal care, beauty, and fragrance products through our historic retail store, our website, and online marketplaces like Amazon. Altogether, we employ more than 60 people.

When I started, I believed technology could help our unique neighborhood store reach people across the country and around the world. We launched our first e-commerce website in 1997 and became one of Amazon's earliest small business sellers in 2004. Looking back, those decisions changed the trajectory of our business.

Today, I believe artificial intelligence represents the next major leap forward for small businesses. AI gives businesses like ours affordable access to capabilities that were once available only to large corporations with multimillion-dollar budgets.

Many of these tools offer free versions or are integrated into existing platforms we use. For example, Shopify's native AI can produce on-demand sales reports in just minutes that used to take hours to build. Over the years we have accumulated decades of emails, spreadsheets, sales records, and operating documents in Google Workspace. We can now simply ask Gemini where something is stored and what it says, turning our historical institutional knowledge into something we can find and use instantly.

In addition, AI helps us streamline repetitive administrative work so our employees can spend more time serving customers. Right now we are building an AI agent to handle routine accounts payable work that takes one employee more than 20 hours a week, hours we would rather have her helping with strategic problems to grow our business.

Like many small businesses, we don't have the budget to hire a full-time chief financial officer. But today I can securely upload our financial statements into AI tools like Claude or Gemini and receive a thorough analysis of cash flow, inventory, investments, operating expenses, payroll trends, and potential financial risks.

Lastly, and perhaps my favorite example of how AI is helping us, we recently hired a national sales manager for KOBO, our small home fragrance manufacturing business. This is a new position. I knew what I wanted her to learn during the first few months, but I didn't have the time to organize everything into a structured onboarding program. Using AI voice transcription and writing tools, I talked through my ideas and the AI turned them into a comprehensive knowledge guide along with a detailed 30-, 60-, 90-day onboarding plan. She later told me it was the clearest roadmap she had ever received when starting a new job.

All these examples illustrate the larger impact AI has had on our business. It has helped us make better use of our employees' time, strengthen our operations, and grow. Since we started using AI, our headcount has increased by about 20 percent from just over 50 employees to more than 60, and we are still hiring.

As Congress considers AI policy, I urge you to focus on measures that help small business adopt and benefit from AI-powered tools. First, we need a clear, balanced national framework rather than a burdensome patchwork of conflicting state AI and privacy laws. Navigating different rules across all 50 states is difficult at best and expensive or impossible at worst.

Second, AI-powered tools are just becoming affordable and accessible for businesses like mine from features built into platforms like Shopify to standalone tools like Claude and Codex. If new rules make these tools more expensive or harder to use, it could push AI-

powered technology out of reach, once again making these capabilities available only to the largest companies.

Lastly, Congress should invest in AI literacy. SBA programs, tax incentives, or workforce training initiatives could help small business owners and their employees learn how to use these tools effectively. Every employee who becomes proficient with AI becomes more valuable, more productive, and better equipped for the jobs of the future. Even in our business, which is embracing AI, many of our employees lack formal training on how to maximize its potential. With the right support, more small businesses could help their workers use AI confidently.

For 151 years, Merz Apothecary has adapted to changing technologies and markets. AI is the newest chapter in that story. It is helping us compete, innovate, hire, and better serve our customers. I hope Congress will pursue policies that keep AI tools accessible for American small businesses and make it easier for millions more to adopt them.

Thank you, and I look forward to your questions.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Hoang for his 5-minute opening remarks.

STATEMENT OF FRANCE HOANG, FOUNDER AND CEO, BOODLEBOX

Mr. HOANG. Thank you. Mr. Chairman, Ranking Member Cisneros, Members of the Committee, thank you for inviting me here today. My name is France Hoang.

In 1975, when I was a small boy, American forces evacuated my family from Vietnam. That single act gave me a new life. It let me graduate from West Point, serve as an associate counselor to the President, and later deployed to Afghanistan as the executive officer of a Special Forces company. It also let me become an entrepreneur. Over the past 15 years I helped start a law firm, Fluet; a defense services company, MAG Aerospace; and today I run a collaborative AI company, BoodleBox. Today, more than 130 small businesses run a BoodleBox and over 100,000 students and faculty and more than 1,000 colleges use it to teach and learn.

Together, the companies I founded employed more than 1,200 Americans. So when this Committee talks about small business, I have lived that journey multiple times.

This Committee has already done real work to help small businesses through bills like the AI Main Street Act and the AI-WISE Act. That work matters. But I have learned something on the ground. Getting access to AI is no longer the hardest part. Basic AI is cheap and it is everywhere. A small business owner in Detroit can reach more AI computing power today for almost nothing than a Fortune 500 company could buy 5 years ago. The trouble is what comes next. The premium AI that delivers real results still costs real money. And a new divide is opening up between Wall Street and main street.

There is a second problem, and it is bigger. The most powerful AI is useless if you don't know how to use it well. Most small business today are handed the keys to a Ferrari and sent down the equivalent of a muddy road. Too often, what comes out only looks finished. And when someone has to redo it, it is what now we call

work slop. On main street today, and even more so tomorrow, the businesses that do not learn how to collaborate with AI will not just fall behind, they will fail.

When I sit with small business owners, I hear the same things over and over. They are exhausted, they don't have time to learn new tools, they don't have staff to run them, and they don't have budget to hire help. And they fear that once their data goes into AI tools, it stops being theirs. They are right to be careful. It is one of the reasons we built BoodleBox to be private by design. Not only do we have best-in-class security, but we never allow our customers' data to be used to train AI models. In fact, we are one of the few platforms approved by the House's own chief administrative officer for use by your staff. A small business owner deserves the same assurances.

I have seen what this looks like when it is done right. The University of Michigan runs the Detroit Neighborhood Entrepreneurs Project. It serves more than 400 small businesses a year. More than 9 in 10 of them are minority owned. Last year, they put BoodleBox in the hands of all those entrepreneurs with the coaching to use it well. One of them is Tekeyah Gaines, who runs a company called GT Coffee. Through BoodleBox, she picks the right AI model for each task: one to price her products, another to build her marketing. As a result, her average order has grown from $38 to $47. AI let her grow before she had the resources to hire. She didn't outsource her judgment to AI. She amplified it.

I would like to leave you with three requests. First, fund the roads, not just the cars. Put training and real support behind the Small Business Development Centers that the Committee has always strengthened with the AI for Main Street Act. Second, protect small business data so no owner fears that using AI means giving their work away. Third, take care that the rules meant to do good do not wall out the small. Compliance that only the giants can afford will hand this technology to big companies and lock out those who need it the most.

Throughout its history, America has provided opportunities that let small business owners thrive and prosper. In this era of rapid change due to AI, it is our responsibility to ensure that those opportunities not only remain, but expand. To do so, we must not just hand small business owners a faster car. We must help them build better roads, better roads worth driving on. Main street, I guarantee you, will take it from there.

Thank you. I look forward to your questions.

Chairman WILLIAMS. Thank you. The gentleman yields back.

I now recognize Mr. Aguh for his 5-minute opening remarks.

STATEMENT OF CHIKE AGUH, HEAD OF INNOVATION & STRATEGY, KAPOR CENTER

Mr. AGUH. Good morning, Chairman Williams, Ranking Member Cisneros, and Members of the Committee. I want to thank you for this invitation to testify today. And I will say as a former congressional intern who walked these halls two decades ago, it is a remarkable full circle moment and very much proof of what is possible today in America.

My name is Chike Aguh. I serve as head of innovation and strategy at the Kapor Center. And through the Kapor Foundation and Kapor Capital, the Kapor Center has backed more than 200 startups and fledgling businesses since 2011 that make healthcare, childcare, education, and housing more affordable today in America.

Few topics matter more than the intersection of artificial intelligence and the small businesses that power this nation. If you remember nothing else I say today, remember this: the rise of AI carries both promise and peril. They are both real. Our shared responsibility is to capture that promise and mitigate that peril.

For small businesses the promise of AI is very clear. Generative AI and AI agents can remove many of the very barriers that prevent entrepreneurs from starting and scaling businesses, from market research to back office capacity to navigating regulations.

Last year, Matt Rosenberg in California left his marketing job to open a Thai restaurant with his wife, a fourth-generation cook from Bangkok. When the storefront lease proved unaffordable, AI surfaced a rare home kitchen permit they never knew existed, cutting their startup costs by more than 90 percent and turning dense regulations into simple checklists. This February, Bangkok Rush Thai Kitchen opened in Alameda, California, about 12 minutes from our home office. And when Matt was asked what he would have done without AI in this situation, he simply said, I would have just given up. Matt's story captures the promise of AI, making entrepreneurship possible for all, not just for some.

But the peril is just as real. And it is threefold and it is important to name. First is trust. Right now, AI adoption, and there are ranging definitions and estimates of adoption, varies across small business and it is nowhere near where I think we want it to be. And I think what we would like to say at the Kapor Center is technology moves at the speed of innovation, but adoption moves at the speed of trust. And right now that trust is still being earned by this technology in the marketplace.

Secondly, concentration. If AI and the knowledge of how to use it is only concentrated in the largest firms, the gap with main street is going to only widen.

Lastly and third, fitness for purpose. If these systems are unreliable or poorly governed, then small businesses are left to navigate these risks alone, unable—as a former White House Deputy National Cyber Director Camille Stewart Gloster has warned, they would be unable to protect their intellectual property, their consumers, or their competitive advantage.

So the promise or the peril, which will we live into? It is easy to feel like this will happen to us, but at the Kapor Center we like to echo President Kennedy where he says things do not happen, they are made to happen. And so for the future that we want, how do we make it happen? And we would say that there are four parts to that answer.

First, we will have to ensure that small business leaders have both AI literacy and practical guidance on where AI creates the most value. The bipartisan AI-WISE Act and the AI for Main Street Act are promising first steps, and we hope they are only the beginning.

Second, we must help firms build AI-ready workforces. An AI-ready workforce is one that is not just AI literate, but AI native, fully comfortable working alongside these tools, but also strengthening their unique human skills that AI for now cannot replace: leadership, communication, interpersonal connection, and judgment.

Third, we need a national framework for AI governance. We believe commonsense guardrails like those in the AI Civil Rights Act, which we endorse, build trust by preventing unlawful AI discrimination, requiring transparency for critical uses, and providing real accountability. We also need consistent rules of the road on security, privacy, and intellectual property so that entrepreneurs, this is what is so important, can spend their time serving customers and not navigating AI risk.

Fourth, government must be a partner and a pioneer, not a barrier. Government should show the way by partnering directly with AI native companies to solve societal ills and take down the bureaucratic barriers that 6 percent of these companies say are barriers to their scale and to them serving communities. If those partnerships could happen and just make a 2 percent improvement on many of the nation's biggest challenges, we could unlock over $100 billion of GDP for this nation every year.

At the Kapor Center, we believe that America is stronger when there are more entrepreneurs in it, not fewer. We must listen to them, make sure these solutions reach them, regardless of who they are and where they live. If these solutions that we are debating here are not felt in places like my home county of Prince George's or El Paso, Texas, or Appalachia or the Ozarks, we will not get the next generation of small businesses.

And so I want to thank the Committee for having me. I want to start that we believe this is—and say this is a time of great promise and peril, and that we believe this future will not just happen, it will be made to happen.

Thank you so much.

Chairman WILLIAMS. The gentleman yields back.

And we will now move to the Member questions under the 5-minute rule. I will recognize myself for 5 minutes.

Mr. Qaiyum, Merz Apothecary has been a fixture on the Chicago street corner, as you said, for 150 years. But through smallflower.com you are now competing nationally. Imagine a catalog of more than 14,000 products with a staff of around 50 and as a national retailer would have entire departments handling that kind of merchandising, product discovery, and online marketing. Can you walk us through briefly? AI has let your team take on that used to require the resources of a much larger company, and where has it closed the gap with larger competitors and where does it still fall short?

Mr. QAIYUM. Yes, thank you for the question, Chairman.

You know, when you are running a small business, as I have done for about 28 years, and I have worked in the corporate world, in the corporate world you have departments who can—you know, a department for every task. And in our business and in most small businesses, one, two, a small handful of people are wearing all of the hats across—that would fall across a much larger cor-

poration. So for us, the way we use AI is often I think of it as we are looking for ways that we can take the simple work and the tasks away that we have to do so that we can focus on the deeper work that helps our business grow. So that might be like the example I gave matching bills to invoices, which is obviously important and we can't exist if we don't do that. But it isn't necessarily the best use of a human's time because we have a lot of other things to do. So that would be a simple example.

And then in marketing, you know, nowadays, we are able to test our marketing across the country to all types of segments. And we used to sit there and think should we test this ad for this segment in this part of the country or for this group of people? And it isn't really realistic to do all the testing you need to do to succeed as a small business. So now we are able to use the AI to test across a lot of different creative and target customers. And it has been a huge help for us. Those are two examples.

Chairman WILLIAMS. Thank you. Mr. Crenshaw, research shows that nearly three-quarters of small businesses are now using AI, but the headline number surely hides a lot of variation. Question is, how representative is that data across different sectors and regions? And what separates the small businesses that are successfully adopting AI from the ones falling behind?

Mr. CRENSHAW. As we look at the data, you know, 58 percent of small businesses, according to our survey nationwide, are using generative artificial intelligence. Now, if you look at the higher adopters, that tends to be smaller tech firms, it is around 70 percent adoption rates at that point. Entertainment companies that are smaller, it is around 65 percent. But then when you dig down in the numbers, you know, you still have about half of retailers, restaurants, traditional brick-and-mortar companies are using generative artificial intelligence to grow and thrive.

In fact, had a chance to talk with the owner of a skincare company in the Coachella Valley, who has been able to use generative AI to help her cut costs by sourcing products from places with lower tariffs or lower costs due to inflation, so she doesn't have to pass those costs on to consumers. And so it really is a mix of the type of companies that are using this across all sectors.

But at the same time, what we have found, though, the companies that are not using generative artificial intelligence, about a third are worried about the regulatory uncertainty that is out there. About one in five believe that they can't find the workers who are properly trained at this point to actually use generative AI and make it work for them. And then another third are really, you know, still not sure how it will work for their business. So it is one of the reasons why it is so critically important that we establish clear national frameworks on the regulatory side, like the Secure Data Act on data privacy, create a national AI framework that is workable. And we also have training programs in place, like the AI for Main Street Act and AI-WISE Act, that help small businesses really get their head around how to use small business—or AI responsibly.

Chairman WILLIAMS. Mr. Hoang, in the short time that I have got left, from your work with BoodleBox, what does AI literacy realistically look like for a typical main street owner and their em-

ployees? And how can platforms like yours and the broader training ecosystem help them build those skills in a way that supports running the business rather than becoming another burden on their time?

Mr. HOANG. Very briefly, thank you, Mr. Chairman. I think AI literacy has three components. First, domain expertise piece. You have to know what questions to ask, what context to provide to be able to evaluate AI outputs.

Second, AI enablement, knowing when and how to use AI. Not every problem requires an AI solution, but if it does, what are the tools and how do I use them responsibly?

And third, I would argue that in this era of AI, the things that make us uniquely human are more important than ever: critical thinking, collaboration, communication, creativity. And so those combination of those three things are what we need for today's workforce.

Chairman WILLIAMS. Okay, thank you. My time is up.

I now recognize the Ranking Member for 5 minutes of questions.

Mr. CISNEROS. Thank you, Mr. Chairman.

Me and my colleagues and I were deeply concerned when we saw the President's executive order on AI published in December. There are several concerning elements to this executive order, but the most concerning is a requirement by establishing a uniform federal policy framework for AI that preempts state laws on AI as well as data centers.

I support strong federal AI regulation and I think it is important that we have that. But I am worried that this EO punishes states like California, my home state, that are proactive and forward-thinking enough to harness the benefits of AI while also creating guardrails against potential harms, especially because this EO removes all state laws without putting any safeguards in place.

Mr. Aguh, can you share with a preemptive—can you share why preempting state AI laws can be harmful without any strong regulatory safeguards?

Mr. AGUH. Sure, Congressman. Thank you so much for the question.

And I think for us, the Kapor Center, we very much think the best way forward is a single national framework for AI governance. In lieu of that, we do not think the best approach is no regulation. We believe that right now, if I cannot have national regulation, then someone needs to step in. And right now, states are stepping forward to create those safeguards. One can argue how optimal that is, but we would say it is more optimal than having no regulation or protection whatsoever, particularly for this topic that we are talking about today.

If you talk to many small businesses about why they may not be adopting it, it is because they are unclear about what the rules of the road are and what protections exist for them, whether it be around their data, around their security, around civil rights. And having those rules, even if they are state-based rules, can actually be a tool to increase trust, which can increase adoption, which I think we have all said on this panel is to the benefit of small businesses in their communities.

Mr. CISNEROS. Yeah, and, like you said, the trust is the important thing. Right? That is what is going to allow more people to use this tool.

So, Mr. Aguh, in your testimony you said government should be a partner, not a barrier. Now, Rep. Jack and I introduced the SBA IT Modernization Reporting Act to address challenges at the SBA in carrying out IT projects that support small businesses. I am glad to hear it unanimously passed the House and now a Senate companion is being introduced. How counterproductive can it be to small businesses if government agencies like the SBA improperly utilize AI?

Mr. AGUH. Again, Congressman, thank you so much for the question. It can be harmful in two ways. One, the government is in some ways an influencer and a leader for so many other types of industries across the country. When there are misuses at the federal level, it can potentially, frankly, incentivize and almost create cosigning for those misuses in others. That is one.

Two, when there are bad effects of those misuses, it creates a chilling effect for other folks who may want to partner with AI—native AI-driven companies. And we think it is why the SBA, we want to be pioneering, but also strategic in terms of how they use it, so they can actually show the way for what right looks like instead of highlighting what wrong can look like. And we believe if that happens, more small businesses will be able to do more at every level of government and at every sector to improve their communities and improve problems around the country.

Mr. CISNEROS. All right. Thank you for that.

Mr. Hoang, I loved your example about the University of Michigan and how they are teaching companies how to use AI. Moving forward, as you said, literacy is very important. What role should the SBA play in this when it comes to literacy? AI ensuring that small businesses know how to use these tools and use them properly to their benefit.

Mr. HOANG. Yeah. As we saw in places like Detroit, when you combine access to the tools with the training and coaching to use them, well, that is when you see results. The SBA obviously has the resources and the reach to provide that type of training and resources. Obviously, private industry has a role to play as well, but the reach of the government is much greater and particularly in, you know, urban America, in downtowns, in the far reaches of past the last stoplight of rural America. I think the SBA can really make an impact in terms of providing resources necessary for the responsible and collaborative use of AI.

Mr. CISNEROS. Mr. Crenshaw, same question to you. What role should the SBA play in AI literacy?

Mr. CRENSHAW. We believe that SBA should play a fundamental role in AI literacy. It is one of the reasons why we support the AI for Main Street Act and the AI-WISE Act.

Mr. CISNEROS. All right. Thank you for that.

Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Van Duyne from the great state of Texas for 5 minutes.

Ms. VAN DUYNE. Thank you very much, Mr. Chairman.

You know, small businesses really do drive the economy, I would say, throughout the country, but especially in North Texas, and AI seems to be giving entrepreneurs new tools that were once out of reach for all but the largest of companies. It is helping owners save time, make better decisions so they can focus more on serving customers and growing their businesses. And on this Committee we are working alongside the Trump administration to remove a lot of the barriers and to help small businesses to put these tools to work. Washington should be building on that progress without creating new uncertainty or unnecessary costs for small businesses so that businesses of every size can benefit as America continues to lead in AI.

Mr. Crenshaw, AI is already helping small businesses compete with much larger firms. Washington needs to be careful, as I mentioned, not to regulate away that advantage, but, at the same time, business owners need confidence that their customer data, the financial information, proprietary work are secure. So as we consider some of these privacy concerns, what do you think that we should be looking at first and how can we address real risks without creating new compliance burdens that will make AI less accessible to main street companies?

Mr. CRENSHAW. It is an excellent question. And, you know, there is a reason that Texas small businesses are using AI. Eighty-six percent of them grew their workforce, the ones who used it, but they have concerns. Sixty-two percent of Texas small businesses are worried about a patchwork of state AI and privacy regulations, creating an environment where small businesses incur the costs and don't reap the benefits and can't compete with larger companies.

I think there are really two things that really can be helpful in creating a regulatory environment for AI. One is passing national data privacy legislation. The Secure Data Act is currently in front of the E&C Committee right now. It is legislation that is based in large part on the Texas Data Privacy and Security Act and also, along with 19 other states across the country, as a model for privacy legislation that would put consumers in charge of their data and give them the right to delete it, correct it. But at the same time, we also do need a national AI framework as well that prevents a patchwork from emerging.

And I think as we look at that, one of the first things we have to do is address where is AI already regulated? We need to do a gap analysis to see where the laws can already play a role in protecting people. We already have laws in the books that protect against discrimination, privacy in over 20 states, consumer protection laws in 50 states. We have an FTC Act that protects consumers on a national level. And then at that point, there needs to be a real discussion about a risk-based framework that is targeted and tailored for those areas of harms where the law has not caught up with the technology.

One example of that is the Take It Down Act, which was signed into law, which would have criminalized the distribution of deep fake revenge images and also given consumers a right to take those images off websites and off the internet. So that is really where we feel a balanced approach is.

And I think as we look at AI regulation, it is important to note, you know, even if there is preemption of specific AI regulations across the country, there is still a backstop of these laws of general applicability, like consumer protection, discrimination, and privacy.

Ms. VAN DUYNE. I appreciate the answer, by the way. I have asked a number of CEOs and founders to sit in the largest AI companies, and that was the best answer I have gotten. Very complete and well thought out. I appreciate that.

Mr. Hoang, in your testimony, you discussed the importance of both proprietary and open models to small businesses, including the importance of open models due to cost. Can you kind of expand on the current state of the closed and open model ecosystem and how small businesses use both types to operate and build their businesses?

Mr. HOANG. Yeah. To be clear, I am neither pro open or anti open or pro closed or anti open closed model. I believe in choice. Choice provides competition. It provides the consumers the opportunity to use the models that are best. We obviously are familiar with the closed models that are kind of on the frontier edge. There is also a number of open models that are very close. They are driving down the cost to access these capabilities.

I built my platform on this idea of choice. You can choose what models you want to use in collaboration, so you can get the best of models working together. I think we need more competition in the sense of more access to both closed and open models so consumers can let competition do what it does best, which is produce the best products and services for America.

Ms. VAN DUYNE. I appreciate that very much.

And with that, Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentlelady yields back.

The Chair now recognizes Mr. McGarvey from the great state of Kentucky for 5 minutes.

Mr. MCGARVEY. Thank you, Mr. Chairman. Thank you, Mr. Chairman, for having this hearing today. I think it is incredibly important for us to be talking about AI as it relates to small business.

As you all have pointed out, AI is not something that is coming. AI is here. We see it right now in Louisville, Kentucky. I see businesses who are successfully using AI in a lot of the ways you all describe, right, which is actually taking some of the more—the tasks that take hours upon hours upon hours to do, and then freeing up their employees to actually do the work that is central to the business. So see a lot of good applications.

Have a lot of questions, too. Right? And see a lot of fear from people who are afraid that AI is going to take their job entirely. This is the kind of thing where, like, AI, I mean, could quite literally cure cancer or potentially be used to develop a type of biological weapon. It is the type of thing where AI can be used to help spur creativity, but we don't want to see it ripping off the beautiful sound of someone's voice or taking the hard work and creative energy that goes into music and products and taking that and taking it away from us.

How do we replace and how do we protect people whose livelihoods are easily replaced by AI? How do we balance the needs for privacy with the needs for safety and security? And you guys

talked about some of these things. So at the root of each of these questions, I think, is what I spend the most time thinking about when we think about AI right now. How do we make sure that AI is used for good? And this is something that I think is really important work of this body right now.

And Mr. Crenshaw, I am going to start with you because you testified before the Science Committee all the way back in 2022 about the ethical development of AI, and I am not being facetious when I say all the way back in 2022. When we talk about AI, 2022 was a very, very long time ago. We could be talking about the beginning of this year, and it might be a long time ago in the way that AI is developing.

But I want to hear a little bit more about this, and I wanted to hear from you. What do you think the role of Congress is in ensuring that we develop AI that is ethical, that does good, and is used for good? And tell me in any way if some of your views have evolved since 2022.

Mr. CRENSHAW. It feels like a long time. A lot has happened. A lot has changed since I testified in front of the House Science Committee. We have now seen the rise of new types of AI, for example, and more news about frontier models and agentic artificial intelligence and the rise of chatbots over the last few years.

But I think one of the things that has been helpful in government, and was actually released during the Biden administration was, the release of the NIST AI Risk Management Framework, which provides a great roadmap toward businesses of all sizes to examine and look at how they are using artificial intelligence to address risks to things like privacy and other potential harms that could come out. It is one of the reasons why the Risk Management Framework is iterative and meant to be reexamined to make sure that it is catching up with the technology. And that is exactly what is happening right now. NIST is currently reviewing and making changes to that Risk Management Framework right now.

It is also putting out profiles for different use cases for artificial intelligence. For example, just recently in the last year released a risk profile on generative artificial intelligence. It is now working on one on critical infrastructure. But it is also possible that NIST could also examine ways for small businesses to more easily look at how to use artificial intelligence in an ethical manner.

So that is the way government is already working. But, you know, at the same time, you know, there are other things that we think that can be done. For example, Kentucky led the way on data privacy legislation. A super majority of Republicans and Governor Beshear, a Democrat, enacted Kentucky's data privacy law, which has rights around AI. It has deletion rights. And we think that that is the right model for the United States in terms of passing national privacy legislation, which would be a building block to getting us to understanding how data can be regulated, so then we can start looking at more of the broader AI pieces.

Mr. MCGARVEY. No, thank you. I appreciate you saying that. And this is one where I wish, I think all of us probably wish, we had more than 5 minutes.

And this is an issue I don't want to see get political, but you mentioned the importance of NIST. I have to point out that this ad-

ministration, the Trump administration, has fired over 700 NIST employees and the fiscal year 2027 budget requests proposing 53 percent of that agency's funding. I think when we are talking about how do we use AI for good, how do we have this framework, an agency like that really is important for helping us develop those tools. I also appreciate you bringing up data privacy.

Unfortunately, I am running out of time, but really appreciate you guys being here. Appreciate the information you provided. This is something is going to be so necessary for small business, for everyone to be able to compete, for us to develop the right framework. So appreciate you guys being here.

Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Alford from the great state of Missouri for 5 minutes.

Mr. ALFORD. Well, thank you, Mr. Chairman. Good to see you and everyone coming in today to testify on this very important matter.

Artificial intelligence is quickly transforming the way Americans live and work, and nowhere is that more evident than on main street. And that is what we are concerned about here in this Committee. What was once viewed as a technology only available to the largest of corporations is now becoming available and affordable for small businesses all over our great nation. Whether it is helping a manufacturer optimize production, allowing a family-owned retailer to better manage inventory, improving customer service, or reducing the administrative burden on small business owners, AI is giving entrepreneurs new opportunities to grow, to innovate, and to compete.

At the same time, many small businesses still face significant challenges when it comes to adopting these tools. Business owners often tell us that they don't know where to begin. They worry about protecting customer data. Many simply lack the time or technical expertise to evaluate the growing number of AI products entering the marketplace.

We here in Congress, I think we have a very important role to play to make sure that innovation is encouraged, not hindered by unnecessary regulation, while also making sure small businesses have access to the education and resources they need to use this technology wisely to grow their businesses.

Mr. Crenshaw, I was proud to introduce the bipartisan AI for Main Street Act along with my colleague, Representative Scholten. And this legislation would utilize the Small Business Development Center network to provide practical AI training, cybersecurity best practices, data protection guidance, and technical assistance. The House passed this bill by an overwhelming bipartisan vote because we recognize here in Congress that AI adoption is about more than simply providing access to technology. It is really about giving entrepreneurs the confidence to use it effectively.

From your perspective, how valuable would this type of locally delivered technical assistance be? And what additional resources should Congress consider to make sure main street businesses can successfully adopt AI? Sir.

Mr. CRENSHAW. Well, first and foremost, want to thank you for your leadership and sponsorship of the AI for Main Street Act. It is a critical step to ensuring that small businesses know the tools available to them, know how to use them in a proper and ethical manner. And it is a reason why it is so important. As you look at your home state, 87 percent of Missouri's small businesses using AI have grown their workforce. So it is—this is why we need to get these kind of tools in front of them.

So we think it is incredibly important that this bill pass in the Senate along with the AI-WISE Act. And then also SBA has the funding it needs in order to successfully promote AI adoption for small business.

Mr. ALFORD. Thank you. Mr. Qaiyum, a big concern that I have heard from our constituents when I am doing town hall meetings or coffees with people in small businesses, we are in those small businesses regularly when we are back in our district, they are concerned about AI replacing employees, especially entry level roles. In your experience, has AI replaced workers or is it more of a tool to allow workers to be more productive and more competitive for those small businesses, competitive with the big guys?

Mr. QAIYUM. Thank you for the question, Congressman. At Merz, in my experience, it really is a competitive advantage, and it is, I would say, even more, it is a bandwidth advantage. And by that I mean in my almost three decades running a small business, I have never felt that there was a lack of opportunity. There was just a lack of time, money, and resources to tackle the opportunity. So for me, it feels like what we have experienced is that using AI, my team is able to go after bigger opportunities and help our business grow, even the entry-level folks.

Mr. ALFORD. Thank you. Mr. Hoang, last question. What are the biggest obstacles that small businesses face after they decide to use AI? And what has helped your small business customers turn AI from a project into an everyday business tool?

Mr. HOANG. I would say, thank you for the question, two things. First, where to begin? AI, that chat window can seem like a lot of promise if you are an AI early adopter. For someone who is not familiar with AI, that seems like an ocean you get lost in. So it turns out AI is actually very good about teaching you about AI if you use it right. It is one of the interesting kind of components of the tool.

The second is we hear a lot about prompt engineering and the need to be able to ask AI the right questions. In my opinion, what I have seen the most powerful use of AI, it is actually about context engineering. It is what you tell the AI before it gets started. And so educating business owners on how to use the context they are already sitting on, their customer data records, your past performance, your past contracts, and how to feed that into AI in a way that is safe, secure, and private, that really unlocks the power and potential of AI.

Mr. ALFORD. Thank you. And I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mrs. McIver from the great state of New Jersey for 5 minutes.

Mrs. MCIVER. Thank you, Chairman, and thank you, Ranking Member, for convening this hearing today. I want to thank each of

our witnesses for joining us today on a heat wave here in Washington, D.C., so stay hydrated.

Artificial intelligence is often described as a tool to help small businesses become more productive and reach new customers. But its value depends entirely on the safeguards we put in place. Today's AI systems still reflect deep biases, raise serious cybersecurity risk, and operate with little transparency. While large corporations use AI to strengthen their advantage, many small businesses are left behind. We are not doing nearly enough to ensure that small businesses can access and benefit from these technologies on fair terms.

AI's rapid growth depends on the massive expansion of data centers, which place heavy burdens on local communities, local electricity grids, water supplies, infrastructure, and people, especially in my district in New Jersey's 10th. These projects often move forward with little transparency or input from the communities most effective. That is why I introduced my AI Data Center Site Selection Transparency Act, which would bring an end to surprise AI data center construction. If we are serious about encouraging innovation, we have to protect small businesses and communities that bear the cost of this transformation.

Mr. Aguh, spent a lot of time talking about this in your opening testimony, which I can appreciate about how AI has some potential to increase productivity, but it also has millions of America's workers wondering what will happen to their jobs due to increasing AI use. I want to elaborate a little bit more of what one of my colleagues talked about, Mr. McGarvey, about Americans in the workforce and how AI impacts that.

Mr. Aguh, how would small businesses or how should small businesses think about using AI to assist their employees rather than replace them?

Mr. AGUH. First of all, Congresswoman, thank you so much for the question. And I think this is a place where I think history is helpful. If you think about in the past, in the manufacturing space, and you think about when someone running a factory was trying to figure out how to make the line run faster, the first place they went was they went to their employees and said, you work on the line. Tell us how we can make this line 10 percent faster, 15 percent faster, and the workers generally delivered. And I think the same ethos is important here.

When business leaders are implementing AI, the people who must be intimately involved are the workers, particularly on the front line, who are using it. One, because that is ideally the types of workplaces that we want. But secondly, they have, in many ways, the best ideas for how to make sure that that AI can be used to actually create the efficiencies that we want. What can I take off my plate that will make me better able to serve our customers, grow our business, serve our community? So I think that is number one, include workers in that process. And usually when I talk about these fronts, there are about 10 people, 20 people, many of which—and in many ways those relationships are already being created.

I think the second piece is, and you have heard, I think, across all the witnesses, which is we have to be investing in their skills

now. Again, how do we make folks AI native so that they know how to use these tools? The same way that we expect workers to be able to use Microsoft Office or Google Docs, same way this is going to become that level of table stakes. Therefore, how do we invest in that proactively now before it truly is a barrier to employment?

I think the third piece, this is particularly true for small businesses, and you heard this from my example for Bangkok Rush Thai Kitchen, which is in many ways small businesses need to think about what is not happening in my business that AI can help make happen versus what is the thing that is happening now that potentially could be done by someone else? And when you have, again, businesses of 10 or 15 or 20 people, there are lots of things that aren't happening because they just don't have the arms and the legs to do it.

So those are the three things that I would say: include workers, make sure they are trained, and then thinking through strategically what is not happening in my business that AI could help make happen.

Mrs. MCIVER. Got it. Thank you for that. And many of you, I think each of you actually talked about the need for AI literacy, right, for businesses. In your opinion, what investments in workforce training will be necessary to help workers adapt?

Mr. AGUH. I think it is two things, or if I put it in two buckets. One is just literally training folks on the tools, again, the same way that there are still classes that you can take on Microsoft Word and Excel. And you have much content out there, a lot of it either low cost or no cost, which is good. I think we particularly need to make sure this gets to the, frankly, the most in need, underserved workers, the most underserved communities, whether those be urban or rural, because that is—because those are usually the folks who get that information last.

I think the second piece, and I say this as someone who used to work at the Department of Labor, is how do we make sure that those human skills, again, leadership, communication, are emphasized? And that is where things like work-based learning are really important. You learn those skills not by hearing about them, learning about them, but you learn them on the job. So apprenticeships, hire to train, hire to train/deploy apparatus are really, really critical. So more work-based learning and then more targeted knowledge of how to use these tools.

Mrs. MCIVER. Got it. Thank you so much for that.

With that, Mr. Chairman, I am out of time. I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Ms. King-Hinds from the Northern Mariana Islands, the great islands, for 5 minutes.

Ms. KING-HINDS. The amazing Northern Marianas. Thank you, Mr. Chairman.

Mr. Hoang, of the things that resonated with me was your statement that, hold on, excuse me, that the tool is only the car. The road is training, coaching, and support. And as the Chairman has mentioned, I represent the Northern Mariana Islands and one of our biggest challenges often, just our remote geography and our very limited access to technical expertise. So if Congress could do

one thing to ensure that AI doesn't widen the gap for remote, isolated communities like mine, what would that look like? What would that investment be?

Mr. HOANG. Thank you for the question. I would say, obviously, pass the two acts that came up from this committee, right, the AI-WISE Act and the AI Main Street Act that activates the, you know, SBA and the Small Business Development Centers to provide that training and expertise, and the government can reach all around the world, right, even to those territories and states that are further afield. So I would say pass those acts.

And second, continue to have these discussions, continue to have these hearings and bring businesses small and large. The world is changing fast. As one of the representatives noted, if we have this discussion 6 months from now, the world is going to be different.

Ms. KING-HINDS. Yeah, I agree. There has been a lot of—I think most of the panelists have touched on workforce development. And, you know, that is something I am particularly interested in as, you know, this new technology continues to change on a daily basis, if not by minutes. Right? And I just kind of want to flesh out some of your thoughts on what we should be doing in terms of investing to be able to prepare our workforce for this new technology.

And I will start with you, Mr. Crenshaw.

Mr. CRENSHAW. Well, I think it is important to note, too, in addition to AI training, as we are looking at building out the infrastructure for AI, we are going to need training in that as well, too. You know, we have seen a rise in apprenticeship programs for things like electrical work to help out build out the infrastructure that is necessary for artificial intelligence. So it is a reason why many of the companies we work with are working to get people trained in those skills as well.

But it is also fundamentally important that we have small business owners trained on how to use this technology. And it is one of the reasons why the Chamber launched its Small Business Basics program. But also, as we are looking at education, we need to begin developing programs where K through 12 has some degree of AI built into it, postsecondary education as well, too, building AI into those curricula, and into an interdisciplinary approach in a lot of ways in higher ed. And so it really is going to be an across the board strategy necessary to ensure that we have an AI-ready workforce.

Ms. KING-HINDS. All right, thank you.

Mr. Qaiyum, did you want to chime in?

Mr. QAIYUM. Yes, thank you. Right now we are probably more advanced than most small businesses of our size in using AI. But that is because I happen to be into technology, and other leaders and I in our business have been pushing ourselves and our teams to do it. But even in our company, we feel like it is a challenge to get the rest of the company to adopt it. So I think that it is important to come up with programs, ideally through the SBA or other means, that help us train workers and let them experience the advantages that come from learning how to use these tools well.

Ms. KING-HINDS. Mr. Hoang, did you want to say something as well?

Mr. HOANG. Yes, thank you. We are privileged to work with almost 170 colleges and universities on their teaching and learning with and about AI. What artificial intelligence needs is more actual intelligence. And it is that combination that allows us to unlock its potential.

If you think about the nature of work, right? Defining a problem, designing a solution, creating that solution, validating it, AI makes those middle two steps easier and cheaper than ever. But the key isn't those two steps. The key is what comes before. Am I using AI for the right problem? And what comes after? Does this solution actually work in the real world? And so workforce readiness, maybe, ironically enough, isn't about learning how to use AI and the tools. It is learning how to apply them to the real problems and to solve real problems in the world.

Ms. KING-HINDS. Mr. Aguh, you have the rest of my time.

Mr. AGUH. I think the only thing that I would add here is more real world. You might have kind of heard it in the last answer, which is, again, for those of us who are athletes at any point in our lives, you didn't read a book on how to do a jump shot or throw a football. You did it in the field with a coach. And I think right now, AI is, ironically, showing the need for more work, true in the field, in the place of work training and learning, so folks can learn to use these tools in real time. Classes are good. Real life experience is better because we are learning how to use these tools because they are evolving so fast.

And so I think that was the only thing I would add here, which is how do we make sure that people, really young people, are getting to use these in the field, not just in the classroom.

Ms. KING-HINDS. Thank you. I yield back, Mr. Chair.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Tran from the great state of California for 5 minutes.

Mr. TRAN. Thank you, Mr. Chairman and Ranking Member, and thank you for our witnesses for being here.

AI is no longer a technology of the future. It is already changing how main street does business. From helping a family-owned business manage inventory to allowing a new startup to reach new customers, AI has the potential to make small businesses more productive and more competitive if we use it well.

As someone who represents Southern California, I see both the promise and risks every day. L.A. County and Orange County are home to a booming AI and tech innovation ecosystem and also home to thousands of immigrant-owned small businesses that are worried about what AI means for their livelihoods.

There is a broad bipartisan agreement that America should lead the world in AI innovation. But leadership also requires rules of the road. That is where Congress has fallen short. We still don't have a clear national framework for AI governance that addresses safety, innovation, and equal opportunity.

Indeed, access to AI is not equal. In many minority communities access to high-speed internet, modern devices, digital skills, and language-accessible tools remain uneven. This digital divide simply does not disappear during time of rapid AI adoption. It deepens. This is why AI literacy must come a become a national priority.

Small business owners should know not only how to use AI, but also how to identify its risks, protect sensitive business data, recognize bias, and make an informed decision about when AI should and should not be used. That education has to reach every community, including immigrant entrepreneurs, who are often among the most innovative small business owners in the country.

The largest corporations already have the resources to adopt AI, manage compliance, and pay for future subscription costs. Many small businesses do not. If we fail to close that gap, AI could accelerate market concentration and leave main street struggling to compete. We need to make sure that this doesn't happen. Congress needs to invest in AI literacy and establish thoughtful federal guardrails to ensure that AI becomes a tool for innovation and opportunity, and not another barrier to success.

Mr. Hoang, given your background, we both know the opportunities that this country provided our families, and we both chose to give back through military service before pursuing entrepreneurship. Your story is a powerful reminder of what the American Dream can look like. In your testimony, you make an important point that the challenge today isn't only access to AI, it is also readiness. You say many small business owners have been handed the keys to a Ferrari and sent down a muddy road. I never got that Ferrari key, by the way. But can you explain how important AI literacy is for consumer and entrepreneurs?

Mr. HOANG. Thank you, Mr. Tran. And I appreciate your service as well given our shared heritage.

Let me just draw that analogy a little wider. So we tend to think of AI like a faster car. Let's just do whatever we are doing today and just do it faster and better with AI tools. But if you think about it, a car is not just the faster horse. All right. A car requires, first, infrastructure. It requires training. It requires rules of the road. A car requires you to build the roads that can handle how fast the car can go. And most importantly, a car can go to places horses can't. And so in many institutions, organizations, public and private, we treat AI like a faster car. We simply do what we were doing before, just do it faster.

I would argue the key to AI adoption and the key to AI in small businesses is to rethink the roads, to ask ourselves where do we want to go? And it may be a place we could not go to before. It may mean that a business that didn't have access to marketing tools because they couldn't afford it, now all of a sudden does. It may mean that a business that couldn't expand its market, could. AI enables these new opportunities, but only if we build the better roads, only if we build the privacy, the data protections, only if we provide the training, and only if we ensure that the regulatory environment doesn't overly burden small businesses compared to large businesses.

Mr. TRAN. Let me follow up and ask you, is AI literacy a challenge right now in this country?

Mr. HOANG. Yes, it is absolutely a challenge.

Mr. TRAN. Can I ask to read all the panelists going down, starting with Mr. Crenshaw, if you agree?

Mr. CRENSHAW. Yes.

Mr. QAIYUM. Yes.

Mr. AGUH. Absolute yes.

Mr. TRAN. Okay. Then let me follow up with this. Should there be a dedicated funding, federal funding, to help bolster AI literacy nationwide?

And let's go down the panel. Mr. Crenshaw?

Mr. CRENSHAW. We should have public-private partnerships that work together.

Mr. TRAN. Accept that.

Mr. QAIYUM. I am not an expert on how it gets done, but I know we would appreciate it in our business.

Mr. HOANG. Same answer here. I believe public-private partnerships and, you know, from there a wide variety where we get AI literacy.

Mr. TRAN. Mr. Aguh?

Mr. AGUH. Yes, but we will need public investment.

Mr. TRAN. Okay. Thank you very much.

And Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Fuller from the great state of Georgia for 5 minutes.

Mr. FULLER. Thank you, Mr. Chairman.

Mr. Hoang, and, Mr. Crenshaw, you may weigh in on this, too, so my wife is a small business owner. I am a prosecutor by trade. So if you remember the old caveman lawyer, your AI world frightens and confuses me. So one of my concerns for small businesses on main street and the Appalachian communities that I represent is no different than the software you may use in a business. You know, someone will sign a contract, and then maybe a year or 2 years into it, maybe it is not delivering. I think you used the term "AI adoption." Maybe it is not what they needed.

How can we create an industry and framework to make sure that for that AI adoption on main street that these businesses have the opportunity to become—get the AI that they need to actually grow their business and not get into, you know, 24-month contract for something that is not responding to their needs?

Mr. HOANG. Thank you for the question. There is a lot of AI available, some of it is free, a lot of it you can buy month-to-month. I don't think the locking is a problem. What is a problem is context. Right? There is going to be a fight for the context in which we provide our AIs and the context that emerges when we use AI. And I believe that users should have the ability to move that context from platform to platform. We do that inside my platform in the sense of like you can share context between different models. So if today Claude is the better model, you use that. If tomorrow Gemini is the better model, you use that. And so I think being model agnostic in what you create is the right path forward for industry providing these types of tools.

Mr. CRENSHAW. I think it is important, too, as companies are looking at which AI to deploy, they shouldn't have AI be the solution for its own sake. They should actually go in with an identified set of challenges they are trying to solve for and then look for the AI solution that is best talented or best positioned and targeted for solving those issues. So, you know, I think that is one of the reasons why it is so important that we do have facilitated AI training

and education so small businesses can get smarter about what tools might be better for them.

Mr. FULLER. And I wanted to ask you about that, Mr. Crenshaw. So when you are talking about a public-private partnership, because if I am thinking about a small business in one of my main streets, I mean they don't have the time to think strategically and have big thoughts on like what are those questions to help me, A, with literacy and then the inputs that I need for the AI to improve my business because they are worried about, hey, I can't even get someone to show up for a shift. And that is going to, you know, ruin my Mother's Day, which happened to my wife where someone didn't show up to a shift, I don't have the certificate to go in and do her shift at her business, she has got to fill it on Mother's Day.

So for those business owners that don't have the time to think big thoughts about what AI is appropriate for them, what does that public-private partnership look like so you can get that AI literacy for a small business to say, this is what I need.

Mr. CRENSHAW. Well, I think that is one of the great things about the AI for Main Street Act and the AI-WISE Act are put together. They complement each other. The AI-WISE Act provides a lot of online tools and online availability of information. The AI for Main Street Act would work with SPDCs basically to have more of those localized trainings and localized education efforts as well.

It is also one of the reasons why, you know, we think it is important that the business community itself takes a role in providing training. We at the Chamber have worked with local and state chambers of commerce to do trainings for local small businesses as well on AI through the Small Business Basics program.

But also, too, I think it is important for individual businesses to be forward-thinking. One example is Hrag Kalebjian, who is the coffee shop owner I mentioned in my opening testimony, who is using AI for cutting his marketing down by about 70 percent. But what he does is he actually has an innovation hour with his baristas and his staff at the coffee shop to just go through how can AI help them and kind of going through new AI solutions to get them tooled and ready, even if they don't stay at his coffee shop to go on somewhere else. So it really is different aspects of the ecosystem when it comes to AI that have a role to play.

Mr. FULLER. Thank you.

Mr. Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Goodlander from the great state of New Hampshire for 5 minutes.

Ms. GOODLANDER. Thank you, Mr. Chairman. Thank you to our witnesses for being here for this really important hearing.

You know, one of the through lines in this hearing has been a very powerful point that each of you have made, which is that getting access to AI is right now not the hard part for small businesses. The hard part is actually ensuring that a family-owned funeral home in Berlin or a home builder in Brookline or a daycare in Keene can actually put this technology to use. And equally urgent, whether 5 years from now or 5 months from now maybe is probably more accurate, that small business will still have the leverage over the platforms that they built their businesses on.

Mr. Hoang, thank you for your testimony. Thank you for your service. You know, your testimony has laid out for us a really clear vision of what doing it right looks like, what closing the readiness gap looks like. And I want to ask you, you know, our resources are limited. We are fighting tooth and nail for every dollar and many dollars that this administration is withholding from my state of New Hampshire that could actually go to solve and close this readiness gap. With limited resources, how could we scale up a model like the one you describe in your testimony, the Detroit Neighborhood Entrepreneurs Project? How could we scale this up? What would be your first concrete steps that we could take to scale up this model?

Mr. HOANG. So I believe in public-private partnerships. A lot of the work we do at BoodleBox is with colleges and universities. They are the front door to democracy. Today's college students are tomorrow's workers. Obviously, state and federal funding and governments, you know, are intertwined closely with higher education. You know, I would like to see greater support for AI literacy at the place where it counts I think the most, right, during the formative years of someone's development just before they enter the workforce.

Ms. GOODLANDER. Thank you. I appreciate that.

I did want to ask about this. You make the powerful point that we got to fund the roads, not just the cars. To me, part of the road is connectivity itself. I represent one of the most rural districts in the country. And access to high-speed broadband is for many of my small businesses a core barrier to the adoption of AI tools. Can you speak to this in the rural small businesses you have worked with? And can you just—you agree that connectivity is part of what it is going to require for us to build the roads?

Mr. HOANG. Yeah. Absolutely, Representative. In my written testimony, I talk about a rural family in Oklahoma. They live well past the last stoplight. Because they have good connectivity, they are able to access AI. They are able to have a marketing team, a development team, a business development team that is AI-powered that they would not otherwise have access to. But obviously, if they can't access the AI, they can't have access to those potential. And so connectivity is really a fundamental foundation for this access to the AI economy.

Ms. GOODLANDER. It is. And I just want to say the Broadband Equity Access and Deployment Act, the BEAD program, has been so mission critical. We have got $21 million that is currently being withheld from the state of New Hampshire that could go to exactly this problem.

Mr. Aguh, I want to ask you, thank you for your testimony and for the powerful points that you have made about the role of competition and the real perils that small businesses are up against. Before I came here to Congress, I was an antitrust enforcer. So I think a lot about what the scales have looked like and could quickly look like for small businesses. Can you talk to us about examples that you have seen in your work of AI applications that have actually made small businesses better able to compete with large dominant companies?

Mr. AGUH. Sure. First of all, thank you so much for the question. And I think, let me step back for a second to say, I think I have seen two things that have helped this. One, you need to feel confident about transparency, for a small business to be able to know: is this tool doing what I need it to do? That is hard right now because the technology moves so quickly. So being able on the front end to know what you mean to have solved and then actually able to track them on a regular basis is so important because that is the first step to know when I need to switch.

I think secondly, to get to the answer to your question, where we have seen the biggest advantages in a couple areas. First, qualified lead generation. Meaning if I am a business who sells by getting on the phone and trying to sell my wares, getting a qualified list of who those folks might be versus just picking up the phone book, super helpful. Using tools like LinkedIn, that is one.

Secondly, back office capacity, whether it be accounting, tax compliance, things like that, being able to track all that and make sure that I am proactive versus reactive.

I think the last piece, marketing. So many small businesses don't have a website. So many small businesses are not advertising in any way, shape, or form because they can't hire a designer. AI can make those things happen.

Ms. GOODLANDER. Thank you. I yield back.

Chairman WILLIAMS. The gentlelady yields back.

And I recognize Mr. Meuser from the great state of Pennsylvania for 5 minutes.

Mr. MEUSER. Thank you, Chairman. Thank you to our witnesses. Certainly a lot to talk about. And my apologies, we have other Committee responsibilities, many of them today.

Mr. Crenshaw, I would like to start with you, please. You know, in business, I used to look at technology in the early 2000s as it is either a weapon that is used against you or a weapon that you use to benefit your company. AI certainly fits into that category and then some. What are the challenges small business are facing as far as, you know, of course, there is privacy? There is, you know, cyber ransom challenges, I mean, the onslaught; the competitive nature of AI, whether you are there or not, and the usefulness of it. So maybe just give us a quick 30 seconds on what main feedback you are getting from your Members.

Mr. CRENSHAW. Uncertainty in the regulatory environment is a major barrier. It is the reason why 57 percent of small businesses in Pennsylvania are worried about a patchwork of regulations that leads to uncertainty.

Mr. MEUSER. Okay.

Mr. CRENSHAW. You know, I think examples of that are we have a good base in about 20 states for data privacy legislation, but we see other states that are operating on the margins and trying to take more extreme approaches to regulation. We have seen those states, for example, craft legislation with the intent of only having their state attorneys general regulate to provide some certainty. Unfortunately, we have seen instances where the trial bar, for example, has gotten creative and used laws never designed for consumer privacy to have gotcha lawsuits for basic things like collecting cookies.

So if you are an auto dealer who has a chatbot just trying to get in touch with, you know, a potential customer, we have seen auto firms that have been sued with smaller ones for—with demand letters from people who were never even customers using these invasion of privacy statutes that had nothing to do with consumer privacy. We have seen hospital systems even sued under this as well in Pennsylvania. And it is why we need reform of this type of litigation abuse that we are seeing across the country.

And then it really goes to the heart of why we do need a national AI framework as well. If we have a state-to-state patchwork there, it will be highly problematic because only the larger companies are going to know how to actually comply and compete, and it is going to leave small businesses in the dust.

Mr. MEUSER. So basically, one of the most useful tools we have had in a long while to create productivity and efficiencies and effectiveness, one of your biggest challenges is government involvement and intervention primarily at a state level?

Mr. CRENSHAW. I think at this point if you look—let's look at data privacy, for example. There was a great survey that came out from ITIF that showed that if we have a 50-state patchwork of data privacy laws, it will cost the American economy $1 trillion over 10 years. Two hundred billion of that is going to be incurred by small businesses.

Another example, I think if you look at the California Consumer Privacy Act, there was a rulemaking that came from that that was finalized just last year regarding automated decision systems, regarding cyber audits, regarding privacy risk assessments. The agency took a one line part of the California Privacy Act and turned it into a half-billion-dollar AI rulemaking. When you combine that with the full rulemaking with things like privacy, the agency estimated it was going to cost small businesses $16,000 annually to comply.

Mr. MEUSER. Wow.

Mr. CRENSHAW. So that is just one state.

Mr. MEUSER. We will take it seriously of what you are saying here. Thank you.

You mentioned about Basel III, basically that access to capital is—will be a very, very important right now, particularly with what we passed in the Working Family Tax Cut portion of the BBB where we have better bonus depreciation and better tax incentives for investment. So clearly that is something that is important.

I am going to move on to Mr. Qaiyum. In your business, and congratulations, Merz Apothecary, how is AI helping you? And it was interesting the way you said how it now allows you to compete more so against the so-called bigger guys. Maybe you can talk about that a little bit.

Mr. QAIYUM. Sure. Thank you, Congressman. You know, I always—there is a mantra that when you study small business or you look at the business leaders out there, they always say to work on your business, not in your business. And for most small business owners, that is just like it is a dream, but it is never reality. And I feel like in the past year since we have been using AI more heavily in our business, it is the first time where I feel like our leadership team has been able to work on the business. And when

you are a small business owner, so much of your thoughts, the reason I lose sleep is how do we make sure something doesn't happen because it is small and you feel like, you know, a pandemic can come along, anything can come along and take that away, so.

Mr. MEUSER. Is the AI investment you are making cost prohibitive or you can——

Mr. QAIYUM. Not at the moment. The privacy laws are the biggest concern about using it right now.

Mr. MEUSER. Great. Thank you, gentlemen, very, very much.

Chairman, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Dr. Morrison from the great state of Minnesota for 5 minutes.

Ms. MORRISON. Thank you very much, Chairman Williams and Ranking Member Velázquez, for holding this hearing. And thanks so much to the witnesses for being here today.

Over the past years, we have been talking about this all morning, we have seen rapid developments in the field of AI. AI tools of all kinds are readily available and some have the potential to support entrepreneurs. But I do worry that as tech giants race ahead to push out their next AI model, there is insufficient attention on the actual utility of this technology to our small business owners and, frankly, to the American people.

Too often AI development narrowly focuses on finding out what AI is capable of, rather than answering the question how can this technology be used to improve people's lives? Now we find ourselves in a situation where many people are asking who even wanted this and will this technology help me or will it actually hurt me or maybe even kill me?

Mr. Aguh, in your testimony, you highlight that technology moves at the speed of innovation, but adoption moves at the speed of trust, and that trust has not yet been earned. I think this is a really important part of this whole conversation. You go on to highlight that this lack of trust is reflected by the majority of Americans feeling that AI's risks outweigh its benefits and the slow adoption of generative AI by American small businesses. You know, Rep. Tran touched on AI literacy.

Mr. Aguh, can you share steps that tech companies could take to build America's trust in AI?

Mr. AGUH. First of all, thank you so much for the question. I think this is a really important point.

I think I go back to a point that has been made, I think repeatedly, which is one thing that creates trust is beyond any company, but it is having a national set of frameworks around what are our rules of the road around AI, from security to privacy to bias to civil rights. Having a single set of rules that we all know, understand, agree upon, and can trust it.

I think secondly, having more collaborations between the public and the private sector like these companies to solve really large issues, again around things like—some examples here are things like the Claude Corps, basically Claude Anthropic working with nonprofits to teach them how to use these tools for the betterment of the work that they do in their communities. Small example, but a good one, and we would love to see more there in that vein.

I think lastly, helping small businesses pick the tools that are right for them, even if those tools are not their tools, I think that is really important. Consumers and small business leaders having those choices is so important. I think right now you have to make sure—it is tempting to believe that everything is a nail and that is amenable to the AI hammer or a particular AI hammer. And helping these small business leaders pick the exact hammer for the exact right nail is so important. It might be Claude, it might be ChatGPT, it might be a Midjourney, it might be a Notion. But how do we basically figure out what those tools are and putting that agency in the hands of small business leaders I think is really key.

The last point, small business leaders also reflect the feelings of their workers. So the more that workers become more comfortable, again are involved in these decisions, figuring out how it can benefit the business, the better off their employers are going to be and more trusting their employees will be with these companies.

Ms. MORRISON. Thank you so much. And I am sympathetic to this idea that if we have a patchwork of state regulations across the country, that creates all kinds of complications. Could any of you give two specific examples of what a federal framework would look like for regulating AI?

Mr. CRENSHAW. One of the notes I think important to note, 68 percent of small businesses in Minnesota are worried about a patchwork. And one of the solutions can come out of Minnesota is copying Minnesota's data privacy law and making it the national standard. And so that is a——

Ms. MORRISON. Love that answer. Sorry to interrupt.

Mr. AGUH. I would say one piece that is not talked about enough is intellectual property, meaning when a lot of intellectual property was created, back when it was, this use was never thought of, never considered. So whether I am Universal Music Group, who regulates, you know, 30—has 30 percent of the world's music, or, candidly, I am a bluegrass artist from Kentucky, I may never have thought of what happens if my music used by this. And we need a framework to govern how I say it can be licensed, how I am compensated, how I want to be compensated, and by whom. Right now, we just don't have a framework for this because back then we didn't think that this would be possible. So that is one example of an issue that is under talked about that is really, really key and a big trust issue.

Ms. MORRISON. Thank you. I am running out of time, but one quick last question. You know, before I ran for Congress, I worked as an OB/GYN for many years. So as you might imagine, patient confidentiality is critically important. And one of the pieces of AI regulation that I think is crucial is that data privacy question. And I think it is something that people are worried about, too. And I know small business owners also have concerns about it. How can we protect patient privacy?

Mr. Aguh, do you have any thoughts on it?

Mr. AGUH. I know I am over time, so I am looking at the Chairman to——

Chairman WILLIAMS. I will give you a little extra time.

Mr. AGUH. Sure. I think, candidly, we already have a lot of health privacy laws, and I think the question is how do they inter-

sect with this new technology? And so I think that is the question. How do we take existing relations and expand it to this new technology? And I will stop there out of respect to the Chairman.

Ms. MORRISON. Thank you.

And thank you, Mr. Chair. I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Bresnahan from great state of Pennsylvania for 5 minutes.

Mr. BRESNAHAN. Thank you, Mr. Chairman, Ranking Member, and to all the witnesses for being here today.

Over the past few years, artificial intelligence has become a part of nearly every corner of our economy. And small businesses have increasingly embraced these tools to help them compete and to grow. Whether it is summarizing research, analyzing data, streamlining customer service, or organizing documents, AI has allowed small business owners to compete in minutes, which used to take hours or even days. But there is no question these technologies can make businesses more efficient. But we continue to adopt AI, we also have to make sure that those gains don't come at the expense of American jobs. We need to make sure employees have the training and skills to use these tools efficiently and AI enhances the work rather than replacing it.

So I am going to—my first question for Mr. Qaiyum. Congratulations to you and your family and everyone at Merz Apothecary on celebrating 150 years of service to your community. My question would be, at what point did you decide to take the initiative to start looking at different AI implementation?

And something that I hear from a lot of small businesses and coming from a small business background was sometimes, you know, the local plumber, heating contractor doesn't even know where to begin. So at what point for you in your business did you decide that, hey, in order for us to scale, in order for us to grow, we need to be thinking outside the box and finding ways to implement some sort of AI technology?

Mr. QAIYUM. Thank you for the question, Congressman, and for your congratulations.

You know, I came to the retail and small business, this industry, through the dot-com rise in the '90s. So I have always been into technology and so I may be a bit rare in that sense that I view it as my—as part of my role in the business has always been to stay ahead of the technology curve. So I have been following it for a few years now at least, and I have been the person testing it out on the weekends and at nights to see what it could do, and then bringing it to the team and saying, look at this. So I feel like for me, I happen to be personally interested in it, but I know that that is not most of my small business friends, the other business owners on the block. So I think, you know, we do need support in that sense.

Mr. BRESNAHAN. So you have been around for 150 years. What generation are you in the business?

Mr. QAIYUM. I am the fifth owner in the second family to own the business, so.

Mr. BRESNAHAN. Wow. So what was the first piece of technology that you implemented that was in the ecosystem of AI? Was

it just utilizing language models to respond to inquiries or to summarize research? What was like that initial barrier that you overcame?

Mr. QAIYUM. Yeah. You know, we used some early language models around coming up with variations, like we would write marketing copy and then come up with 10, 15, 20 variations on that. And that was many years ago, but I would say ChatGPT in the past few years was the first model that I started using kind of, you know, as an experiment on my own.

Mr. BRESNAHAN. My last question would be, and then before I divert over, have you actually needed to bring anyone on that had experience in managing AI models or has that been something that you have been able to sustain with inside of your operations?

Mr. QAIYUM. So far we have sustained inside of our operations. And, you know, the models are getting to the point where when we don't know something, they can kind of often guide us on how to do it. So I call us sort of like, you know, pseudo techies in a way. But I think we are at the point now where we would like to bring someone in who has more experience because we see so much opportunity ahead.

Mr. BRESNAHAN. I think that is what we need to be curtailing some of our educational opportunities and teaching the next generation of workforce how to work with inside of these parameters. But also being very conscientious of we are not looking to replace jobs. We are looking to add jobs, specifically to the skill set relating around artificial intelligence. And I think when you say AI, it is a very broad spectrum of innovation that could be implemented.

So I am going to pivot over to Mr. Hoang. What are the biggest challenges you see small businesses facing when they begin implementing AI? And what kind of advice could I take back to some of my small businesses that are right on the cusp of considering to take the leap just to kind of give them some assurances and relieve the agita about taking that initial plunge?

Mr. HOANG. Thank you for the question. I will try to be brief. The main two challenges are, first, just where to get started. What are the use cases? AI can do so much, so what is the first thing? And I always advise businesses to start with the problem that is most important at hand. What is the thing that bothers them day to day? That is where to get started.

The second is AI is only as good as the information you put into it, the context. A lot of businesses are fearful of putting their proprietary data in. That is unfortunate because that is how you get the best results from AI. And so the advice I would suggest you take back is get started and find a platform where you feel the privacy and security allow you to use your data.

Mr. BRESNAHAN. Thank you. Garbage in, garbage out. I yield.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. Scholten from the great state of Michigan for 5 minutes.

Ms. SCHOLTEN. Thank you, Mr. Chair and Madam Ranking Member. Thank you to our witnesses today.

Our small businesses juggle a wide range of responsibilities and tasks every day to keep their operations running. While AI offers tools to help streamline many of these needs, we know that many

entrepreneurs simply don't have the time or resources to utilize this technology to its fullest. That is why I was so proud to introduce my bill, the AI-WISE Act, which directs the Small Business Administration to create learning modules for small businesses to help them navigate this emerging technology. I am pleased that my bill passed the House earlier this year. We are, of course, hoping to have it signed into law.

Mr. Aguh, how would an SBA resource to help entrepreneurs think about AI usage more effectively, how would that benefit small business businesses?

Mr. AGUH. It will benefit hugely. One, because, again, we talk about kind of the promise and the peril. You have heard, I think, from a number of the witnesses, you need certain tools and means to actually capture that promise. And the first thing is knowledge. So knowing, again, where I can apply this most in my business. Should I apply it toward my inventory issue? Should I apply it toward my back office? Should I apply it to my marketing first? Getting guidance on where to start with that I think is really helpful, one.

I think, two, small businesses are unclear. Okay. How do I introduce this with my workers? That is a hard part of this, particularly when you are in a small business, because there is fear, there is lack of knowledge, there is uncertainty. What does that changed management look like?

And then I think the third piece is how do I monitor these tools over time? The ubiquity of these tools, the amount of these tools is only useful to the extent that I know enough to switch when I need to. Therefore, what am I doing to monitor these tools over time to make sure, hey, you know, what actually is ChatGPT here versus Claude? Or I need to use a Perplexity here versus another tool or there actually isn't a gap. Right? There is a gap right now in terms of the market for what I need.

I think those are three specific areas, where to apply, how to do changed management, how to monitor over time, where a resource like this could be really, really valuable.

Ms. SCHOLTEN. Yep. Yep. West Michigan is home to our regional Small Business Development Center, SBDC, which served over 500 clients last year and spurred $10.4 million in capital formation. These centers are foundational to the success of our local economies. And on a national level, America's SBDCs partnered with Google AIU to facilitate training SBDC staff across the country to assist clients with using AI in their operations. Not sure if you are familiar with that. Michigan now has the second highest number of staff trained in AI literacy in the country. We are super proud.

Mr. Aguh, again, how important is it that SBDCs receive full federal funding and support these kinds of activities? And I will actually open it up to the whole panel. I saw some heads nodding. You know, feel free to weigh in on usage there.

Mr. AGUH. I cannot overstate how important the resource and not just the funds, but also the people.

Ms. SCHOLTEN. Yeah.

Mr. AGUH. Because in the end, what we find is most people, they want to talk to people about how to use these tools. And that does require resources.

Ms. SCHOLTEN. Additions, additional comments or thoughts on that?

Mr. QAIYUM. I would echo that. I think with our team oftentimes it is not enough to just keep hearing how good it is or watch this video. I think it is having some structured format and people who demystify it and provide a doorway in. And my experience is that once you give someone that doorway, then they can actually go really far.

Ms. SCHOLTEN. Yep. In my remaining time, I want to talk about a different bill of mine, the SBA AI Adoption and Reporting Act. It is really important for small businesses to have the tools they need, right, to use AI effectively. But the federal government also has the opportunity to utilize AI for its own purposes and its own operation. The SBA is no exception. From evaluating contracting bids to improving research and programming, the government can take steps to ensure AI is working for main street in every single way from within the administration itself. That is why I introduced the SBA AI Adoption and Reporting Act, which would direct the SBA to implement AI use disclosure policies and procedures as required by law and recommended by the Government Accountability Office.

How could this help address small businesses' concerns about the government's use of AI? Those people who might say I was weeded out because I didn't fit the algorithm, you know, or they have concerns about that. Any reflections from your work? I will open it up to the panel again.

Mr. QAIYUM. Well, our business is the beneficiary of an SBA loan—that almost didn't happen at one point because of some of the challenges with the banks and everything. I would say that my experience would be having transparency and help along the way to make that an easier process would have been a huge help for our business. And thankfully, it did work out, but I would like to see more businesses get that opportunity that we had.

Ms. SCHOLTEN. Heard. Heard. Thank you. Thank you.

Well, thank you again, gentlemen, for coming, for your time, and, most importantly, for your incredible work in small businesses across the country. Thank you.

I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Mr. Jack from the great state of Georgia for 5 minutes.

Mr. JACK. Thank you very much, Mr. Chairman.

And I would like to begin my line of question by recognizing someone in the audience with us. Alex Mealer is in the audience with us from Houston, Texas, the great state of Texas. So I am delighted that she had a chance to get to see how Committee processes work.

And I would like to start my first line of questioning with Mr. Qaiyum. And, you know, a question I have for you, and it is something that I hear a lot within my district, is there is a natural fear that AI could replace workers and especially within entry level

roles. And I am just curious, in your own experience, has AI replaced people or has it helped you bring more people in? What is your perspective?

Mr. QAIYUM. Thank you, Congressman. In our experience, AI has helped us bring more people in. It has created more opportunity. So I look—you know, AI right now is this new, exciting, potential big advantage for small business. But ultimately, it will be software and it will become a commodity. And I think humans are the durable advantage that you have. So to us, we look at it as a way to—or as a method and a set of tools to help us increase our capacity and then bring more people on. And when we are serving our customers better and in a specialty business knowledge—we speak, I think, 10 languages on our staff, and have experts across various fields, including pharmacists, makeup artists, certified herbalists, you name it—so that is not going to be replaced. People like to talk to people. So we see it as a creative opportunity.

Mr. JACK. Thank you very much.

Mr. Hoang, the same question to you.

Mr. HOANG. Yes, if you are a small business of one to five employees, there is not many people to replace. Right? AI actually enables you to grow your business faster and employ more people.

I would also like to note there is this interesting concept called the Jevons paradox. What it says is if you look at a broad enough time horizon and you look across enough industries, technology ends up creating more jobs over time than it replaces. Technology will replace jobs. But as we saw past technological revolutions, right, new jobs emerge.

I have an 11-, 8-, and a 6-year-old. I think I heard the statistic that 66 percent of the jobs that a 10-year-old is going to have don't even exist yet.

Mr. JACK. Thank you very much.

Mr. Crenshaw, I would like to speak specifically about an initiative, specifically President Trump's SBA in collaboration with Perplexity AI recently launched, as you may be aware, the main street AI accelerator, which offers computing credits to small businesses that hold SBA-backed loans. Do you believe that a program like that is the right model when approaching the AI gap? And what would make assistance in this capacity most useful to owners who need it most?

Mr. CRENSHAW. I think it is incredibly important that there is AI training and AI accelerators. So I think this is an opportunity where small businesses can grow.

And I think—and I want to really kind of echo the points of some of the other panelists is that, you know, as we look at AI, AI is doing much like what we saw at the turn of the 20th century. With the turn of the 20th century, technology brought about an industrial revolution. Well, now we are seeing technology create an entrepreneurship revolution where small businesses and small companies can get off the ground and run and grow. And 82 percent of small businesses and Georgia grew their workforce, the ones who are using artificial intelligence.

This is confirmed in many ways, too. We have seen some great studies as well by Ramp, came out recently, that showed that the

more companies are investing in artificial intelligence, they are growing their headcount at faster rates.

And then finally, I think it is really important to note, too, that the Federal Reserve has put out really great data over the last few years. And as you see, the number of small business applications over the last few days decades, it was pretty stagnant up until about 2020. That number skyrocketed after 2020. Many thought that that was in large part due to COVID and people kind of starting out on their own. But those numbers have continued to go up post introduction of ChatGPT and generative artificial Intelligence. And that has been a sustained increase in new business starts.

And so when you look at all of that, I think we are optimistic about the impact of AI, but it is important that we also have training and accelerators for small businesses to ensure they reap the full benefits.

Mr. JACK. Wonderful. In our closing 40 seconds, you mentioned Georgia. Both my colleague Clay Fuller and I represent districts that in some places need broadband access. Could you speak to how imperative it is that we are able to ensure that all of our constituents across the country have access to broadband internet that enables them to potentially enjoy some of these resources?

Mr. CRENSHAW. Broadband is essential to operating in the 21st century economy. A small business cannot compete without access to connectivity and to data.

Mr. JACK. Wonderful.

Mr. Chairman, I appreciate you convening this hearing, and I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ranking Member Velázquez from the great state of New York for her 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. And thank you to all the witnesses for being here. And I am sorry I wasn't when you were making your statements because I was participating in another hearing on financial services.

Mr. Aguh, I concur that transparency in AI and information on AI is crucial. And for Members of this Committee and other committees of jurisdiction regarding AI policy, accurate data is important in order for us to make effective AI policy. Estimates for small business AI adoption rates vary widely. The SBA's Office of Advocacy estimates the rate is 8.8 percent, but the U.S. Chamber estimates that it is at 58 percent, a nearly 50 point gap. Why does this difference exist?

Mr. AGUH. Well, probably a long answer, but, candidly, it depends on how you define adoption. Is adoption an employee who uses ChatGPT to answer a question once or twice a day or is it kind of working truly side by side with a number of AI tools to do your work? That is a wide definition.

What I would say is when I think about the 200 businesses that we support, or even ask any CEO in the private sector currently, no one will say that AI adoption is where they want it to be. All of them would say that their workforces are not where they want to be to get the full value for their business and for their community.

And so the question is, how do we increase that adoption? And I think that goes to the trust questions, that goes to the infrastructure questions, goes to the literacy questions. But I think right now it depends on how you define adoption. But if you were to ask a CEO what do they want from adoption? They want—I want my people using AI to do the things that people shouldn't be doing and so they can do the things that only people can do so that our business grows, we make more revenue, and we help our communities and grow jobs.

Ms. VELAZQUEZ. Thank you. And bias and discriminatory decision-making are major AI risks. How can this harm small firms and incur legal and reputational costs?

Mr. AGUH. I will use a very specific example. This actually comes from my time when I was serving federally. But we would hear from small businesses who were using AI-driven resume and hiring tools to comb resumes, to begin to kind of sift out people for that first round. And what they began to find, this particularly became an issue during the pandemic, was at times people who could do the job were unintentionally screened out, which, of course, for the business created a problem of there is an empty billet of someone who could have done a job and now that job is not being done. That is one very specific example where not only do we—does that type of bias offend our values, but it also goes against kind of common sense, the interest of the business.

So the key is how do we make sure that we mitigate bias not just for our values, but for the sake of the business who's actually trying to get the benefit? It is the right thing to do, but it is also the smart thing to do.

Ms. VELAZQUEZ. So can training data be adjusted to reduce bias?

Mr. AGUH. The answer is yes. But the important thing is that that is not on the small business. It can't be.

Ms. VELAZQUEZ. Yeah.

Mr. AGUH. They are not making the tool. This goes to, I think, the largest folks who are making these tools and the key thing that I would say is it is in their interest to do such. If I am a small business and I am creating a tool, I want it to reflect my community so I can serve my customers better. Tools that don't do that are not going to help me serve my customers.

So if I am a provider, an LLM provider, Hyperscale is trying to create a tool, you want to help your customers help their customers, and having representative data that actually reflects reality and the outcomes that it produces is best for everyone.

Ms. VELAZQUEZ. Thank you. Mr. Hoang, you write in your testing testimony the principle behind the AI-WISE Act, that federal support should remain neutral among specific tools and vendors, is exactly right. Why? What are the consequences if the SBA and other agencies favor certain vendors over others?

Mr. HOANG. Thank you, Ranking Member, for the question. We are in the very early days of AI. It is too soon to start picking winners and not winners.

In our own work with hundreds of organizations, we see that different tools are right for different purposes and that organizations that succeed don't just rely on one single AI tool. They use different

tools, they combine them, they bring humans. I truly believe the future of work and teaching and learning are multiple AIs and multiple people working together in a collaborative environment.

Ms. VELAZQUEZ. Thank you.

Thank you, Mr. Chairman. I yield back.

Chairman WILLIAMS. The gentlelady yields back.

And I would like to thank our witnesses for their testimony today and for appearing before us. It has been great dialogue.

Without objection, Members have 5 legislative days to submit additional materials and written questions for the witnesses to the Chair, which will be forwarded to the witnesses. I ask the witnesses to please respond promptly.

And if there is no further business, without objection, the Committee is now adjourned.

[Whereupon, at 11:56 a.m., the committee was adjourned.]

APPENDIX

U.S. Chamber of Commerce

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July 14, 2026

Hearing Before the House Committee on Small Business Entitled: AI on Main Street: How AI is Shaping the Future of Small Business

Chairman Williams, Ranking Member Velázquez, and distinguished Members of the Committee:

Thank you for the opportunity to testify before the House Committee on Small Business on the critical topic of artificial intelligence and its impact on America's small business community. My name is Jordan Crenshaw, and I serve as Senior Vice President at the U.S. Chamber of Commerce, where I lead the Chamber's technology policy work, including our efforts on artificial intelligence, data privacy, and emerging technologies.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers of commerce and industry associations. Small businesses are the backbone of the American economy, and the Chamber is deeply committed to ensuring that they have every opportunity to thrive in an increasingly technology-driven marketplace.

Today's hearing comes at a pivotal moment. Artificial intelligence is facilitating an Entrepreneurship Revolution and is no longer a technology of the future—it is a technology of the present, and small businesses across America are already using it to compete, grow, and serve their customers. The Chamber's 2025 *Empowering Small Business*[1] report, conducted in partnership with Teneo, documents this transformation in compelling detail. At the same time, our Commission on Artificial Intelligence Competitiveness, Inclusion, and Innovation laid out a comprehensive framework for how policymakers can support responsible AI adoption while preserving America's global leadership in this critical technology.[2]

My testimony today will address five areas: (1) the general benefits of AI for small businesses; (2) use cases and adoption rates; (3) workforce needs and opportunities; (4) impediments to adoption; and (5) the policy positions the Chamber supports to accelerate responsible AI adoption by small businesses.

I. GENERAL BENEFITS OF ARTIFICIAL INTELLIGENCE FOR SMALL BUSINESSES

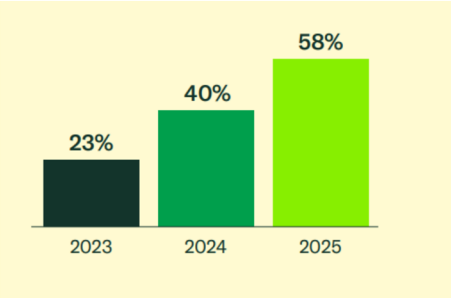
Artificial intelligence represents one of the most significant economic opportunities for small businesses in a generation. For decades, many of the most powerful business tools—sophisticated data analytics, personalized marketing, automated customer service, advanced

[1] https://www.uschamber.com/assets/documents/Empowering-Small-Business-Report-2025.pdf
[2] https://www.uschamber.com/assets/documents/CTEC_AICommission2023_Report_v5.pdf

inventory management—were available only to large enterprises with the capital and technical staff to deploy them. AI is rapidly democratizing access to these capabilities, placing enterprise-grade tools within reach of the small business owner on Main Street.

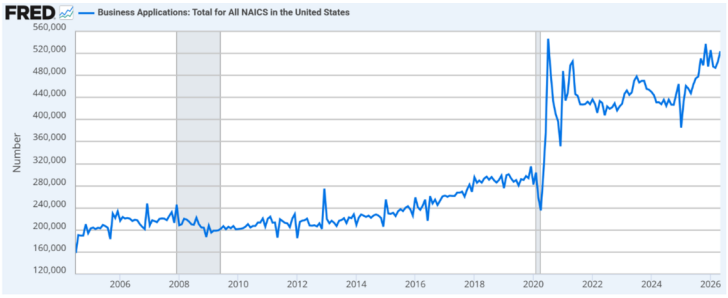
The Chamber's 2025 *Empowering Small Business* report makes this point with striking clarity. Small businesses that have adopted AI are reporting tangible, measurable benefits across virtually every dimension of their operations. They are saving time, reducing costs, improving customer experiences, and making better-informed decisions. In a competitive environment where small businesses must do more with less, AI is proving to be a genuine force multiplier.

58% of U.S. small businesses reported using generative AI in 2025 — up from 40% in 2024 and just 23% in 2023. This rapid acceleration demonstrates that AI adoption among small businesses is not a niche phenomenon but a mainstream business reality.



Small businesses have always been early technology adopters because the use of technology enables a one-person firm to compete with global multi-national companies. It is not a coincidence that new business application rates have skyrocketed with the advent of AI. 60% of small business leaders across global markets say starting and running a business is easier today because of AI.[3]

[3] LinkedIn Work Change Special Report, "How Small Businesses Can Win in 2026," view summary at: https://www.uschamber.com/co/run/technology/ai-powered-growth-engines.



The benefits extend across sectors. In retail, AI helps small business owners predict demand, manage inventory, and personalize the shopping experience. In professional services, AI accelerates research, drafting, and client communications. In manufacturing and food production, AI optimizes processes and reduces waste. In healthcare and wellness, AI supports scheduling, billing, and patient engagement. The common thread is efficiency—AI helps small businesses accomplish more with the same or fewer resources.

Beyond operational efficiency, AI is helping small businesses compete against larger rivals. A small marketing agency can now deploy AI-powered tools to analyze campaign performance and optimize ad spending in ways that previously required a dedicated data science team. A small e-commerce retailer can use AI to personalize product recommendations with the same sophistication as a major platform. A local accounting firm can use AI to automate routine tasks and focus its human talent on higher-value advisory work.

The Chamber's AI Commission report underscores that AI's potential to drive economic growth and improve quality of life is immense. For small businesses specifically, AI offers the prospect of closing the competitive gap with larger enterprises, expanding into new markets, and building more resilient operations. This is not merely a business story—it is an American competitiveness story. Ensuring that small businesses can access and benefit from AI is essential to maintaining the dynamism and innovation that define the U.S. economy.

Furthermore, the data show that AI adoption is correlated with job creation among small businesses. As detailed further, 82% of small businesses using AI actually increased their workforce over the past year. This finding coincides with recent research indicating that firms of all sizes that are high adopters of AI grew their workforces.[4]

II. USE CASES AND ADOPTION RATES OF AI BY SMALL BUSINESSES

[4] https://ramp.com/data/ai-jobs-impact/paper.

The pace of AI adoption among small businesses has been remarkable. As noted above, the share of small businesses using generative AI has more than doubled in just two years — from 23% in 2023 to 58% in 2025. This trajectory reflects both the rapid improvement in AI tools and the growing recognition among small business owners that AI delivers real value.

Adoption by Sector

AI adoption is not uniform across industries. The Chamber's survey data show that technology companies lead adoption at 77%, followed by financial services at 74% and entertainment and media at 65%. However, adoption is growing across all sectors, including traditionally less technology-intensive industries such as retail (54%), food service (57%), and construction (47%). This broad-based growth reflects the increasing accessibility and affordability of AI tools designed for non-technical users.

Primary Use Cases

Small businesses are deploying AI across a wide range of functions. The most common use cases identified in the Chamber's survey include:

- **Customer Engagement and Marketing**: AI is being used to understand customer behavior, personalize communications, optimize advertising spending, and improve customer service through chatbots and automated response systems. Small businesses report that AI-powered marketing tools allow them to compete more effectively for customer attention in crowded digital marketplaces.

- **Inventory and Supply Chain Management**: AI helps small businesses predict demand, optimize stock levels, and navigate supply chain disruptions.

- **Administrative and Back-Office Automation**: Small businesses are using AI to automate routine tasks such as scheduling, invoicing, data entry, and compliance reporting. These applications free up owner and employee time for higher-value activities.

- **Financial Management**: AI tools are helping small businesses with bookkeeping, cash flow forecasting, fraud detection, and financial planning—capabilities that were previously accessible only to businesses with dedicated finance staff.

- **Human Resources and Hiring**: AI is being used to screen resumes, schedule interviews, and identify skills gaps within the workforce, helping small businesses compete for talent more effectively.

- **Operational Resilience**: During periods of inflation and supply chain disruption, small businesses have used AI to identify cost-saving opportunities, find alternative suppliers, and adjust pricing strategies in real time.

Key Finding: 96% of small business owners plan to adopt emerging technologies, including AI, in the near future —signaling that the current adoption wave is far from its peak and that the policy environment established today will shape the trajectory of small business AI adoption for years to come.

A powerful example of how AI is being used is Hrag Kalebjian, a continuous innovator and the owner of Henry's House of Coffee, a multi-generational family roaster based in San Francisco. I first met Hrag 4 years ago and he continues to amaze me with his thirst for innovation. Hrag Kalebjian leverages AI tools to craft SEO-optimized product descriptions that boost online visibility, and he relies on AI-driven analytics to understand the lifetime value of his buyers—enabling him to tailor marketing strategies and offer specific discounts to distinct customer segments. He also harnesses AI to tackle highly specific operational and creative challenges. When faced with the maddening production issue of static electricity causing ground coffee to cling to everything during bagging, he used ChatGPT to design and code a custom, sensor-driven "spritzer" system that sprays water at the precise moment to neutralize the static, vastly improving production speed. On the creative side, he had always wanted to design a coffee "advent calendar" for the holidays but was constrained by limits on his time and resources; using Google's Gemini, he was able to develop the full concept and turn his imagination into a finished product design in just 30 minutes. Hrag Kalebjian's story illustrates exactly how accessible AI tools can empower Main Street entrepreneurs to enhance customer retention, solve physical production bottlenecks, and expand their offerings in a digital economy.

The Generative AI Revolution

The emergence of generative AI tools—large language models capable of generating text, images, code, and other content—has been particularly transformative for small businesses. These tools require no specialized technical knowledge to use, making them accessible to business owners without dedicated IT staff. Small businesses are using generative AI for content creation, customer communications, proposal writing, social media management, and a host of other applications that previously required significant time or outside expertise.

The rapid adoption of generative AI reflects a broader truth: the most impactful AI tools for small businesses are those that are easy to use, affordable, and deliver immediate, tangible value. Policymakers should keep this in mind when considering regulations that could raise the cost or complexity of AI tools—even well-intentioned requirements can have outsized negative effects on small business users who lack the resources to navigate complex compliance regimes.

III. WORKFORCE NEEDS AND OPPORTUNITIES

One of the most persistent concerns about AI is its potential impact on employment. The Chamber's data tell a more nuanced and ultimately more optimistic story. Rather than displacing workers, AI adoption among small businesses is correlated with workforce growth

and investment in employee skills. 82% of small businesses using AI increased their workforce over the past year. This finding directly contradicts the narrative that AI leads to job losses and underscores the job-creating potential of responsible AI adoption.

When small businesses use AI to automate routine tasks, they free up their employees to focus on higher-value work that requires human judgment, creativity, and relationship-building. The result is not fewer jobs but better jobs — and more of them.

Upskilling and Workforce Development

The Chamber's survey data show that small businesses are actively investing in their workforces to prepare for an AI-enabled future. Among AI-using small businesses:

- 98% are working to upskill their employees in AI-related competencies.
- 41% are providing AI tools for employee self-learning.
- 39% are offering on-the-job training programs.
- 36% are looking for AI skills in hiring.

These figures demonstrate that small businesses are not passive recipients of AI technology—they are active participants in building the AI-ready workforce that America needs. However, small businesses face real constraints in their workforce development efforts. They typically lack the dedicated HR and training infrastructure of large enterprises, and they operate in a labor market where AI talent is scarce and expensive.

The Skills Gap Challenge

As of June 2026, the U.S. has more open jobs than available workers to fill these jobs. This worker shortage is more pronounced in certain states and is greatly exacerbated when coupled with the widening skills gap throughout our nation. The Chamber's AI Commission report identifies the AI skills gap as one of the most significant challenges facing American businesses of all sizes. For small businesses, this challenge is particularly acute. Many small business owners report that they struggle to find employees with the AI literacy needed to effectively deploy and manage AI tools. This skills gap is not merely a business problem—it is a national competitiveness problem.

Addressing the AI skills gap requires action at multiple levels. The Chamber's AI Commission recommends reforming K-12 and university curricula to emphasize STEM education, problem-solving, and AI literacy. At the workforce level, the Commission recommends investing in reskilling and upskilling programs, with particular attention to community colleges and vocational training institutions that serve working adults. The Commission also recommends targeted refinements to the H-1B visa process to expand the domestic AI talent pool.

To close the gap and support a fully productive workforce, the Chamber champions legislation that supports employers' efforts to establish registered apprenticeships, strengthen training programs for in-demand jobs, and create new funding mechanisms for skills development. For small businesses specifically, the Chamber supports federal programs that provide accessible, affordable AI training resources. This is why the Chamber strongly supports H.R. 5784, the AI-WISE Act, and H.R. 5764, the AI for Main Street Act, as discussed further.

The Chamber and the U.S. Chamber Foundation also recognize the importance of collaboration with local associations like state and local chambers of commerce and for this reason have launched the Small Business B(AI)sics Program to train over 40,000 small businesses on AI.[5]

AI as a Workforce Equalizer

It is worth emphasizing that AI has the potential to be a powerful equalizer in the labor market. AI tools can help workers with limited formal education perform tasks that previously required specialized training. They can help workers with disabilities participate more fully in the workforce. They can help workers in rural areas access opportunities that were previously available only in major metropolitan centers. Ensuring that small businesses—which are disproportionately located in rural and underserved communities—can access and benefit from AI is therefore not just an economic imperative but a social one.

IV. IMPEDIMENTS TO AI ADOPTION BY SMALL BUSINESSES

Despite the remarkable growth in small business AI adoption, significant barriers remain. The Chamber's survey data identify a range of impediments — from cost and technical complexity to regulatory uncertainty and privacy concerns — that are preventing many small businesses from realizing the full benefits of AI. Understanding these barriers is essential to designing effective policy responses.

A. Cost and Technical Complexity

For many small businesses, the upfront cost of AI tools and the technical expertise required to implement them remain significant obstacles. The Chamber's survey found that 30% of non-AI-using small businesses cite implementation costs as a primary barrier, and 33% cite concerns about the quality of available tools. Small businesses typically lack the IT staff and capital budgets of large enterprises, making it difficult to evaluate, procure, and deploy AI solutions.

B. Legal and Compliance Uncertainty

Twenty-eight percent of non-AI-using small businesses cite potential legal or compliance issues as a barrier to adoption. This finding reflects a broader concern that the rapidly evolving regulatory landscape for AI is creating uncertainty that discourages investment.

[5] https://www.uschamber.com/small-business/how-ai-can-help-small-businesses-compete-and-grow

When small business owners are unsure whether a particular AI application might expose them to legal liability or regulatory penalties, the rational response is often to avoid the technology altogether. C. The Patchwork Problem: State-Level Privacy and AI Regulation

Perhaps the most significant and growing impediment to small business AI adoption is the proliferation of inconsistent state-level privacy and AI regulations. The Chamber's 2025 survey found that 65% of small business owners are worried about a patchwork of state laws creating high litigation and compliance costs a 14-percentage point increase from the prior year. This dramatic increase reflects the accelerating pace of state-level AI and privacy legislation and the growing recognition among small business owners that navigating a 50-state patchwork of conflicting requirements is simply beyond their capacity.

The patchwork problem is not merely a compliance burden—it is a fundamental threat to the ability of small businesses to use data effectively. Small businesses rely on data to understand their customers, personalize their offerings, and compete in digital marketplaces. The Chamber's survey found that 75% of small businesses report that limited access to data would harm their operations, and 73% report that losing targeted advertising capabilities would harm their business. A fragmented regulatory landscape that imposes inconsistent data use restrictions across states directly undermines these capabilities.

Consider the practical reality facing a small business that operates in multiple states or sells online to customers across the country. That business must navigate not only federal requirements but also the privacy laws of California, Virginia, Colorado, Connecticut, Texas, and a growing number of other states—each with different definitions, requirements, and enforcement mechanisms. For a large corporation with a dedicated legal and compliance team, this is a significant but manageable burden. For a small business owner who is also the CEO, CFO, and head of HR, it is simply impossible.

Ashli Watts, President and CEO of the Kentucky Chamber of Commerce, recently presented testimony in support of a nationwide framework before the Committee on Energy and Commerce, Subcommittee on Commerce, Manufacturing and Trade. Ashli explained that if a small retail shop in Bowling Green KY wanted to expand its e-commerce business to California residents, the owner may have to pay over $16,000 annually just to comply with one California regulation.[6]

D. Burdensome AI-Specific Regulations

Beyond privacy, small businesses are increasingly concerned about the prospect of AI-specific regulations that would impose mandatory risk assessments, disclosure requirements, and human oversight obligations. The Chamber's survey found that 95% of small business owners report they would face challenges complying with such regulations. If enacted, 33%

[6] Written testimony of Ashli Watts, President and Chief Executive Officer, Kentucky Chamber of Commerce, before the Subcommittee on Commerce, Manufacturing and Trade, Committee on Energy and Commerce, U.S. House of Representatives, "Examining Legislation to Establish a Federal Comprehensive Privacy and Data Security Law" (June 3, 2026).

believe AI would become more expensive and 21% say they would be less likely to use AI at all. Take for example, California's CalPrivacy agency which turned a sentence of the California Consumer Privacy Act into ten pages of complex automated decision regulations that will cost over half a billion dollars.[7] Those rules, part of a larger set of data requirements was estimated by the state of California to cost small businesses $16,000 annually in compliance costs alone.[8]

The Chamber's AI Commission report warns against one-size-fits-all regulatory approaches that fail to account for the diversity of AI applications and the varying capacity of different types of businesses to comply. A regulation designed with large technology companies in mind may be entirely unworkable for a small business with limited technical and legal resources. Policymakers must be attentive to these asymmetric impacts and design regulatory frameworks that protect consumers and promote responsible AI development and deployment across the entire AI value chain.

E. Data Access and Targeted Advertising

Small businesses are particularly dependent on automated digital advertising platforms to reach customers, and AI-powered targeted advertising has been transformative for many of them. Restrictions on data use that limit the effectiveness of targeted advertising disproportionately harm small businesses, which lack the brand recognition and marketing budgets of large enterprises. The Chamber strongly opposes regulatory approaches that would effectively eliminate small businesses' ability to reach their customers through digital channels.

F. Infrastructure Gaps

In rural and underserved communities, inadequate broadband infrastructure remains a significant barrier to AI adoption. AI tools require reliable, high-speed internet connectivity, and many small businesses in rural areas lack access to the infrastructure needed to use them effectively. Addressing this infrastructure gap is a prerequisite for ensuring that the benefits of AI are broadly shared across the American economy.

V. RECOMMENDATIONS TO INCREASE AI ADOPTION BY SMALL BUSINESSES

The Chamber of Commerce has developed a comprehensive set of policy positions designed to accelerate responsible AI adoption by small businesses while protecting consumers and maintaining America's global leadership in AI. These positions are grounded in the principles articulated in the Chamber's AI Commission report: efficiency, collegiality, neutrality, flexibility, and proportionality.

A. National Data Privacy Legislation: The SECURE Data Act

Data is foundational to AI models that small businesses reply upon, and for this reason Congress as a first building block must pass a national data privacy law as it considers an AI

[7] https://www.uschamber.com/technology/the-hidden-cost-of-50-state-ai-laws-a-data-driven-breakdown
[8] *Id.*

framework. The Chamber strongly supports the enactment of comprehensive federal data privacy legislation, and we specifically support the H.R. 8413, the "SECURE Data: Act" as a critical step toward establishing a clear, consistent national framework for data privacy. Similarly, we support the financial services legislation, H.R. 8398, the "GUARD Financial Data Act."

The SECURE Data Act addresses the single most urgent concern of small businesses regarding data, technology, and AI: the patchwork of inconsistent state privacy laws that is creating an unmanageable compliance burden. By establishing a strong federal standard with meaningful preemption of conflicting state laws, the SECURE Data Act would provide small businesses with the clarity and certainty they need to invest confidently in AI and data-driven technologies.

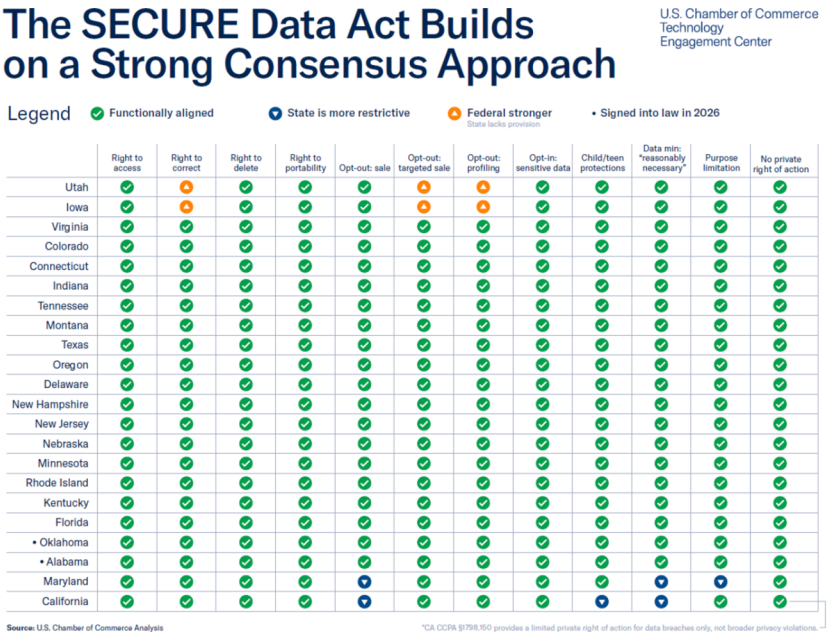
The Chamber's support for the SECURE Data Act is rooted in several key principles:

- Strong Federal Preemption: The SECURE Data Act's preemption provisions are essential to its effectiveness. Without strong preemption, a federal privacy law would simply add another layer of compliance on top of the existing state patchwork, making the situation worse rather than better. Small businesses need a single, clear set of rules—not 51 overlapping and potentially conflicting frameworks.

- Workable Compliance Requirements: The SECURE Data Act establishes privacy requirements that are meaningful and protective of consumers while being workable for businesses of all sizes. The Chamber has consistently advocated for privacy legislation that scales its requirements to the size and risk profile of the covered entity, ensuring that small businesses are not subjected to the same compliance burdens as large data brokers or technology platforms.

- Protection for Small Business Data Practices: The SECURE Data Act explicitly provides relief for small businesses from requirements impose on larger companies, establishes voluntary programs, and recognizes the legitimate data needs of small businesses, including their reliance on targeted advertising and data analytics to compete in digital marketplaces.

- Consumer Rights and Trust: The Chamber supports robust consumer rights provisions in the SECURE Data Act, including rights of access, correction, and deletion. Building consumer trust in data practices is essential to the long-term health of the digital economy, and small businesses benefit when consumers trust the businesses they interact with online. The SECURE Data Act is based upon the Consensus Privacy Approach adopted in over 20 states.



- Balanced Enforcement: The SECURE Data Act's enforcement framework strikes an appropriate balance between accountability and workability. The Chamber supports enforcement mechanisms that focus on actual harm and bad actors, rather than creating a litigation lottery that exposes well-intentioned small businesses to ruinous class action liability for technical violations.

The Chamber urges Congress to prioritize passage of the SECURE Data Act. Every year that passes without a federal privacy law is another year in which the state patchwork grows more complex, the compliance burden on small businesses grows heavier, and the competitive disadvantage of American small businesses relative to their foreign counterparts grows wider. The time for action is now.

B. A Risk-Based, Pro-Innovation Regulatory Framework for AI

Beyond specific legislation, the Chamber urges Congress and federal agencies to adopt a risk-based, pro-innovation approach to AI regulation that is grounded in the principles articulated in the Chamber's AI Commission report.

The Chamber's AI Commission recommends five core principles for AI regulatory policy:

- Efficiency: Evaluate the applicability of existing laws before creating new regulatory frameworks. Many AI applications are already governed by existing consumer protection, civil rights, and sector-specific laws. Regulators should fill genuine gaps rather than layering new requirements on top of existing ones.

- Collegiality: Utilize federal interagency collaboration to ensure a strategic, coordinated regulatory approach. Fragmented, agency-by-agency regulation of AI creates inconsistency and uncertainty that is particularly harmful to small businesses.

- Neutrality: Laws should be technology-neutral, focusing on applications and outcomes rather than specific technologies. Regulations that single out AI as a technology—rather than regulating the harms that AI might cause—risk creating perverse incentives and stifling innovation.

- Flexibility: Encourage private sector approaches, industry standards, and best practices rather than rigid, prescriptive regulations that quickly become outdated as technology evolves. Regulatory sandboxes can help test innovative approaches in high-priority areas.

- Proportionality: Use a risk-based approach to ensure regulations are balanced and proportionate to the risks involved. High-risk AI applications in areas such as healthcare, criminal justice, and financial services may warrant more stringent oversight, while low-risk applications should be subject to minimal regulatory burden.

The Chamber strongly opposes broad categorical bans on AI applications, mandatory pre-deployment approval requirements, and one-size-fits-all regulations that fail to account for the diversity of AI use cases and the varying capacity of different businesses to comply. Such approaches would disproportionately harm small businesses, which lack the legal and compliance resources of large enterprises, and would cede America's AI leadership to foreign competitors who face no such constraints.

C. Federal Preemption of State AI Laws

Just as the Chamber supports federal preemption in the context of data privacy, we also support a federal framework for AI regulation that preempts the growing patchwork of state AI laws. The proliferation of state-level AI regulations—each with different definitions, requirements, and enforcement mechanisms—creates exactly the kind of compliance nightmare that is driving small business owners away from AI adoption.

A coherent federal AI framework would provide small businesses with the certainty they need to invest in AI, while ensuring that consumer protections are consistent and enforceable across the country. The Chamber urges Congress to establish this framework before the state patchwork becomes even more entrenched.

D. Support for H.R. 5764, the AI for Main Street Act

The Chamber strongly supports H.R. 5764, the AI for Main Street Act, introduced by Representative Alford of Missouri, which has already passed the House. This legislation takes a targeted, practical approach to helping small businesses adopt AI by leveraging the existing Small Business Development Center (SBDC) network.

The AI for Main Street Act requires SBA-funded Small Business Development Centers to help small businesses adopt AI into their business operations through counseling and training for entrepreneurs. This approach is well-designed for several reasons:

The Chamber urges the Senate to pass the AI for Main Street Act.

E. Support for H.R. 5784, the AI-WISE Act

The Chamber also strongly supports H.R. 5784, the Artificial Intelligence Wisdom for Innovative Small Enterprises (AI-WISE) Act, introduced by Representative Scholten of Michigan. This legislation complements the AI for Main Street Act by requiring the Small Business Administration to provide educational AI resources that small businesses can easily access.

F. Infrastructure Investment

The Chamber supports targeted federal investment in broadband infrastructure to ensure that small businesses in rural and underserved communities have access to the high-speed internet connectivity required to use AI tools effectively. AI adoption cannot be truly democratized as long as significant portions of the small business community lack the basic infrastructure to access AI-powered services.

The Chamber also supports investment in the energy and water infrastructure needed to power the data centers that underpin AI services, including the passage of meaningful and comprehensive permitting reform that ensures that this critical infrastructure can be built in a timely fashion. As AI demand grows, ensuring ample and reliable power generation is essential to maintaining the availability and affordability of AI tools for small businesses.

G. Finalize Basel Regulatory Framework

The Chamber supports enhancements made to the unworkable 2023 Basel III Endgame by prudential regulators and encourages swift finalization of the updated regulatory framework. Bank capital requirements are not only a prudential regulatory issue, but they are economic and access to credit concerns for small businesses who receive a substantial majority of their funding from banks. In fact, banks provided 9.1 million small business loans last year. Unfortunately, overregulation has caused a severe decline in the amount of banks in the United States, falling by roughly 50% from the 1990s to 4200 institutions today. Many rural counties are without bank branches. Finalizing the enhancements to the Basel III framework will ensure we have appropriate banks and financing options for small businesses to invest in their futures.

H. Government Modernization

The Chamber supports federal investment in IT modernization to streamline government-to-business processes such as permitting, licensing, and regulatory compliance. AI-powered government services can reduce the administrative burden on small businesses, freeing up time and resources for productive activity. The federal government should lead by example in demonstrating the benefits of responsible AI adoption.

VI. CONCLUSION

The story of AI and small business in America is, at its core, a story of opportunity. The data is clear—small businesses that adopt AI are growing faster, hiring more workers, and competing more effectively. The question before this Committee is not whether AI will transform the small business landscape, but whether the policy environment will enable small businesses to be the beneficiaries of that transformation or its casualties.

The Chamber of Commerce is committed to working with Congress to get this right. We need a federal data privacy law that ends the state patchwork and gives small businesses the certainty they need to invest in data-driven technologies. We need an AI regulatory framework that is risk-based, proportionate, and nationally consistent. We need federal programs—like the AI for Main Street Act and the AI-WISE Act—that put practical AI resources within reach of every small business owner in America. And we need investments in the workforce, infrastructure, and government modernization that will allow small businesses to fully participate in the AI economy.

The United States has an extraordinary opportunity to lead the world in AI—not just in the development of the technology, but in its broad-based adoption across the full breadth of the American economy, including the small businesses that are its foundation. The Chamber stands ready to be a partner in that effort, and we look forward to working with this Committee to advance policies that empower small businesses to thrive in the age of AI.

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

Sincerely,

Jordan Crenshaw

Jordan Crenshaw
Senior Vice President
Chamber Technology Engagement Center
U.S. Chamber of Commerce

TESTIMONY

U.S. House of Representatives Committee on Small Business
AI on Main Street: How AI is Shaping the Future of Small Business

Submitted by Anthony Qaiyum
President of Merz Apothecary

July 14, 2026

Chairman Williams, Ranking Member Velázquez, and Members of the House Small Business Committee:

Thank you for the opportunity to testify today about how artificial intelligence is helping small businesses like mine compete, grow, and create jobs.

My name is Anthony Qaiyum, and I am the owner of Merz Apothecary, a 151-year-old family-owned business in Chicago. We sell natural health, personal care, beauty, and fragrance products through our historic retail store, our website, and online marketplaces like Amazon. Altogether, we employ more than 60 people.

When I started, I believed technology could help our unique neighborhood store reach people across the country and around the world. We launched our first e-commerce website in 1997 and became one of Amazon's earliest small-business sellers in 2004. Looking back, those decisions changed the trajectory of our business.

Today, I believe artificial intelligence represents the next major leap forward for small businesses.

AI gives businesses like ours affordable access to capabilities that were once available only to large corporations with multi-million-dollar budgets.

Many of these tools offer free versions or are integrated into existing platforms we use. For example, Shopify's native AI can produce on-demand sales reports in just minutes that used to take hours to build. Over the years, we've accumulated decades of emails, spreadsheets, sales records, and operating documents in Google Workspace. We can now simply ask Gemini where

something is stored and what it says, turning our historical, institutional knowledge into something we can find and use instantly.

In addition, AI helps us streamline repetitive administrative work so our employees can spend more time serving customers. Right now we're building an AI agent to handle routine accounts payable work that takes one employee more than 20 hours a week — hours we'd rather have her helping with strategic problems to grow the business.

Like many small businesses, we don't have the budget to hire a full-time Chief Financial Officer. But today I can securely upload our financial statements into AI tools like Claude or Gemini and receive a thorough analysis of cash flow, inventory investments, operating expenses, payroll trends, and potential financial risks.

Lastly, and perhaps my favorite example of how AI is helping us: We recently hired a National Sales Manager for KOBO, our small home fragrance manufacturing business. I knew what I wanted her to learn during her first few months, but I didn't have the time to organize everything into a structured onboarding program. Using AI voice transcription and writing tools, I talked through my ideas, and the AI turned them into a comprehensive knowledge guide along with a detailed 30-60-90-day onboarding plan. She later told me it was the clearest roadmap she'd ever received when starting a new job.

All these examples illustrate the larger impact AI has had on our business. It has helped us make better use of our employees' time, strengthen our operations, and grow. Since we started using AI, our headcount has increased by about 20%, from just over 50 employees to more than 60, and we are still hiring.

As Congress considers AI policy, I urge you to focus on measures that help small businesses adopt and benefit from AI-powered tools.

First, we need a clear, balanced national framework rather than a burdensome patchwork of conflicting state AI and privacy laws. Navigating different rules across all 50 states is difficult at best and expensive or impossible at worst.

Second, AI-powered tools are just becoming affordable and accessible for businesses like mine — from features built into platforms like Shopify to standalone tools like Claude and Codex. If new rules make these tools more expensive or harder to use, it could push AI-powered technology out of reach, once again making these capabilities available only to the largest companies.

Lastly, Congress should invest in AI literacy. SBA programs, tax incentives, or workforce training initiatives could help small business owners and their employees learn how to use these tools effectively. Every employee who becomes proficient with AI becomes more valuable, more productive, and better equipped for the jobs of the future. Even in our business, which is embracing AI, many of our employees lack formal training on how to maximize its potential. With the right support, more small businesses could help their workers use AI confidently.

For 151 years, Merz Apothecary has adapted to changing technologies and markets. AI is the newest chapter in that story. It is helping us compete, innovate, hire, and better serve our customers. I hope Congress will pursue policies that keep AI tools accessible for American small businesses and make it easier for millions more to adopt them.

Thank you, and I look forward to your questions.

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WRITTEN TESTIMONY OF FRANCE HOANG

Founder & Chief Executive Officer, BoodleBox

Before the United States House of Representatives
Committee on Small Business

"AI on Main Street: How AI Is Shaping the Future of Small Business"
July 14, 2026

Introduction

Chairman Williams, Ranking Member Velázquez, and Members of the Committee, thank you for the opportunity to testify.

My name is France Hoang. In 1975, when I was a small boy, American forces evacuated my family from Vietnam. That single act gave me a life. It allowed me to graduate from West Point, serve as an Associate Counsel to the President, and deploy to Afghanistan as the Executive Officer of a U.S. Army Special Forces company.

It also allowed me to become an entrepreneur. Over the past fifteen years, I helped start a law firm, Fluet; helped build a defense services company, MAG Aerospace; and today I lead a collaborative artificial intelligence company, BoodleBox. Together, these businesses have employed more than 1,200 Americans. So when this Committee talks about small business, I have lived the journey, including the weight of meeting a payroll and the knowledge that the doors of opportunity that opened for me did so only because someone made them possible.

I do not come to this subject in theory. Today, more than 130 small businesses operate on BoodleBox, and more than 100,000 students and faculty at over 1,000 colleges and universities use it to teach and to learn. I speak with these owners and educators every week, and this testimony reflects what they tell me.

My message is simple. Getting access to AI is no longer the hard part for a small business. Learning to use it well is. If Congress wants Main Street to benefit from this technology, the most valuable thing it can do is help small businesses build the capacity to use AI, not merely the ability to acquire it.

I. Access to AI Is No Longer the Barrier. Readiness Is.

This Committee has already done meaningful, bipartisan work to put AI within reach of small business, including the AI for Main Street Act[1] and the AI-WISE Act[2]. That work matters.

But the ground has shifted faster than many policy conversations assume. Basic AI is now inexpensive and nearly universal. A small business owner in Detroit can reach more computing intelligence today, for little or no cost, than a Fortune 500 company could purchase five years ago.

The real challenge is what comes next, and it has two parts.

First, a gap is widening in access to the *best* tools. The premium AI that produces genuinely reliable results still costs real money, and the businesses that can afford it are pulling steadily ahead of those that cannot. Left unattended, this becomes a new divide between Wall Street and Main Street. It is not a divide over whether a business can use AI at all, but over whether it can use AI that is good enough to matter.

There is, however, real reason for optimism on cost. A new generation of open-weight models, including NVIDIA's Nemotron family and others[3], is narrowing the distance between what a small business can afford and what the frontier can do. They can offer Main Street two things at once: lower cost, and genuine data sovereignty. This is a problem we work on directly. At BoodleBox, we have built routing and compression technology that cuts the tokens — the units a business pays for — needed to complete a task by up to 96 percent, which means an owner can get frontier-quality results at a small fraction of the cost. The most practical path for a small business is a platform that lets an owner combine open and premium models and choose the right one for each task, so she gains enterprise-grade capability without an enterprise budget, and without being locked into a single vendor.

Second, and more important, is the readiness gap. The most powerful AI in the world is useless to an owner who does not know how to use it well. Today, too many small businesses are effectively handed the keys to a Ferrari and sent down a muddy road. They use AI to go faster, with faster emails, faster proposals, and faster reports, but too often the output only looks finished. A person still has to redo it. The result is not progress. It has even earned a name:

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[1] AI for Main Street Act, H.R. 5764, 119th Cong. (2025). Passed the U.S. House of Representatives 395–14 on January 20, 2026. Directs the Small Business Administration's Small Business Development Centers to provide AI guidance, training, and outreach to small businesses.

[2] AI Wisdom for Innovative Small Enterprises (AI-WISE) Act, 119th Cong. (2025–2026). Directs the Small Business Administration to develop plain-language AI best-practice guidance and learning modules for small businesses on a tool- and vendor-neutral basis.

[3] NVIDIA's Nemotron is a family of open-weight (openly downloadable) AI models released for enterprise and developer use. It is cited here as one example of a broader category of open models, not as an endorsement of a specific product.

workslop, the confident-looking, low-value output that AI produces when it is pointed at the wrong task or used without discernment.[4]

This inversion is worth making explicit, and a framework developed by Colonel Chris Lowrance of the United States Military Academy at West Point[5] captures it precisely. Consider any project in four phases: define the problem, design an approach, create the work, and validate the result. In traditional work, human effort is heaviest in the two middle phases. AI turns that upside down. It collapses the effort of designing and creating almost to nothing, and shifts the real human work to the two ends: defining the right problem at the outset, and validating the result at the finish.

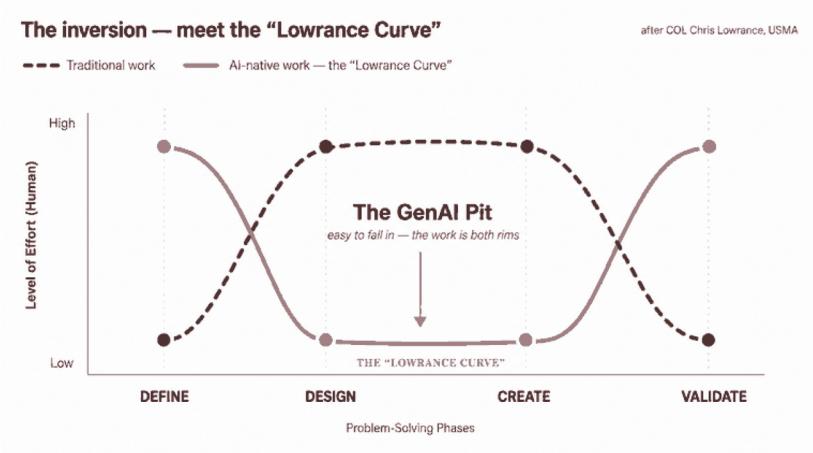


Figure 1. The inversion of work, or the "Lowrance Curve." As AI collapses the effort of design and create, human value shifts to defining the problem and validating the result. After COL Chris Lowrance, USMA.

I call that low middle the "GenAI Pit," and it is easy to fall into. An owner lets AI race through the design and create phases and assumes the job is done. But the value, and the risk, live at the two ends. Skip them and you get workslop. Invest your judgment in defining the problem and validating the answer, and you get genuine leverage. This is precisely why training matters more than tools. A 2024 RAND analysis found that more than 80 percent of AI projects fail, roughly twice the rate of information-technology projects that do not involve AI, and traced the leading cause not to weak models but to organizations misframing the problem they set out to solve,

[4]Kate Niederhoffer et al., "AI-Generated 'Workslop' Is Destroying Productivity," Harvard Business Review (Sept. 22, 2025), reporting research by BetterUp Labs and the Stanford Social Media Lab. In a survey of 1,150 U.S. desk workers, 41% reported receiving "workslop," with each instance requiring roughly two hours of rework.

[5]The framework depicted here, and the term "Lowrance Curve," are credited to Colonel Chris Lowrance, U.S. Military Academy (West Point). The term "GenAI Pit" is the author's own.

applying powerful tools to poorly defined problems and shipping unverified results.[6] Speed without judgment is not an advantage. It is a faster way to travel in the wrong direction.[7]

The lesson for small business is straightforward. Tools alone will not close the gap. Training, workflows, and coaching will.

II. What Small Business Owners Actually Face

When I sit with small business owners, I hear the same concerns again and again.

They are exhausted. They have no time to evaluate and learn new tools. They have no staff to run those tools and no budget to hire specialists. And they are genuinely afraid that the moment they put their data into an AI system, it stops being theirs, that their customer lists, their pricing, and their proprietary work will be absorbed into someone else's model.

These concerns are rational, and they are well documented. In a 2025 survey by the Small Business & Entrepreneurship Council, 88 percent of small businesses said they would increase or maintain their investment in AI over the coming year.[8] Demand is not the problem. But across the research, small firms point to the same obstacles to turning these tools into results: too little time, too little in-house expertise, and real concern about how their data will be used.[9] The demand is there. The support is not.

Any federal approach that ignores these realities, that assumes a busy owner will teach herself, or that treats access to a tool as the same thing as the ability to use it, will leave most of Main Street behind.

III. What "Doing It Right" Looks Like

I have seen what it looks like to close the readiness gap, and I want to describe it concretely.

The University of Michigan operates the Detroit Neighborhood Entrepreneurs Project, or DNEP, which serves more than 400 small businesses each year. More than nine in ten are minority-owned. Last year, DNEP partnered with BoodleBox to put collaborative AI into the

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[6]James Ryseff, Brandon F. De Bruhl & Sydne J. Newberry, "The Root Causes of Failure for Artificial Intelligence Projects and How They Can Succeed," RAND Corporation (2024). Drawing on interviews with experienced data scientists and engineers, the report identifies misunderstanding or miscommunicating the problem to be solved as the leading cause of failure, and finds that AI projects fail at roughly twice the rate of information-technology projects that do not involve AI.

[7]For a fuller discussion of the Lowrance Curve and the evolving nature of work in an era of AI, see https://boodlebox.ai/blog/manifesto.

[8]Small Business & Entrepreneurship Council, "Small Business Check Up and Tech Use Survey" (conducted by TechnoMetrica, Oct. 3–9, 2025; n = 530 small-business employers; credibility interval ±4.4 percentage points).

[9]See, e.g., JPMorgan Chase Institute, "Understanding the Use of AI Among Small Businesses" (2026); U.S. Small Business Administration, Office of Advocacy, "AI in Business: Small Firms Closing In" (Sept. 2025); and OECD, "AI Adoption by Small and Medium-Sized Enterprises" (2025). Commonly cited barriers include limited time and technical expertise, cost, and data-privacy or data-readiness concerns.

hands of Detroit entrepreneurs, not simply a subscription, but a shared workspace, trained workflows, and the human coaching required to use it well.

The difference that support makes is visible in the results.

Pairing business-school instruction with hands-on AI, DNEP ran a series of co-learning sessions in which owners used AI to identify their customer segments, define their brand voice and value proposition, and build social-media calendars tailored to their businesses. This is work that would normally take weeks, completed in a couple of hours.

A cohort of construction-related businesses tackled one of their most expensive pain points, the job estimate. Normally it takes a busy contractor a week or more to prepare a price quote after a walk-through, and that delay often costs them the job. By using AI to combine a job's floor plan with their dictated notes, these contractors can now finish an estimate in their truck, before they leave the driveway.

Consider one entrepreneur in particular. Tekeyah Gaines runs GT Coffee Co. Through BoodleBox, she uses AI as a thought partner across her business, choosing the right model for each task. She used AI to calculate her cost of goods for each product and to analyze her website traffic, so that she could understand her customers and set prices based on data rather than instinct. She used it to build her marketing campaigns. As a result, her website's conversion rate rose from 1.5% to 2.3% of visitors, her average order grew from $38 to $47, and her revenue is up.

Ms. Gaines does not outsource her judgment to AI. She amplifies it.

Just as important is what this made possible. Ms. Gaines estimates that the work she now does with AI would have cost roughly $30 an hour to hire out, money her business could not spare. AI allowed her to scale and to build her operations before she had to take on payroll. For a small business, that is the difference between growing and stalling.

DNEP is now going further, building AI tools purpose-built for small businesses: a legal and regulatory assistant for Detroit daycares navigating licensing requirements, and a “CFO dashboard” that lets an owner extract real financial insight without a business-school education. This is what the frontier of small-business AI actually looks like. It is not a chatbot. It is targeted capability, delivered with support, aimed at the specific problems owners face.

A rural example makes the same point from the opposite direction. Rocky and Johanna Johnson run several small businesses from their ranch in Rogers County, Oklahoma, forty-five minutes from the nearest town, where the closest designer, engineer, or marketing agency is not an option. At their woodworking business, Rocky uses AI to design the intricate cutting templates that make his products possible; when equipment more than twenty years old breaks, he uses it to design replacement parts and 3D-print them on-site, turning a weeks-long wait for a thirty-dollar part into a matter of hours. The reach goes further. Across a martial-arts curriculum he

developed, a family publishing company, and Johanna's jewelry business, they use AI for research, lesson plans, inventory, and marketing, letting one family do work that once required an entire team. Like the entrepreneurs in Detroit, the Johnsons do not outsource their judgment to AI; Rocky still knows wood, his land, and his students. AI extends that expertise rather than replacing it. In the city, the gap is training and support. In the country, it is distance, and AI collapses it. For a family far past the last stoplight, that can be the difference between an idea and a livelihood.

The common thread is simple. In every case, the value came not from the AI alone, but from AI *plus* training, workflows, and coaching. That is the road. The tool is only the car.

IV. Data, Privacy, and Trust

Small business owners are right to be cautious about their data, and earning their trust is a precondition for adoption, not an afterthought.

We built BoodleBox to be private by design. We maintain SOC 2, GDPR, HIPAA, and FERPA compliance. We do not permit models to be trained on our customers' data, and we anonymize prompts. We are one of the few platforms that the House's own Chief Administrative Officer has approved for use by congressional staff. I mention that standard to make a point: when data protection is built in from the start, even the most security-conscious institutions can adopt AI with confidence. Small businesses deserve the same assurance.

V. Recommendations

I respectfully offer the Committee three recommendations.

First, fund the roads, not just the cars. The AI for Main Street Act rightly directs the Small Business Development Center network to provide AI training, guidance, and outreach, and the Committee's work to clarify that SBA 7(a) loans may be used for software, cloud, and AI tools[10] rightly helps small businesses acquire them. But acquisition is not adoption. I urge the Committee to ensure that training, workflow design, and coaching, the elements that actually produce results, are funded and delivered through the SBDCs and their partners, using proven models like DNEP. A subscription without support is a car without a road.

Second, protect small businesses' data. No owner should have to fear that using AI means giving her work away. I encourage the Committee to promote clear, plain standards for data protection, for non-training on customer data, and for transparency, so that a small business can tell quickly and reliably whether a given tool will keep its information private. This Committee

[10]Small Business Technological Act, H.R. 915, 119th Cong. (2025), clarifying that SBA 7(a) loans may be used for software, cloud-computing services, and business tools that utilize artificial intelligence. Passed the U.S. House of Representatives 414–4 on June 24, 2026.

has already recognized how exposed small businesses are on cybersecurity[11]; the same concern should extend to how AI tools handle their data. Trust is the gateway to adoption, and the federal government is well positioned to help establish it.

Third, take care that rules meant to do good do not wall out the small. As Congress considers how to govern AI, I ask you to weigh the cumulative compliance burden on small providers and small users alike. Requirements that only the largest companies can afford will, however well-intentioned, hand this technology to a handful of incumbents and lock out the smaller innovators, including the ones building the most useful tools for Main Street. The principle behind the AI-WISE Act, that federal AI support should remain neutral among specific tools and vendors, is exactly right, and it should guide the Committee's broader approach. Keep the field open.

Conclusion

For forty years, America has built roads that let me and others like me move forward. Today it is our turn to build one for every small business in the country. Our task is not to hand them a faster car. It is to help them build a road worth driving. If we do that, if we pair access with the training, trust, and support that turn a tool into a capability, Main Street will take it from there.

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

[11]See Small Business Cybersecurity Assistance Evaluation Act, H.R. 8880, 119th Cong. (2026). Rep. Rob Bresnahan has noted that small businesses are roughly 210 percent more likely than larger companies to experience a cyber incident, and that more than half have no cybersecurity measures in place.

WRITTEN TESTIMONY OF

CHIKE AGUH

Head of Innovation & Strategy, Kapor Center

Before the

U.S. HOUSE COMMITTEE ON SMALL BUSINESS

"AI on Main Street: How AI Is Shaping the Future of Small Business"

Tuesday, July 14, 2026 · 10:00 a.m. ET

1. Introduction

Chairman Williams, Ranking Member Velázquez, and members of the Committee — thank you for the invitation to testify. More than two decades ago, I walked these halls as a congressional intern. Returning today is a remarkable full-circle moment, and a testament to what is possible in America.

I am here on behalf of the Kapor Center. Through our three arms — the Kapor Foundation, Kapor Capital, and SMASH — we work to close the gaps of access and opportunity that keep too many talented people, and too many good businesses, on the outside looking in. Since 2011, we have backed more than 200 startups and fledgling businesses that make healthcare, childcare, education, clean energy, and housing more affordable for the communities that need them most. We advance much of that work through our P.R.I.M.E. Alliance, and it has taught us a great deal about what helps small enterprises succeed — and what holds them back. It is that experience I hope to bring to the Committee today.

II. Promise and Peril: Two Possible Worlds

Few topics matter more than the intersection of artificial intelligence and the small businesses that power this nation. If you remember nothing else I say today, remember this: the rise of AI carries promise and peril. Both are real. Our shared responsibility is to capture that promise and mitigate that peril.

Which world we live into is not yet decided. In one, AI becomes the great equalizer — putting capabilities once reserved for large firms into the hands of every entrepreneur, in every community. In the other, AI accelerates consolidation, concentrating advantage among those who already hold the most data, the most capital, and the most sophisticated tools. Both futures are plausible. The difference between them will be made by the choices we make now — in this room, and in others like it.

The Promise: What AI Makes Possible for Main Street

For small businesses, the promise of AI is concrete. Generative AI and AI agents can remove the very barriers that keep entrepreneurs from starting and scaling — from market research to back-office capacity to navigating regulation. They let an owner do what once required hiring a consultant, a marketing agency, or additional staff the business could not afford. Consider what this looks like in practice.

Navigating regulation

Last year, Matt Rosenberg left his marketing job to open a Thai restaurant with his wife Kamonwan, a fourth-generation cook from Bangkok. When a storefront lease proved unaffordable, AI surfaced a home-kitchen permit they never knew existed — cutting their startup costs by more than ninety percent — and turned dense regulations into simple checklists. This February, Bangkok Rush Thai Kitchen opened in Alameda, California, twelve minutes from our offices in Oakland. Asked what the journey would have looked like without AI, Matt said simply: "I would have given up." Matt's story captures the promise of AI: making entrepreneurship possible for all, not just for some.

Competing above your weight

When the Kapor Center invested in FormLabs, the company was on a mission to bring professional-grade 3D printing — capability that had lived only inside industrial machines costing tens of thousands of dollars — onto a desktop for a small fraction of the price. The point is not the printer. The point is what it unlocks: a solo architect can now produce models and prototypes that let her compete for the same contracts as a firm ten times her size, without adding a single employee. That is the pattern AI now extends across nearly every function of a business.

Finding customers and moving product

Logistics used to be a wall between a good product and a national market. Today, platforms like Saltbox give a solopreneur shipping orders from a spare bedroom the warehousing, fulfillment, and carrier access that once required a company's worth of infrastructure — so a one-person brand can reliably serve customers in all fifty states.

Across the everyday work of running a business

Beyond these, AI is already helping small businesses:

- **Run leaner operations** — automating bookkeeping, scheduling, inventory, and routine admin, and handling first-line customer service, so the owner's time goes to the work only the owner can do;
- **Market like a larger firm** — generating ad copy, social content, and personalized outreach at a cost once available only to companies with a marketing department;
- **Understand their customers** — spotting trends in sales data and reviews without a dedicated analytics team;
- **Access specialist capability on demand** — document review, translation, design — that used to require hiring an agency; and
- **Manage risk** — flagging suspicious transactions or cash-flow problems earlier than a busy owner could catch them.

That is the promise: entrepreneurship made possible for all, not just for some.

The Peril: Trust, Concentration, and Fitness for Purpose

But the peril is just as real, and it is threefold.

First, trust

Technology moves at the speed of innovation, but adoption moves at the speed of trust — and that trust has not yet been earned. A majority of American voters — 57 percent — say AI's risks outweigh its

benefits, and 55 percent of Californians say they are more concerned about AI than excited by it. Meanwhile, more than half of America's small businesses have yet to adopt generative AI at all; among the smallest firms, adoption is lower still. Skepticism and low adoption reinforce one another. Until owners have reason to trust these tools, the promise will stay out of reach for the very businesses that could benefit most.

Second, concentration

AI — and, just as important, the knowledge of how to use it — delivers the greatest returns to firms that already have the most scale, data, and capital. Left to its own momentum, that dynamic widens the gap with Main Street rather than closing it. We see the risk in several forms:

- **Lock-in and pricing power.** Small businesses that build on a handful of large platforms can face steep switching costs and sudden changes in price or terms, with little recourse. When a dominant platform changes its terms overnight, thousands of small shopkeepers who built their distribution on it are left either to accept the new terms or walk away from the customers they spent years earning.
- **Surveillance exposure.** Some tools small businesses rely on also enable collection of sensitive data — on customers and owners alike — raising real concerns about privacy for the vulnerable communities we serve.

Third, fitness for purpose

If these systems are unreliable or poorly governed, small businesses are left to navigate the risks alone. A hallucinated contract clause, an inaccurate financial projection, or a mishandled customer record can create real legal and financial exposure — and small businesses rarely have the staff to double-check every output. We must also recognize that automation inside a small enterprise is a double-edged sword. While these tools can lower costs, they also bring the very real peril of internal job displacement — resulting in reduced hours or layoffs for the local staff members who anchor these businesses. For a tight-knit team, the cost of efficiency can be incredibly steep. As former White House Deputy National Cyber Director Camille Stewart Gloster has warned, without the right protections small firms cannot "protect their intellectual property, their consumers, or their competitive advantage."

I want to be candid about the nuance here. The opportunities and the risks of AI adoption are not evenly distributed. The same tool that levels the field for one business can deepen a disadvantage for another, and the stakes are highest for the most marginalized communities and the smallest firms — those with the least margin for error and the least access to help. That is precisely why thoughtful policy matters.

III. How We Make the Future We Want

The promise or the peril — which will we live into? It is easy to feel the future will simply happen to us. We reject that, and echo President Kennedy: "Things do not happen. They are made to happen." So how do we make the future we want? The answer has four parts.

First, AI literacy and practical, industry-specific guidance

Small-business owners need not just to understand AI, but to know where it creates the most value for a business like theirs. Congress has already taken promising bipartisan steps: the AI WISE Act, championed in this Committee by Chairman Williams, and the AI for Main Street Act, which Ranking Member Velázquez has supported, would put AI education and hands-on guidance into the SBA's Small Business Development Centers. Both passed the House earlier this year and await the Senate; we hope they are only the beginning.

But we should be clear-eyed about what it takes for that guidance to work. As one operator serving 400 small-business customers put it: owners don't ask "how do I use AI" — they ask "will this work for a business like mine." Generic advice doesn't move the needle for a dog daycare, a salon, or a funeral home; these owners are experts in their industries, and what they lack is the time and money to translate AI into their specific workflow. Congress already knows how to solve this. For thirty years, the Manufacturing Extension Partnership has given small manufacturers cost-shared, sector-specific help adopting new technology. Extend that model to Main Street — fund the mechanism, not the industries; let industry associations and sector experts compete for cost-shared implementation dollars — and AI advice can arrive specific enough to act on. AI itself is what makes this scalable: expertise that once required a consultant in every room can now be captured once and delivered to every business in an industry at software cost. (A fuller version of this perspective appears in Appendix C.)

Second, AI-ready workforces

An AI-ready workforce is not just AI-literate, and not just AI-fluent, but AI-native — fully comfortable working alongside these tools, while strengthening the uniquely human skills AI cannot replace: leadership, communication, interpersonal connection, and judgment.

Third, a national framework for AI governance

How do we secure these systems, safeguard data, reduce hallucinations, and ensure these tools serve every business and customer equally? Commonsense guardrails build trust, and trust is what unlocks adoption. Commonsense AI guardrails build consumer trust in new technologies and create a climate where businesses can innovate now and into the future — without public skepticism growing, adoption stalling, and hard-won opportunities rolling back. The AI Civil Rights Act — reintroduced this Congress with co-leads in both chambers, a broad group of co-sponsors, and the Kapor Center's endorsement — offers a strong model. We must prevent unlawful AI-driven discrimination, ensure impact assessments and transparency before and after deployment for consequential uses, and establish real accountability. We also need consistent rules of the road on security, privacy, and intellectual property, so entrepreneurs spend less time managing AI risk and more time serving customers and creating jobs.

Fourth, government as a partner, not a barrier

If AI can give a two-person firm the back office of a two-hundred-person firm, then government contracting should not be the barrier left standing. Through our P.R.I.M.E. Alliance, we work with gap-closing companies that deliver essential public services more cost-effectively — 91 percent say they do so more cost-effectively than traditional providers — yet nearly 60 percent name government contracting among the biggest obstacles they face. Their top challenges are long approval timelines, unclear licensing, and inconsistent requirements. These founders are not asking for shortcuts; they are asking for systems that match the urgency of their communities' needs. Modernize procurement, and governments at every level can transform lives without a single new budget dollar. Once firms master AI, government should be leaders in partnering with them to help the people they serve.

IV. Conclusion

At the Kapor Center, we believe America is stronger with more entrepreneurs, not fewer. Their ideas, energy, and devotion are among our greatest assets. Creating the right solutions here in Washington is necessary — but insufficient. We must listen to entrepreneurs, then ensure these solutions reach them, regardless of who they are, where they live, or how they started. Unless they are felt in places like the inner Beltway of my home county of Prince George's, Maryland; Pine Ridge, South Dakota; Boyle Heights in Los Angeles; the Ozarks; and El Paso, Texas — the world in which AI creates the next great generation of small businesses does not happen.

So I conclude where I began: with deep thanks to this Committee for the opportunity to testify; with the conviction that this moment holds both great promise and real peril; and with the belief that the future we want will not simply happen — we must make it happen.

Thank you. I look forward to the Committee's questions.

APPENDICES

Submitted with the written testimony for the official record

Appendix A. The Kapor Center's Responsible AI Principles

Artificial intelligence will shape education, labor, the economy, civil and human rights, and the environment for decades to come, and the decisions made today about how these systems are designed, developed, and deployed will determine who benefits tomorrow. Drawing on leading scholarship in AI ethics and in civil and human rights, the Kapor Foundation has articulated five principles to guide responsible investment in artificial intelligence. The full text is available at kaporfoundation.org/responsibleai.

1. *Adopt a sociotechnical framework.* Clearly define the societal problem to be addressed, evaluate whether artificial intelligence can and should be deployed to address it, and account for the broader social context in which any such tool will operate.
2. *Incorporate prosocial design and assess impact throughout the lifecycle.* Design systems for societal benefit, center the communities most affected by their use, and conduct regular audits of impact across the full lifecycle of development and deployment.
3. *Support initiatives that shift power.* Advance more inclusive business models, compensation and incentive structures, and investment strategies, and build capacity among researchers, nonprofit and community organizations, and policy advocates to identify AI-related harms and to propose solutions.
4. *Advance critical AI literacy and education.* Expand access to computing education and cultivate critical AI literacy among innovators, workers, consumers, and advocates, so that all are equipped to make informed decisions about the development, adoption, and impact of these technologies.
5. *Establish collective mechanisms for governance and accountability.* Strengthen the capacity of a broad coalition — including journalists, researchers, whistleblowers, policymakers, and advocacy organizations — to shape responsible governance, regulation, and accountability.

Appendix B. The P.R.I.M.E. Alliance: Gap-Closing Small Business and AI

Since 2011, Mitch Kapor and Freada Kapor Klein have invested exclusively in gap-closing startups — companies that harness technology, together with their founders' lived experience, to produce measurable improvements in the communities they serve. Across the Kapor Foundation, Kapor Capital, and SMASH, this work shares a single mission: to close the gaps in access and opportunity that persist for low-income communities and communities of color. Additional information is available at kaporcenter.org/primealliance.

To date, the P.R.I.M.E. Alliance has supported more than 200 gap-closing technology startups that deliver essential services — among them healthcare, childcare, education, clean energy, and affordable housing — more cost-effectively than traditional providers, across sectors ranging from artificial intelligence and educational technology to climate technology, software-as-a-service, and business-to-business solutions.

These companies report that they are advancing the public interest. Ninety-one percent report delivering services more cost-effectively than traditional providers, enabling public officials to serve more residents at lower cost while creating quality jobs. Yet nearly sixty percent identify government contracting as one of the most significant obstacles they face, citing long approval timelines, unclear licensing requirements, and inconsistent standards across jurisdictions.

These founders are not seeking special treatment. They are asking for public systems that move with the urgency their communities' needs demand. Oakland offers a model of what is possible when a city partners with gap-closing companies to bring technology to bear on its most pressing challenges.

Appendix C. Supplemental Statement: Why Industry-Specific Implementation Matters

The following perspective, offered by a partner operator that serves several hundred small-business customers, illustrates why guidance on AI adoption must be tailored to the realities of a specific trade rather than delivered as a general-purpose resource library.

Congress has taken an important first step: the AI for Main Street Act would place AI training within the Small Business Development Centers. Generic guidance, however, rarely moves the needle for a small business. Owners are experts in their own industries; what they lack is the time and the resources to determine how AI applies to a dog daycare, a salon, or a funeral home — and the Small Business Administration cannot always provide the depth required in any single industry. A large enterprise hires consultants to close that gap; a five-person business is left with a one-size-fits-all library.

Owners seldom ask how to use AI. They ask whether a given tool will work for a business like theirs. When guidance speaks the language of an industry and fits the actual flow of its work, adoption follows; when it does not, a referral to yet another resource library only costs the owner more time. A proven remedy already exists in federal policy: for three decades, the Manufacturing Extension Partnership has provided small manufacturers with cost-shared, sector-specific assistance in adopting new technology, and MEP centers operate AI-adoption programs today.

The way to extend this approach to the nation's 36 million small businesses is to fund the mechanism rather than to select particular industries: to allow industry associations and sector experts to compete for cost-shared implementation funding, as MEP centers already do. Artificial intelligence is precisely what makes the model scalable. Deep industry expertise that once required a dedicated consultant can now be captured once and delivered to every business in a given sector at the cost of software. That expertise already exists in every corner of Main Street; public investment need only meet it where it resides.

Appendix D. Selected Resources and References for the Record

Kapor Center

Kapor Foundation. *Responsible AI Principles.* Available at: kaporfoundation.org/responsibleai.

Kapor Center. *The P.R.I.M.E. Alliance.* Available at: kaporcenter.org/primealliance.

Legislation

Artificial Intelligence Civil Rights Act, S. 3308, 119th Cong. (2025–2026). Available at: congress.gov/bill/119th-congress/senate-bill/3308.

AI WISE Act, H.R. 5784, 119th Cong.; and AI for Main Street Act, S. 3586 / H.R. 5764, 119th Cong. Current text and status available at congress.gov.

Research and Analysis

Harvard Business Review. "Companies Are Using AI for Efficiency — They Should Use It to Grow." June 2026. Available at: hbr.org/2026/06/companies-are-using-ai-for-efficiency-they-should-use-it-to-grow.

Stanford Institute for Human-Centered Artificial Intelligence (HAI). "AI's Impact on Black Americans." Available at: hai.stanford.edu/news/ais-impact-black-americans.

The Aspen Institute. "The New Era of Small Business Finance: Access, AI, and Accountability." Available at: aspeninstitute.org.

New Majority Capital, featured in Fast Company, "World-Changing Ideas 2026." Available at: newmajoritycapital.com.

Responses to Questions for the Record
Hearing: AI on Main Street: How AI is Shaping the Future of Small Business
House Committee on Small Business
July 14, 2026

Responses of Chike Aguh, Head of Innovation and Strategy, Kapor Center, to Questions from Rep. Nydia M. Velázquez, Ranking Member

1. AI is a broad term defined in many ways. How do you define it?

Response: Artificial intelligence is indeed a broad term, and the absence of a single, standardized definition is itself a significant part of the challenge before this Committee. This definitional ambiguity is not merely academic; it is a principal driver of the wide variance in reported estimates of AI adoption, value, and risk. For purposes of this testimony, artificial intelligence is defined as software systems capable of performing tasks — including forecasting, content creation, and autonomous action — that have historically required human judgment, at a speed and scale beyond unaided human capacity. The Committee is encouraged to avoid treating AI as a single, monolithic technology. As described in the response to Question 2, the various types of AI differ substantially in maturity, adoption, and risk, and policy should reflect these distinctions rather than applying uniform treatment.

2. AI models are often sorted by type: predictive, generative, and agentic. Could you briefly outline the differences in these types?

Response: AI models are commonly categorized into three types, each reflecting a different level of maturity and risk. Predictive AI performs forecasting: it analyzes historical data to anticipate future outcomes, such as identifying customers likely to churn, flagging potentially fraudulent transactions, or projecting inventory needs. Generative AI produces new content, including text, images, code, or audio, such as drafting marketing copy or designing visual assets. Agentic AI executes tasks autonomously, taking independent action — such as scheduling an appointment, updating records, or placing an order — often by chaining multiple actions together with limited human oversight. As a general principle, the degree of autonomy in a given AI type correlates directly with the degree of accountability and oversight required, as the consequences of error compound when human review is removed from the process. A predictive tool that miscalculates inventory needs presents a materially different risk profile than an agentic tool that independently executes a business transaction, and the Committee should consider this distinction in evaluating oversight and governance approaches. Similarly, the level of potential promise or benefit is also materially different based on the type of AI. It is also important to understand that predictive AI has been with us for a long time while generative and agentic AI are still in their infancy.

3. Is there one standard way to measure an AI model's performance capabilities, and if not, what makes it hard to create one?

Response: There is no single, standardized method for measuring an AI model's performance capabilities. The field instead relies on a range of competing benchmarks and evaluation frameworks — including MMLU, HumanEval, MLPerf, and HELM, among others — each of which measures different capabilities, and none of which translates readily into terms a small business owner can use to make a purchasing decision. What a small business requires is not comparative performance on an academic benchmark, but a clear indication of whether a given tool meets the

accuracy threshold required for its specific application, such as inventory forecasting. The Committee should create ways that consumers and business leaders have a clear idea of the efficacy and effectiveness of these tools. One option that should be examined closely by this committee disclosures from AI developers to disclose accuracy and performance metrics in a standardized, comparable, and accessible format. Further development of a framework analogous to a product warranty, establishing recourse for small businesses when an AI tool fails to meet represented performance standards, is also recommended for consideration.

4. Large corporations can use artificial intelligence (AI) to implement anticompetitive practices to extents achievable only with automated tech. […] Do you agree AI needs safeguards to prevent it from unfairly wiping out small business competitors?

Response: Safeguards are necessary to prevent AI from being used to unfairly displace small business competitors, and the Committee's decision to enter the referenced report into the record is appreciated. This dynamic reflects a broader power imbalance that is central to the work of the Kapor Center. This concern extends into the realm of intellectual property as well. There is currently no established framework governing the licensing or compensation of intellectual property used to train AI models. This affects rights holders ranging from large entities, such as Universal Music Group, which controls approximately 30 percent of the world's recorded music, to individual artists — for example, a bluegrass musician in Kentucky — who may have no practical means of negotiating compensation for the use of their work. Clarity is needed on the terms under which such work may be licensed, the compensation owed, and to whom it is owed. A national AI governance framework is the appropriate vehicle to address this issue, both to protect small business competitors from displacement by tools trained on their own content without consent, and to protect the individual creators and intellectual property holders who constitute a substantial share of the nation's creative and cultural economy.

5. Some policymakers have tried to stand up small business AI literacy resources at other federal agencies. Is the U.S. Small Business Administration (SBA), with its small business outreach expertise and network, uniquely equipped to lead in this area? Would you agree that the SBA should still consult with other agencies, such as those with technological expertise? What would the SBA need to make these collaborations successful?

Response: The SBA is well positioned to lead AI literacy efforts for small businesses given its existing infrastructure, established training network, and the trust it has built with entrepreneurs over time — an advantage other federal agencies have not yet developed. Concentrating this responsibility within the SBA, rather than fragmenting it across multiple agencies, would reduce confusion for small business owners. This leadership role should not preclude close coordination with agencies possessing greater technical expertise, such as the National Institute of Standards and Technology. Such coordination should be structured so that small business owners are not required to determine independently which agency to approach; a "no wrong door" model — comparable to how a veteran seeking benefits through the Department of Veterans Affairs might be seamlessly routed to relevant SBA resources — would serve this purpose. To execute these collaborations effectively, the SBA will require three elements: personnel, dedicated funding, and clear legislative authority. Interagency collaboration of this scope typically requires explicit direction from the White House to be sustained.

6. Is there anything else you would like to add for the record?

Response: The central point of this testimony bears reiteration: the growth of artificial intelligence presents both substantial promise and substantial peril for small businesses, and neither outcome is predetermined. Both will be shaped by the choices made jointly by Congress, industry, and small business leaders. Technology advances at the pace of innovation, but adoption proceeds at the pace of trust, and that trust has not yet been fully established. The communities most vulnerable to being left behind in this transition — including underserved, rural, and historically underinvested communities — stand to gain the most if these policy choices are made well. The Committee's continued engagement on this issue is appreciated, and further work with the Committee and its staff as this policy area evolves is welcomed.

Written Statement for the Record of Emily M. Dickens, J.D.
Chief Administrative Officer of SHRM

House Committee on Small Business

"AI on Main Street: How AI is Shaping the Future of Small Business"

Tuesday, July 14, 2026, at 10:00 a.m.

Dear Chairman Williams, Ranking Member Velázquez, and Members of the Committee:

Thank you for holding the hearing entitled "AI on Main Street: How AI is Shaping the Future of Small Business" and for the opportunity to submit testimony for the record. Artificial Intelligence (AI) is rapidly transforming how businesses operate, compete, and grow. For America's small businesses, AI is becoming an essential tool that helps employers address workforce challenges, improve productivity, and remain competitive.

SHRM is a half-billion-dollar trade association and the fourth-largest membership-based organization in the world, representing nearly 340,000 HR and business leaders through a network of 550 affiliates spanning every U.S. state and congressional district, with members in 174 countries worldwide. More than 95% of the Fortune 500 are represented within SHRM's membership, providing SHRM with a unique perspective on the workforce challenges and opportunities facing organizations of every size, industry, and sector.

As a leading workforce and economic stakeholder, SHRM represents the employers and HR leaders who create jobs, develop talent, drive innovation, and power economic growth. Because work is the foundation of a strong economy, SHRM brings a real-world employer perspective to workforce policy and works to advance practical solutions that expand economic opportunity, strengthen business competitiveness, and build a stronger economy.

For small businesses, successfully adopting AI depends not only on access to technology, but on a workforce equipped to use it effectively. Small businesses comprise nearly half (41%) of SHRM's membership, giving SHRM a unique perspective on how AI is reshaping today's workplace. Our research demonstrates both the workforce challenges employers face and the opportunities AI presents.

SHRM's 2026 Talent Trends report found that nearly 7 in 10 HR professionals (68%) reported difficulty recruiting full-time employees, while more than half (53%) said recruiting has become more difficult compared with one year ago. Adding to these workforce challenges, technology continues to reshape the workplace and the skills employers need to succeed. Over a quarter of HR professionals (27%) reported hiring for positions requiring new skills that their organizations had not previously needed. Among those, 77% reported difficulty finding qualified candidates for those roles. Notably,

changing technology was identified as the leading driver of new skills requirements, increasing 12 percentage points over the previous year.

For many small businesses, AI is not simply about automation—it is about helping address workforce challenges while improving productivity.

SHRM's The State of AI in HR 2026 research shows that employers are already realizing AI's benefits. Today, 62% of organizations use AI somewhere within their organization, though adoption remains significantly lower among organizations with fewer than 100 employees (33%) than those with more than 5,000 employees (60%). This gap underscores the importance of expanding access to AI literacy, workforce training, and practical implementation resources for small businesses.

The findings also show that AI adoption has led to minimal organization-wide impact, such as job displacement and the creation of new roles. Organizations using AI are 5.7 times more likely to report shifts in job responsibilities than job displacement. While only 7% reported job displacement, 57% reported creating new upskilling and reskilling opportunities for employees. HR professionals also report that AI has improved workplace efficiency (87%), work quality (75%), and creativity (70%).

Together, these trends demonstrate that the future of work will depend on workforce adaptability, continuous learning, and the responsible integration of AI across workplaces of every size. SHRM President and CEO, Johnny C. Taylor, Jr., SHRM-SCP, has stated, "AI + [Human Intelligence] = [Return on Investment]" to underscore that AI delivers its greatest value when paired with human intelligence, judgment, adaptability, creativity, and leadership.

While AI presents significant opportunities, many employers—particularly smaller organizations—continue to face barriers to adoption. Among organizations not currently using AI, SHRM found that 67% cite a lack of awareness of AI's capabilities as the primary obstacle, while nearly half (49%) identify technical concerns and 38% report limited organizational resources as barriers. These findings suggest that many employers are not resistant to AI; rather, they need practical guidance, accessible education, and trusted resources to implement these technologies responsibly and effectively.

SHRM encourages Congress to prioritize:

- Expanding access to AI literacy, upskilling and reskilling opportunities, and workforce training that prepare employers and workers to succeed in an AI-enabled economy.
- Establishing a clear, nationally consistent framework for workplace AI that provides employers with practical guidance while avoiding a patchwork of state and local requirements.
- Supporting proportional and scalable AI governance expectations for small and mid-sized employers that reflect organizational size, available resources, and operational capacity, while providing practical implementation guidance and technical assistance.
- Avoiding overly burdensome compliance requirements that could limit responsible AI adoption by small businesses and HR departments of one.

The future of work will not be defined by AI alone, but by how effectively employers empower people to use it responsibly. SHRM has developed practical principles grounded in real-world employer experience to help inform a national framework for workplace AI governance. SHRM stands ready to work with the Committee and Congress to advance policies that support responsible AI adoption, strengthen productivity, and enhance America's economic competitiveness.

STATEMENT FOR THE RECORD

Natalie Madeira Cofield, President and CEO
Association for Enterprise Opportunity
Before the U.S. House Committee on Small Business
Hearing: "AI on Main Street: How AI Is Shaping the Future of Small Business"
July 14, 2026

The Association for Enterprise Opportunity (AEO) respectfully submits this statement for the record of the Committee's hearing on how artificial intelligence is shaping the future of small business.

AEO's central message is straightforward: the smallest businesses may have the most to gain from AI—and face the greatest constraints to making it work.

At a time when policymakers are considering how artificial intelligence will shape America's economic future, it is essential that the conversation include the millions of entrepreneurs who collectively comprise the overwhelming majority of U.S. businesses.

America's smallest firms have always had to do more with less. A corner shop, home-based childcare provider, restaurant owner, independent contractor, or solo operator may handle customers, marketing, compliance, finances, and operations with little or no staff support. Generative AI can help draft communications, prepare documents, analyze information, support planning, and reduce time spent on repetitive administrative work. For an owner already stretched across every business function, even modest gains in time and capacity can matter.

But access to a tool is not the same as the capacity to use it effectively. The businesses for which AI could function as the greatest capacity multiplier often have the least time to experiment, the weakest digital infrastructure, and the fewest opportunities to receive hands-on guidance. Whether AI narrows or widens gaps on Main Street may therefore depend less on the technology itself than on how effectively the small business support ecosystem helps owners put it to work.

About AEO and the Research

For more than 30 years, AEO and its member and partner organizations have worked to expand opportunity for underserved entrepreneurs and microbusinesses. AEO conducts research to understand the experiences of nonemployer, small, and microbusiness owners and to improve the flow of capital and services to the entrepreneurs who are most likely to be overlooked.

This statement draws on AEO's analysis of the 2025 Entrepreneurship in the Population Survey (EPOP:2025), conducted by NORC at the University of Chicago. EPOP:2025 is a nationally

representative, probability-based survey of U.S. business ownership. AEO developed and funded survey items on generative AI use, use cases, perceived impacts, and digital confidence. The analysis focuses on owners of businesses with fewer than 10 employees—the Main Street layer that represents 96.5 percent of all U.S. firms.

The survey measures whether owners knowingly report that their businesses are currently using generative AI. It does not attempt to count every AI-enabled feature embedded in software such as email, accounting, or writing platforms. The estimates should therefore be read as a measure of intentional, conscious use of generative AI and likely represent a floor rather than a ceiling.

AI Is Reaching Main Street, but Unevenly

About one in eight microbusiness owners—13.5 percent—reported currently using generative AI in 2025. Among very small employer firms, adoption doubled in one year, rising from 9.5 percent in 2024 to 20 percent in 2025. This growth shows that AI is no longer confined to large or technology-intensive businesses.

Yet the headline number conceals a sharper divide. Only 8.4 percent of solo operators reported current use, compared with 20 percent of firms with one to nine employees. The difference remains after accounting for demographic and business characteristics. This matters because solo operators are not a marginal group: they represent 83.7 percent of all U.S. businesses.

The largest layer of Main Street is therefore also the least likely to have crossed the threshold into AI adoption.

The Main Barrier Is Relevance, Not General Technical Confidence

The solo-operator gap does not appear to be driven primarily by a lack of interest or by greater difficulty keeping up with technology. Among nonusers, plans to adopt AI within the next year are also similar across solo and employer firms.

What most clearly separates the groups is perceived relevance. Nearly one in three solo operators—32 percent—say AI is not relevant to their work, compared with 21 percent of small employer firms. The practical challenge is therefore not simply persuading owners that AI is important. It is helping them see where the technology fits into work they already do.

Use patterns reinforce this point. Among current AI users, small employer firms are far more likely than solo operators to use AI for internal operations and administration—89 percent versus 51 percent—while the two groups report much more similar use for communications, marketing, creative work, and design. Solo operators are using AI, but not always in the areas where it may have the greatest potential to relieve administrative burden.

This is why generic awareness campaigns are unlikely to be enough. A solo contractor may not recognize the relevance of a broad demonstration about content generation, but may see immediate value in a workflow that helps prepare customer follow-up, organize tax documentation, summarize notes, draft estimates, or maintain recurring administrative processes.

Digital Readiness Is the Clearest Pathway to Adoption

The strongest adoption divide identified in AEO's analysis is not demographic. It is whether a business has any online presence at all.

Only 2.8 percent of microbusiness owners with no website or social media presence reported currently using AI, compared with 19.3 percent of those with an online presence—a nearly sevenfold difference. The gap persists after accounting for education, geography, industry, income, demographics, and digital confidence. Among otherwise comparable owners, predicted adoption probabilities are 8.3 percent for businesses without an online presence and 23.2 percent for digitally connected businesses.

The divide extends across the adoption pipeline. Among current nonusers, 14.8 percent of owners with an online presence plan to adopt AI within the next year, compared with only 4.3 percent of owners without one. Businesses that lack basic digital infrastructure are also more likely to say AI does not apply to them.

This finding has direct implications for federal policy. AI readiness builds on digital readiness. For many businesses, the route to effective AI adoption begins with foundational capabilities such as establishing an online presence, digitizing records, using electronic payment and accounting tools, and developing basic cybersecurity practices. Treating AI assistance as separate from this broader foundation risks concentrating the benefits among firms that are already digitally connected.

When Owners Put AI to Work, Most Report Positive Results

Among microbusiness owners already using AI, 78.1 percent report a positive effect on the efficiency of their business processes, while fewer than 1 percent report a negative one. Fifty-five percent report increased productivity, and roughly one-quarter report decreased workload.

The benefits are especially concentrated among solo operators. Ninety-two percent of solo AI users report a positive impact, compared with approximately seven in ten employer firms. For an owner with no one else to share the load, AI may function less like an incremental productivity tool and more like a first source of additional capacity.

These findings do not mean that every tool is appropriate for every task, or that AI can substitute for professional expertise, employees, financing, or trusted human advisors. They do show that owners who find relevant use cases are often obtaining meaningful value.

Early Adopters Are Often the Most Stretched, Not the Most Comfortable

A common assumption is that early technology adopters are the firms with the most resources and the fewest constraints. AEO's findings suggest a more complicated pattern.

AI users report greater operational challenges than nonusers across several domains. They are more likely to report difficulty doing taxes, establishing an online presence, finding customers, and accessing capital. Yet users and nonusers report nearly identical average confidence across a composite of 12 digital technologies—2.26 versus 2.19 on a three-point scale.

This is not a portrait of owners adopting AI from a position of comfort. Many appear to be operating under pressure and searching for practical ways to extend capacity. The tasks where use concentrates—documentation, content creation, planning, and data analysis—map closely onto services that very small firms often cannot afford to hire out.

The demographic profile also complicates a simple story in which the most advantaged owners move first. Latino microbusiness owners reported current AI use at 24.8 percent, compared with 10.3 percent among white owners, and the difference persisted after accounting for education, income, online presence, industry, and other business characteristics. Black owners showed a similar directional pattern, although subgroup estimates should be interpreted cautiously. These findings underscore that underserved entrepreneurs should not be approached only through a deficit lens; some are already leading experimentation and can help shape peer-based models of adoption.

Priorities for Congress and the Small Business Support Ecosystem

The appropriate policy response is not simply to increase AI awareness. It is to help owners move from curiosity to practical application, especially in the operational areas where limited time and capacity are most acute. AEO recommends six priorities.

1. Prioritize operational use cases over generic AI education. Federal small business initiatives should begin with concrete business problems—customer communications, business planning, tax preparation, compliance, documentation, and recurring administrative workflows. Demonstrations should show how AI applies to the work owners already perform, not merely introduce popular tools.

2. Treat digital readiness as the foundation for AI readiness. Investments in websites, social media presence, digital records, accounting and payment systems, and cybersecurity remain among the highest-leverage AI interventions available. AI programs should connect to, rather than bypass, the foundational digital-capacity work already undertaken by business support organizations.

3. Pair demonstrations with hands-on workflow integration. How AI is used may matter as much as whether it is used. Owners need assistance turning one-time experimentation into repeatable, reviewed workflows. Congress should support the capacity of trusted intermediaries—including CDFIs, Small Business Development Centers, Women's Business Centers, Minority Business Development Agency Business Centers, chambers of commerce, and nonprofit entrepreneurial support organizations—to provide one-on-one implementation assistance, not only webinars or static resource libraries.

4. Target solo operators and businesses without an online presence. These groups represent both the largest adoption gaps and a large share of the U.S. business population. Broad, untargeted programs are likely to reach the businesses already closest to adoption. Future investments should intentionally include firms that are least digitally connected and most likely to view AI as irrelevant.

5. Scale peer-led demonstrations and practical safeguards. Because perceived relevance is a central barrier, examples from similar businesses may be more persuasive than expert instruction alone. Peer networks should be paired with clear guidance on human review, accuracy, confidential business information, data privacy, and when a task should not be delegated to an AI system.

6. Measure adoption, use, and outcomes over time. Success should not be measured only by the number of trainings delivered or accounts created. Programs should track whether owners save time, reduce administrative burden, improve customer service, strengthen decision-making, or achieve other durable business outcomes. Continued representative data collection is also essential because both the technology and the adoption landscape are changing rapidly.

Conclusion

The policy question is not whether AI will reach Main Street. It is whether the smallest businesses will be left to navigate the transition alone or will have the digital foundations, trusted support, practical guidance, and basic safeguards necessary to benefit.

The smallest firms do not need simplified versions of broad claims about AI. They need help connecting the technology to real business problems, determining where it adds value, and building workflows that preserve human judgment. With the right support, AI can extend the capacity of businesses that have historically operated with the fewest resources. Without it, AI adoption may reinforce existing differences in infrastructure and opportunity.

AEO appreciates the Committee's attention to this issue and urges Congress to place microbusinesses, solo operators, and underserved entrepreneurs at the center of the nation's small business AI strategy.

On behalf of AEO's national membership and the millions of entrepreneurs they serve, thank you for the opportunity to provide this statement for the record.

Respectfully submitted,

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Source Notes

1. Association for Enterprise Opportunity, The Main Street AI Paradox: The Smallest Businesses May Have the Most to Gain from AI—and Face the Greatest Constraints to Making It Work (2026). https://aeoworks.org/wp-content/uploads/2026/07/AEO_Main-Street-AI-Paradox_Brief_FINAL_DRAFT.pdf
2. All EPOP estimates cited in this statement reflect AEO's analysis of the Entrepreneurship in the Population Survey Project Restricted Use Data Files: 2025 and 2024, NORC at the University of Chicago, with survey weights applied. The analysis defines microbusinesses as businesses with fewer than 10 employees.

3. AI adoption was measured by asking, “Is your business currently using generative AI?” Respondents were shown a definition of generative AI and could answer Yes, No, or Unsure. Unsure responses were treated as nonadoption. Because the measure captures intentional, self-reported use, it may not include AI embedded in other software that owners do not recognize as generative AI.
4. The estimates that 96.5 percent of U.S. businesses have fewer than 10 employees and 83.7 percent are solo operators are AEO calculations using the 2023 U.S. Census Bureau Annual Business Survey and Nonemployer Statistics.
5. The 12-point difference in current AI use between solo operators and small employer firms is statistically significant and persists in multivariate analysis. The difference in the share saying AI is not relevant—32 percent versus 21 percent—is also statistically significant ($p = 0.015$).
6. Digital-readiness estimates compare businesses with any website or social media presence with those reporting neither. Adjusted probabilities account for demographics, education, geography, industry, income, and digital confidence.
7. Latino owners’ adjusted probability of current AI use was estimated to be 11.4 percentage points higher than that of otherwise comparable white owners ($p = 0.049$; $n = 526$). Estimates for Black owners were directionally similar but less precise in the full model and should be interpreted with caution.
8. The EPOP survey instrument and public-use documentation were developed and administered by NORC at the University of Chicago. AEO developed and funded the microbusiness survey items on generative AI use, use cases, business impacts, and digital confidence.

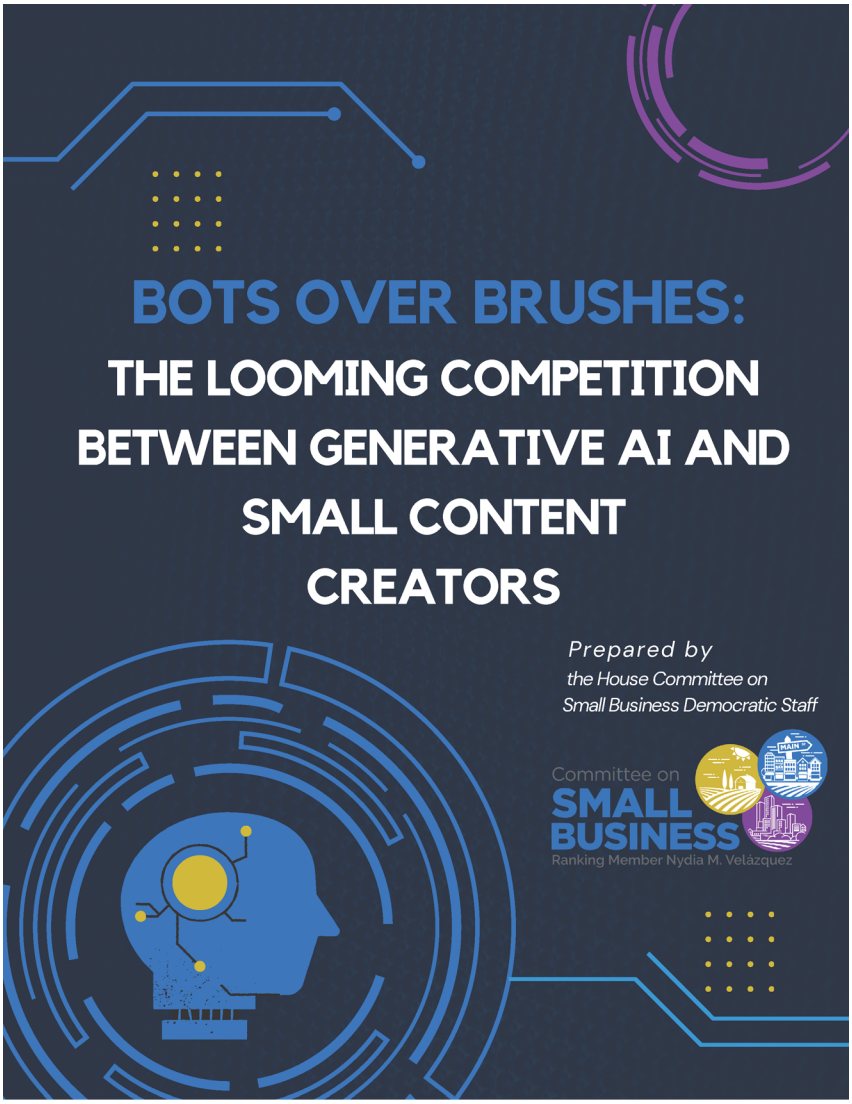

BOTS OVER BRUSHES:
THE LOOMING COMPETITION BETWEEN GENERATIVE AI AND SMALL CONTENT CREATORS
Prepared by
the House Committee on
Small Business Democratic Staff
Committee on
SMALL BUSINESS
Ranking Member Nydia M. Velázquez

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Executive Summary

Generative artificial intelligence (GenAI) is a kind of AI software that can make written, visual, and audio content for users upon request. With GenAI software, users can specify what kind of content they are looking for in writing and receive outputs that are statistically likely to fulfill their requests. This software, which is based on the human brain, can do this because it can identify, understand, and replicate patterns among examples of the target medium. The process where a GenAI software scans these examples to determine what patterns exist is called training. When a GenAI software trains, it typically requires millions, or billions, of examples.

Assembling a dataset containing such a large quantity of content examples is highly resource intensive. Because of this, many GenAI firms do so by extracting content from as many publicly accessible websites as possible, a process called scraping. However, these firms often scrape the internet without licensing content from their owners.

The increasing popularity of GenAI, which can generate content faster and cheaper than America's small creators, poses a serious threat to their livelihoods. GenAI firms' unlicensed use of these creators' work compounds the intensity of this competition and adds layers of unfairness. Small creators are not only having their work used without compensation, but also seeing their work improve the software that could push them out of business.

This report seeks to address this issue by highlighting relevant policies being developed across the House of Representatives and examining their implications for American small creators. Four kinds of proposals have received considerable attention: (1) a statutory mandate for GenAI firms to disclose the unlicensed contents of their training datasets; (2) creating licensing and opt-out schemes for the use of online content in GenAI training; (3) government-made training datasets; and (4) watermarking GenAI outputs. Each of these four policies would bring benefits to America's small creators, but in different ways. First, the disclosure mandate would help small creators know if their work has been included in training data, allowing them to understand if they have been harmed and if they can seek legal recourse. Second, the licensing scheme would assist small creators in receiving compensation for the use of their work and empower them to prevent the use of their work in GenAI training. Third, the government training dataset proposal could also be helpful, though some controversial questions regarding censorship and misinformation would need to be resolved before the proposal is further developed. Lastly, the watermarking scheme would help content consumers better understand where they are receiving content from, and address aspects of the competition issue by helping distinguish GenAI and human creators' work in the broader marketplace.

As the legislative conversation widens and intensifies in Congress, it is important to keep the interests of America's small creators in mind. As GenAI matures, it will only be increasingly capable of unfairly competing with small creators. The livelihoods of these hardworking artists, writers, and musicians are particularly vulnerable to the AI revolution, and Congress can step in to protect them from unfair impacts. As AI moves forward, we must ensure that small creators are not left behind.

Background: Generative Artificial Intelligence (GenAI)

In recent months, Congressional interest in AI has exploded. AI is a broad term encompassing many kinds of software, each with profound implications for the sectors they touch. As such, the policy discussion surrounding AI and potential regulation and oversight is rightfully just as broad. However, the scope of this staff report is much narrower: it treats the role of copyrighted content in training GenAI, a subset of AI technology, and highlights the related concerns of America's small creators, many of whom are the sole proprietors of their businesses.

Overview

GenAI takes user instructions to create content such as text, images, videos, or audio.[1] It does this by combining elements of the target medium in configurations that are statistically likely to fit into the given parameters.[2] To make works that adequately fulfill user requests, GenAI models are trained on datasets to learn how to categorize, compare, and associate source materials, and notice patterns or differences within. In the same way that human creators can learn by observing others' work, GenAI models become capable of creating items like those included in their training data.[3]

GenAI models are known for their ability to adapt, combine, and prioritize information in their creations, creating work that can appear human-made. They can also frame information in unconventional ways, providing new perspectives and adding value to human-made work and thinking.[4]

The most notable introduction of GenAI in the technology scene happened in 2020 when OpenAI released GPT-3,[5] a textual GenAI model, the largest GenAI model at that time. Subsequently, competitors released their own models, and OpenAI then revealed ChatGPT, an improved version of GPT-3. While they received large amounts of public attention and scrutiny, they are not sudden developments. These models are built upon other, already existing technologies and are maturing more quickly because of increasing computing power and access to training data.[6]

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[1] CONG. RESEARCH SERV., GENERATIVE ARTIFICIAL INTELLIGENCE AND COPYRIGHT LAW, 1 (May 11, 2023).
[2] Chris Stokel-Walker & Richard Van Noorden, *What ChatGPT and Generative AI Mean for Science*, NATURE (Feb. 6, 2023), https://www.nature.com/articles/d41586-023-00340-6; Kim Martineau, *What is Generative AI?*, INT'L BUS. MACHS. CORP., (Apr. 20, 2023), https://research.ibm.com/blog/what-is-generative-AI.
[3] GOV'T ACCOUNTABILITY OFFICE, SCIENCE & TECH SPOTLIGHT: GENERATIVE AI, 1 (Jun. 13, 2023); CONG. RESEARCH SERV., GENERATIVE ARTIFICIAL INTELLIGENCE AND DATA PRIVACY: A PRIMER, 2 (May 23, 2023); Ziv Epstein et al., *Art and the Science of Generative AI: A Deeper Dive,* 3 (Jun. 7, 2023), https://arxiv.org/abs/2306.04141.
[4] Tanay Varshney & Annie Surla, *An Introduction to Large Language Models: Prompt Engineering and P-Tuning*, NVIDIA CORP. (Apr. 26, 2023), https://developer.nvidia.com/blog/an-introduction-to-large-language-models-prompt-engineering-and-p-tuning.
[5] The term GPT is short for general-purpose transformer. In this context, a transformer is a kind of neural network (see "Underlying Technologies") that can understand the meaning of entire sentences, rather than individual words, and recall information previously stated in a given conversation. According to the Congressional Research Service, the creation of transformers and GPTs represented a leap in GenAI technology and paved the way to its mainstream use.
[6] Stokel-Walker & Van Noorden, *supra* note 2; Jim Euchner, *Generative AI*, 66 RES.-TECH. MGMT. 71 (2013), https://www.tandfonline.com/doi/full/10.1080/08956308.2023.2188861; Annamalai Chockalingam et al., *A Beginner's Guide to Large Language Models: Part 1*, 23, NVIDIA CORP. (2023), https://resources.nvidia.com/en-us-

Underlying Technologies

Machine Learning

Machine learning algorithms use given, correctly labeled content to statistically generate predictions and label new content. A more advanced iteration of machine learning, deep learning, can be given unlabeled, disorganized content, automatically label it, and continue to make predictions and other labels.[7]

Neural Networks

A neural network is a sophisticated type of deep learning algorithm that can identify and infer patterns in content.[8] Based on the human brain, it is structured into layers of nodes (i.e., computer connections) that take and create information and can "learn" from examples and instruction, just like the human brain can, without much or any human supervision.[9] In the same way that human brains are more powerful when they have more connections between brain cells, neural networks are quicker and more accurate when they have more nodes and layers. GenAI models use neural networks to understand the meaning of source materials, which materials are similar, why they are similar, and how to make new materials just like the sources.[10]

Foundation Models

A foundation model is a kind of neural network that has been pre-trained on a specific medium (e.g., text or images) with many examples in its dataset and can be adapted for various tasks. AI firms build their GenAI models, among others, upon foundation models, thus giving them their name.[11]

Capabilities

Using elements of examples in their training datasets, GenAI software creates content in their target media that is most likely to fit the instructions in given prompts.

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large-language-model-ebooks/llm-ebook-part1; CONG. RESEARCH SERV., ARTIFICIAL INTELLIGENCE: BACKGROUND, SELECTED ISSUES, AND POLICY CONSIDERATIONS, 1 (May 19, 2021).

[7] Reinaldo Padilha França et al., *An Overview of Deep Learning in Big Data, Image, and Signal Processing in the Modern Digital Age*, in TRENDS IN DEEP LEARNING METHODOLOGIES: ALGORITHMS, APPLICATIONS, AND SYSTEMS 63 (Vincenzo Piuri et al. eds., 2021); *What is Machine Learning?*, INT'L BUS. MACHS. CORP., https://www.ibm.com/topics/machine-learning.

[8] *What is a Neural Network?*, AMAZON WEB SERV., https://aws.amazon.com/what-is/neural-network.

[9] França et al., *supra* note 7; Chockalingam et al., *supra* note 6, at 12-3; Int' Bus. Machs. Corp., *supra* note 7.

[10] *What is Generative AI?*, NVIDIA CORP., https://www.nvidia.com/en-us/glossary/data-science/generative-ai; Int'l Bus. Machs. Corp., *supra* note 7.

[11] *A New Era of Generative AI for Everyone*¸ 3, ACCENTURE (2023), https://www.accenture.com/content/dam/accenture/final/accenture-com/document/Accenture-A-New-Era-of-Generative-AI-for-Everyone.pdf; Cong. Research Serv., *supra* note 3, at 6; Nvidia Corp., *supra* note 10.

GenAI Can Make Art

Social media platforms and political campaigns have been flooded with AI-generated images. Some have been realistic "deep fakes,"[12] while others are striking, new images using stylistic and creative elements found in existing art.[13]

When given a prompt, a GenAI art software generates images that are statistically like the images in its training data that it associates with the words or image exemplars in the prompt. This allows the software to create totally new content, combining elements of its training images and remaining faithful to given instructions.[14] The methodology also makes this software highly versatile.

Figure 1. GenAI Art Output Example 1[15]

Prompt: Imagine a Labrador dog in a space suit on the moon, Cubism.

Midjourney Output:



[12] CONG. RESEARCH SERV., DEEP FAKES AND NATIONAL SECURITY, 1 (Apr. 17, 2023).
[13] Kevin Roose, *An A.I.-Generated Picture Won an Art Prize. Artists Aren't Happy.*, N.Y. TIMES (Sep. 2, 2022), https://www.nytimes.com/2022/09/02/technology/ai-artificial-intelligence-artists.html.
[14] Gov't Accountability Office, *supra* note 3, at 1.
[15] Andris Mucenieks, *Midjourney Prompts 101 (With Examples),* PRINTIFY (Jun. 22, 2023), https://printify.com/blog/midjourney-prompts.

Figure 2. GenAI Art Output Example 2[16]

Prompt: Imagine a closeup shot of a woman playing the violin in an orchestra, focused and confident, shot on Fujifilm.

Midjourney Output:

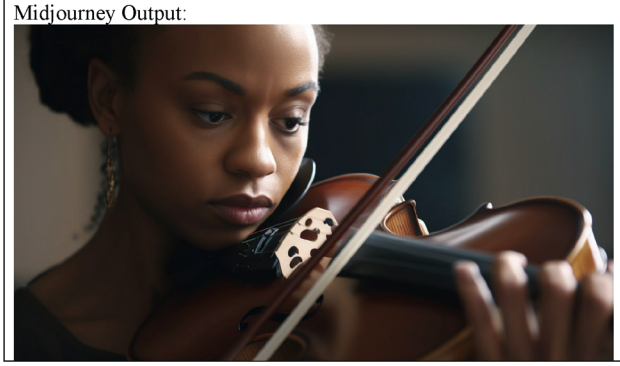


Figure 3. GenAI Art Output Example 3[17]



An AI-generated photorealistic image of a city's street grid which resembles a scene in Rick Astley's "Never Gonna Give You Up" music video.



The corresponding scene from Rick Astley's "Never Gonna Give You Up" music video.

[16] Nick St. Pierre (@nickfloats), Twitter (Mar. 15, 2023, 5:44 PM), https://twitter.com/nickfloats/status/1636122631614128134?s=20.

[17] *Hidden Imagery in AI Art – Never Gonna Give You Up*, KNOWYOURMEME, https://knowyourmeme.com/photos/2666059-hidden-imagery-in-ai-art (last visited Nov. 3, 2023); Rick Astley, *Never Gonna Give You Up (Official Music Video)*, YOUTUBE (Oct. 25, 2009), https://www.youtube.com/watch?v=dQw4w9WgXcQ.

GenAI Can Creatively Write

The public has been highly engaged with GenAI text software like ChatGPT. Software like it can present information in a specific style or format, predict information, and combine, summarize, and simplify information.[18] The high use volume of platforms like ChatGPT has also led to their unforeseen, autonomous development of new capabilities like multiplication, interpreting combinations of emoji, and writing and running their own code.[19]

When given a prompt, GenAI text software combines words and text in a manner that is most likely to fit the instructions. Armed with millions or billions of points of training data and sample texts, this software is highly versatile and can write nearly any conceivable kind of text upon request. More advanced GenAI text software can also use and search for information on the Internet in real time while responding to prompts.[20]

Figure 4. GenAI Text Output Example

Prompt: Write a series of verses in the style of the Iliad, the Odyssey, and other Homeric works depicting the Small Business Administration's 7(a) loan guaranty program application process.

ChatGPT Output:

Sing, Muse, of the Small Business Administration's might,
And the 7(a) loan guaranty, a beacon of financial light.
A tale of entrepreneurs seeking funds for their grand dreams,
Through a process, intricate and complex, so it seems.

In the halls of government, the SBA doth reside,
Where business owners, with ambition, come to confide.
Their hopes and aspirations, they lay before the throne,
To obtain a loan to build, expand, or call their own.

The first step, like Achilles, in this heroic quest,
Is to prepare documentation, to prove your worthiness best.
A business plan, financials, and details of your trade,
Like a warrior's armor, must not be displayed.

Next, like Odysseus navigating the raging sea,
Applicants must seek a lender, the SBA's decree.
With a trusted partner, they shall set sail,
Hoping for approval, or their efforts shall fail.

Then the lender shall scrutinize, like a Cyclops' eye,

[18] CONG. RESEARCH SERV., GENERATIVE AI, 2 (May 23, 2023); Alex Hughes, *ChatGPT: Everything You Need to Know About OpenAI's GPT-4 Tool*, BBC SCI. FOCUS (Jun. 30, 2023), https://www.sciencefocus.com/future-technology/gpt-3.
[19] Stephen Ornes, *The Unpredictable Abilities Emerging from Large AI Models*, QUANTA MAGAZINE (Mar. 16, 2023), https://www.quantamagazine.org/the-unpredictable-abilities-emerging-from-large-ai-models-20230316.
[20] Gov't Accountability Office, *supra* note 3, at 1; Accenture, *supra* note 11, at 3; Cong. Research Serv., *supra* note 17, at 2; Alex Hughes; *supra* note 17.

The application, the credit, with judgment from on high.
To see if the borrower is worthy of the loan,
Or if their dreams of growth must forever postpone.

As if battling sirens, they must resist the urge,
To embellish their story or misrepresent the surge.
For the SBA's scrutiny is keen and astute,
And honesty's the path to approval, to boot.

Once past the lender's gate, like a journey's halfway mark,
The SBA shall deliberate, in chambers dim and dark.
With wisdom like Athena, they'll make the final call,
To grant or deny the loan, to rise or to fall.

Should fortune favor the bold, and the loan's approved,
The borrower shall embark, like a hero unmoved.
On a path paved with funds, to grow their enterprise,
With the SBA's support, they'll reach for the skies.

But if denied, they must persevere, like the heroes of old,
For another chance may come, like a fable retold.
With resolve and persistence, they'll try once more,
To secure their 7(a) loan, their business to restore.

So, sing, Muse, of the Small Business Administration's grace,
In aiding entrepreneurs, in this financial race.
A tale of courage, hope, and striving for success,
In the world of business, a true epic, no less.

GenAI Can Make Audio and Music

GenAI sound and music software can make content in the same way that GenAI art and text platforms can. By combining sound elements in a way most likely to fit given specifications and parameters, these tools can make highly realistic noises, verbal statements, and music. When creators use this software in tandem with GenAI text software, they can create content that almost perfectly mimics the style, voice, and unique tics of specific human musicians.[21]

There are two very common kinds of GenAI audio outputs that proliferate and go viral on the Internet. In the first type, users of GenAI voice cloning software create lifelike recordings of musical artists singing songs they have not actually sung, resulting in AI-generated covers of copyrighted material.[22] For instance, videos exist on YouTube nearly-authentically depicting Michael Jackson, who died in 2009 and did not speak Korean, singing the K-pop group BTS's 2020 hit "Dynamite."[23]

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[21] Joe Coscarelli, *An A.I. Hit of Fake 'Drake' and 'The Weeknd' Rattles the Music World*, N.Y. TIMES (Apr. 19, 2023), https://www.nytimes.com/2023/04/19/arts/music/ai-drake-the-weeknd-fake.html.
[22] *Id.*
[23] MICHAEL JACKSON – DYNAMITE (AI COVER), (May 15, 2023), https://www.youtube.com/watch?v=C66HB6sDmo0 (last visited Jul. 28, 2023).

In the second type of GenAI music software output, users make all-new songs that appear to be written and recorded by artists and their producers. The most notable example of this content is an AI-generated recording depicting Drake and The Weeknd singing an original song, "Heart on My Sleeve," evoking their musical style, mirroring the topics they would sing about, and making relevant pop culture references. "Heart on My Sleeve" was even released on commercial music streaming platforms before it was removed due to the presence of a producer's protected mark in the music.[24] The software used to generate "Heart on My Sleeve" appeared to have been trained on so much copyrighted Drake and The Weeknd music that to fit any prompt asking for music that could have been made by both, the software deemed it necessary to include their shared producer's mark to make the output seem realistic.

GenAI Cannot Think for Itself Yet

Because GenAI makes content by stringing together statistically likely patterns of elements in the target medium, it is currently unable to reason and think critically. As such, GenAI software cannot yet fully understand the significance of elements of content. It can only understand how elements of content could be combined appropriately. For instance, GenAI text software like ChatGPT cannot fundamentally grasp why a joke is funny and make other jokes based on its understanding—it can merely only make sentences that sound like the (funny) jokes it has trained upon.[25]

This shortcoming is why GenAI developers attempt to program and train their models to refuse making certain outputs, like bigoted statements, misinformation, pornography, and other inherently harmful content.[26] Still, GenAI software can be easily jailbroken and made to create content from which developers aim to protect users.[27] GenAI text software can also include inaccurate information in its outputs[28] and even spontaneously make up false claims or facts, and assert they are real, an issue known as "hallucination."[29]

Even if GenAI software has been instructed to avoid or refrain from making specific kinds of content, it cannot do so in a foolproof way. Additionally, while GenAI software cannot specifically replicate copyrighted content in its training datasets, it can replicate elements of that content without fully understanding the implications of what it is doing and without the ability to fully refrain from replicating those elements.

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[24] Joe Coscarelli, *supra* note 21.
[25] Cal Newport, *What Kind of Mind Does ChatGPT Have?*, THE NEW YORKER (Apr. 13, 2023), https://www.newyorker.com/science/annals-of-artificial-intelligence/what-kind-of-mind-does-chatgpt-have.
[26] Rebecca Klar, *AI Chatbots Provided Harmful Eating Disorder Content: Report,* THE HILL (Aug. 7, 2023), https://thehill.com/policy/technology/4141648-ai-chatbots-provided-harmful-eating-disorder-content-report; Billy Perrigo, *Exclusive: OpenAI Used Kenyan Workers on Less Than $2 Per Hour to Make ChatGPT Less Toxic*, TIME (Jan. 18, 2023), https://time.com/6247678/openai-chatgpt-kenya-workers.
[27] Will Oremus, *The Clever Trick That Turns ChatGPT into Its Evil Twin*, WASH. POST (Feb. 14, 2023), https://www.washingtonpost.com/technology/2023/02/14/chatgpt-dan-jailbreak.
[28] Alex Janin, *What Happens When You Let a Chatbot Plan Your Meals*, WALL ST. J. (Aug. 14, 2023), https://www.wsj.com/articles/chatgpt-artificial-intelligence-recipes-meal-planning-edcd4a71.
[29] Karen Weise & Cade Metz, *When A.I. Chatbots Hallucinate*, N.Y. TIMES (May 1, 2023), https://www.nytimes.com/2023/05/01/business/ai-chatbots-hallucination.html.

Training Data

Aside from the vast amounts of energy, money, and skilled manpower[30] needed to create a GenAI software, and build its underlying systems, a GenAI software's most important resource is training data. Any content in the target medium can be used as training data. This criterion is broad because every kind of GenAI software needs to examine and label examples of the content it is intended to make.[31] That way, it can understand what to generate and how to make outputs realistically fit user requests. For instance, to know how to make pictures of cats, a GenAI image software, like Midjourney, would need to know what cats look like, as well as the visual elements that make a cat a cat, and therefore examine existing pictures of cats in its training dataset.[32]

GenAI is Trained on Highly Expansive Datasets

To be highly flexible and capable of making almost any conceivable output, GenAI software must be trained on — in technical terms — a "large" dataset.[33] That said, the term "large," from a layperson's perspective, grossly understates the size of a typical GenAI training dataset: most datasets are voluminous archives consisting of millions, or even billions, of content examples.[34] In the context of digital storage, these archives take up dozens of terabytes: in fact, estimates pin the size of GPT-3's training dataset at 45 terabytes.[35]

The truly massive size of GenAI training datasets is crucial to their versatility: general-purpose datasets need to include content related to every conceivable prompt so that the software trained on those datasets can respond to all kinds of user prompts. Conversely, if a GenAI software was intended to make niche content, create very specific kinds of work, or use standardized formatting, its dataset would need to be narrowed and fine-tuned.[36] For example, to write the AI-generated text example displayed in Figure 4, ChatGPT needed to have many copies of information about the Small Business Administration (SBA)'s 7(a) loan guaranty program and existing Homeric works stored in its training dataset to incorporate and emulate. In other words, for a GenAI software to emulate *anything*, it must "understand" *everything*.

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[30] Nvidia Corp., *supra* note 10; *What is Generative AI?*, MCKINSEY & CO. (Jan. 19, 2023), https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-generative-ai#; Kathy Baxter & Yoav Schlesinger, *Managing the Risks of Generative AI*, HARV. BUS. REV. (Jun. 6, 2023), https://hbr.org/2023/06/managing-the-risks-of-generative-ai.

[31] Cong. Research Serv., *supra* note 1, at 3; Cong. Research Serv., *supra* note 3, at 3; Sheera Frankel & Stuart A. Thompson, *'Not for Machines to Harvest': Data Revolts Break Out Against A.I.*, N.Y. TIMES (Jul. 15, 2023), https://www.nytimes.com/2023/07/15/technology/artificial-intelligence-models-chat-data.html.

[32] Gov't Accountability Office, *supra* note 3, at 1.

[33] The characterization "large" also appears in the term "large" language model (LLM), which is a type of foundation model trained specifically on text and written language. ChatGPT and other GenAI text software are built upon LLMs.

[34] Gov't Accountability Office, *supra* note 3, at 1; Cong. Research Serv., *supra* note 3, at 3-4; Annamalai Chockalingam et al., *supra* note 6, at 8-11; Accenture, *supra* note 11, at 3.

[35] McKinsey & Co., *supra* note 30.

[36] Gov't Accountability Office, *supra* note 3, at 1; Nvidia Corp., *supra* note 4; Nvidia Corp., *supra* note 6, at 10; Accenture, *supra* note 11, at 6.

The need to have an immense volume of content, and a wide variety of it, makes assembling training datasets a daunting, expensive, and cumbersome task.[37] To alleviate licensing costs and the menial tasks involved in finding and adding content to the dataset, developers often turn to easily accessible content taken from the Internet by automated software. However, much of this content, though easy to obtain, may be protected by their creators' intellectual property rights, pending court litigation or legislative action.[38]

GenAI Outputs Are Significantly Impacted by Items Included in Training Datasets

As discussed in the previous section, GenAI models need exemplars of the content they aim to create for users in their training datasets. This makes it highly plausible that including specific content in a GenAI model's dataset would significantly impact its outputs.

For example, in a recent copyright and trademark infringement lawsuit, Getty Images alleges that the GenAI image software Stable Diffusion mimics Getty watermarks in its outputs because photographs with Getty watermarks – showing that they are copyrighted and owned by Getty – appear in the software's training data. Without those photographs' presence in the training data, Stable Diffusion would be unable to emulate Getty watermarks in its own outputs.[39] This logic similarly holds in the SBA 7(a) loan guaranty program Homeric verse example mentioned in the previous section: without an example of a Homeric verse and an example of SBA 7(a) program information in its training data, ChatGPT would be unable to understand what each was, or how to emulate them.

Furthermore, the unconscious bias inherent in much of the Internet's content is reflected in many GenAI outputs. Documentation exists of cases where GenAI image software has distorted, stereotyped, and censored depictions of Black people, history, and culture in its outputs. These incidents, critics contend, occur because stereotypes and prejudiced content regarding marginalized groups have been overrepresented in some GenAI training datasets. That said, GenAI firms such as OpenAI, Midjourney, and Stability AI (the company behind Stable Diffusion) have commendably acknowledged the issue of bias in their training data and pledged to improve their tools.[40]

This mechanic also highlights the importance of marking undesirable kinds of content so that a GenAI model can refuse to create similar outputs.[41] Still, as mentioned in the section "GenAI Cannot Think for Itself Yet," methods currently exist to jailbreak GenAI models and force them to make harmful content—drawing upon the harmful content that is included in their training data.

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[37] CONG. RESEARCH SERV., ARTIFICIAL INTELLIGENCE: OVERVIEW, RECENT ADVANCES, AND CONSIDERATIONS FOR THE 118TH CONGRESS, 2-3 (Aug. 4, 2023).
[38] *Id,* at 3; Cong. Research Serv., *supra* note 1, at 4.
[39] *See* Complaint at 18, Getty Images (US), Inc. v. Stability AI, Inc., No. 1:23-cv-00135 (D.Del. Feb. 3, 2023), https://copyrightlately.com/pdfviewer/getty-images-v-stability-ai-complaint.
[40] Zachary Small, *Black Artists Say A.I. Shows Bias, With Algorithms Erasing Their History*, N.Y. TIMES (Jul. 4, 2023), https://www.nytimes.com/2023/07/04/arts/design/black-artists-bias-ai.html.
[41] Billy Perrigo, *supra* note 26.

All of this is to underscore the integral part that training data plays in the quality and outputs of GenAI models. As many observers write, GenAI is only as good as the data upon which it is trained.[42]

"Black Box" Issue: GenAI Decision-Making and Training Processes Are Nontransparent

Even with the recent attention on GenAI and its training data, not much is publicly known about exact dataset details or the way GenAI software makes decisions, as developers do not often disclose them. Because developers do not share how their GenAI models work, it becomes extremely difficult for researchers, policymakers, and the public to identify and remedy the issues and factors underlying the choices these models make.[43] Additionally, developers do not even fully understand some of the emergent, unexpected capabilities that their GenAI models develop, or how they came into being.[44] This set of problems is commonly referred to as the "black box" issue: GenAI software is considered a "black box" because observers cannot see inside the opaque processes that turn inputs into outputs.[45]

To address the "black box" issue, much discussion has focused on transparency and explainability, core tenets of Senate Majority Leader Chuck Schumer's recently proposed *SAFE Innovation Framework*.[46] Furthermore, explainability and understanding emergent capabilities in AI, which was previously overlooked, is now a topic of great interest in the academic community. However, the "black box" issue is complicated and cannot be resolved overnight. Much thought needs to be put into striking the right balance between transparency and encouraging private innovation in AI.

GenAI Has Serious Ramifications for Small Creators

As repeated ad nauseam in the media and policy conversations surrounding AI, this technology is very likely to fundamentally remake how society approaches work and creativity. In the realm of content creation, GenAI can automate many aspects of content creation and acquisition, making it vastly quicker, cheaper, and easier for users compared to manual, human work.

GenAI Competes with Human Creators and Devalues Their Work

Because many GenAI outputs are nearly indistinguishable from human-made content, and so quick and cheap to obtain,[47] human content creators are increasingly finding themselves competing against GenAI firms in securing work and revenue.[48] Even though GenAI isn't yet completely

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[42] Kathy Baxter & Yoav Schlesinger, *supra* note 30; Dana Rao, *Responsible Innovation in the Age of Generative AI*, ADOBE (Mar. 21, 2023), https://blog.adobe.com/en/publish/2023/03/21/responsible-innovation-age-of-generative-ai.
[43] Cong. Research Serv., *supra* note 1, at 4; Cong. Research Serv., *supra* note 6, at 12; Ziv Epstein et al., *supra* note 3, at 6.
[44] Cong. Research Serv., *supra* note 37, at 2.
[45] CONG. RESEARCH SERV., ARTIFICIAL INTELLIGENCE (AI) AND EDUCATION, 2 (Aug. 1, 2018).
[46] *Sen. Chuck Schumer Launches SAFE Innovation in the AI Age at CSIS*, 7-8, CTR. FOR STRATEGIC AND INT'L STUDIES (Jun. 21, 2023), https://csis-website-prod.s3.amazonaws.com/s3fs-public/2023-06/230621_Schumer_SAFE_Innovation.pdf?VersionId=jApHm2QrP7nAZvl_B4GJ6s_YjSrfyYBK.
[47] Ziv Epstein et al., *supra* note 3, at 9.
[48] McKinsey & Co., *supra* note 30; Alain Strowel, *ChatGPT and Generative AI Tools: Theft of Intellectual Labor?*, 54 IIC 491, 492, (2023), https://link.springer.com/10.1007/s40319-023-01321-y; Joel Loynds, *Adobe Firefly Burns*

mature — there are still notable issues in the way GenAI image software portrays people of color[49] — its versatility and speed give it an objectively inhuman advantage over its human competitors. GenAI software can quickly give users outputs that fit their specifications for much lower prices than commissions would cost for human creators.[50] The extremely high profile and interest GenAI software has received in recent months has also made it very easy to find, as opposed to many small creators who struggle to gain exposure in the content market.

Such developments could lead to the concentration of market share in both the content creation and AI markets in the hands of a few GenAI firms and disincentivize human content creation.[51] In fact, reports already state that companies and other potential clients for content creators are instead turning to GenAI firms to generate visual content for social media outreach.[52] Without adequate guardrails, the proliferation and increasing availability of GenAI software could fundamentally threaten the livelihoods of many of America's small creators.

GenAI Uses Human Creations to Learn and Mimic, Unbalancing Competition with Human Creators

As previously mentioned, GenAI relies on the work of its human competitors to function and improve. Its ability to quickly assimilate the skills and aesthetic styles of others through the inclusion of content in training data,[53] is much faster than the years of painstaking training that humans undergo in learning their crafts. Armed with training data containing recent, groundbreaking content, GenAI software can suddenly enter the market for that novel, niche content style, with experience in every other conceivable style.

Such a dynamic could further depress human content creation and sharing. As more and more human creators find their work being incorporated into competing GenAI training datasets, they may choose to stop sharing their content and work, staunching the free flow of ideas and inspiration and straining the digital commons.[54] The growing knowledge that work shared online can be incorporated into GenAI training datasets without compensation could spook human creators from posting their work or sharing samples of their content, further harming their advertising opportunities and their prospects of finding work.

The sheer inherent advantages that GenAI models have over human creators in speed, ubiquitous name recognition, and versatility make the playing field extremely unlevel when it comes to competition between humans and GenAI.

Bridges with Stock Photo Creators, Dexerto (Jun. 21, 2023, https://www.dexerto.com/tech/adobe-firefly-burns-bridges-with-stock-photo-creators-2185518.

[49] Zachary Small, *supra* note 40.

[50] Saffron Huang & Divya Siddarth, *Generative AI and the Digital Commons*, 4-5, (Mar. 20, 2023), http://arxiv.org/abs/2303.11074.

[51] *Id*, at 2-5.

[52] Accenture, *supra* note 11, at 7.

[53] Ziv Epstein et al., *supra* note 3, at 3.

[54] Joel Loynds, *supra* note 48; Saffron Huang & Divya Siddarth, *supra* note 50, at 7.

"Black Box" Issue Obscures Potential Harms and Risks

It is also important to note that the "black box" issue can make detecting these risks and harms difficult, if not impossible, for every actor in the AI policy space. GenAI firms often do not disclose what is included in their training datasets, which means that they do not guarantee small creators that their work has not been included.[55] Furthermore, academics, policymakers, and even developers themselves cannot explain precisely how the inclusion of a given piece of content in a GenAI training dataset would affect its outputs, the impacts of its removal, and how the accompanying model picks elements from its training data to mimic. While it is easy to understand that America's small creators are harmed by the use of their work without compensation in competing GenAI models' training, it is hard to determine the extent of the damage without a better understanding of the processes that underlie these models' training and "creative" decision-making.[56]

Recently, it was revealed that one GenAI firm is under investigation by the Federal Trade Commission to determine in part how its models are trained and potentially where it sources its training data. The firm, OpenAI, the maker of ChatGPT, is believed to be reluctant to share such information because of the resulting undesirable opportunity for competitors to copy its methods.[57] While this concern is understandable, it should not be necessary for a federal agency to investigate a firm to force transparency in a potentially industry-wide practice that could harm a vast swath of America's small businesses.

Ongoing Litigation and Need for Congressional Action

As referenced previously, ongoing litigation could change the way the law treats GenAI and its use of human-made content for training.[58] However, it is important to note that these legal actions, while capable of remedying the harm done by these GenAI training practices, could take too long for many of America's small creators to survive on their own. Furthermore, long, drawn-out lawsuits, as a practical matter, can only be sustained by corporations and the wealthy. America's small creators cannot afford to initiate and fight their own lawsuits to obtain relief and compensation. Congress must act in upcoming AI legislation to address this issue and maximize benefits and protections for American small creators.

Policy Considerations

The conversation surrounding GenAI policy has drawn much interest and many perspectives. This report treats four of the most concrete and discussed policy options to address this issue: a statutory mandate for GenAI firms to specifically disclose the presence of copyrighted content in their training datasets; a licensing, opt-out, and compensation scheme for human-made content that

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[55] *Id*, at 13; Ziv Epstein et al., *supra* note 3, at 6.
[56] Cong. Research Serv., *supra* note 6, at 27; Ziv Epstein et al., *supra* note 3, at 4.
[57] Cecilia Kang & Cade Metz, *F.T.C. Opens Investigation into ChatGPT Maker Over Technology's Potential Harms*, N.Y. TIMES (Jul. 13, 2023), https://www.nytimes.com/2023/07/13/technology/chatgpt-investigation-ftc-openai.html.
[58] Cong. Research Serv., *supra* note 1, at 4; Judy Kurtz, *Sarah Silverman Sues OpenAI, Meta Over Use of her Book in Training AI Programs*, THE HILL (Jul. 10, 2023), https://thehill.com/blogs/in-the-know/4088765-sarah-silverman-sues-openai-meta-over-use-of-her-book-in-training-ai-programs.

could be used to train a GenAI model; the creation of a federal, public "gold standard" training dataset with properly licensed content for the use of GenAI developers; and a watermarking scheme for GenAI outputs.

Mandated Disclosure of Unlicensed and Copyrighted Content in Training Datasets

It is believed that members of the European Union Parliament, in writing regulations for AI, plan to require software like GenAI to disclose the presence of unlicensed and copyrighted content in training data. While controversial, the adoption of similar transparency requirements at the federal level would address the "black box" issue and make it easier for small creators to determine whether their work has been used for GenAI training without their consent.

GenAI firms may raise concerns that revealing even parts of their training datasets could allow competitors to copy their training data. It is important to remember that to assemble these datasets in the first place, a firm needs large amounts of funding and other resources. With these resources, it is likely that these firms can afford to resolve these disputes among themselves. Furthermore, a leaked internal memo from Google argues that many of these closed-source GenAI models "have no secret sauce" and are rapidly being outpaced by open-source models,[59] meaning that the firms who embrace transparency in their training data may not necessarily lose advantages against closed-source GenAI developers.

Mandating GenAI firms' disclosure of unlicensed and copyrighted data in training datasets would allow creators to more easily determine whether their work has been used without their consent and the extent to which that potentially unfair use hurts their businesses. The added transparency would help present a check against the harm that indiscriminate content scraping poses to the livelihoods of America's small creators.

Licensing and Compensation for Use of Content in Training Data

Some policy actors have called for the creation of a content licensing scheme for GenAI training data collection, to be used in the same way that commercial entities can license copyrighted content and other protected intellectual property from others.[60] Stakeholders differ on how a licensing scheme should be implemented through statute, specifically whether it should run on government-set rates, if rates should be set on the free market, or if rates should be negotiated through artist collectives. Still, the idea, in general, would lead to the generation of revenue for creators whose work has been used for GenAI training while still giving GenAI firms a way to collect content created by others.

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[59] Dylan Patel & Afzal Ahmad, *Google "We Have No Moat, and Neither Does OpenAI:" Leaked Internal Google Document Claims Open Source AI Will Outcompete Google and OpenAI*, SEMIANALYSIS (May 4, 2023), https://www.semianalysis.com/p/google-we-have-no-moat-and-neither; Emma Roth, *That Google Memo About Having 'No Moat' in AI Was Real – and Google's AI Boss Disagrees with It*, THE VERGE (Jul. 10, 2023), https://www.theverge.com/2023/7/10/23790132/google-memo-moat-ai-leak-demis-hassabis.

[60] Saffron Huang & Divya Siddarth, *supra* note 50, at 9; *Protect Working Musicians Act (PWMA) of 2023*, AM. ASS'N OF INDEP. MUSIC (Sep. 25, 2023), https://a2im.org/protect-working-musicians-act-2023/.

Opt-Out Systems and Do-Not-Train Tags

Many licensing proposals are also mentioned alongside proposals for government-backed standards and requirements for opt-out and do-not-train tags. Some GenAI firms have begun developing ways to mark online content so that their training datasets exclude marked websites and other content.[61] Allowing creators to explicitly identify their work as not licensed for GenAI training would make it easier for them to seek recourse if their work has been used without their consent, and for GenAI developers to understand what content to avoid when building training datasets. However, it is also important to ensure that whatever system is implemented is unified, reliable, and easy-to-use, so that small creators can focus on their work rather than navigating a complicated maze of opt-out and do-not-train systems that vary in scope and efficacy.

Clarifying Fair Use Exceptions

As previously mentioned, litigation focusing on GenAI training datasets' unlicensed inclusion of human-made content remains pending. These lawsuits hinge upon how federal copyright law is applied to such use. By clarifying in future legislation that fair use exceptions in copyright law do not apply to inclusion in GenAI training, Congress could effectively render GenAI firms' legal defenses relying upon fair use exceptions useless.[62] This change will make GenAI developers more vulnerable to legal action if they continue using human-made work without authorization. However, as also written above, many small creators do not have the means or resources to initiate and sustain lawsuits against firms as well-resourced as those capable of creating GenAI models. The direct, practical benefits of tightening copyright law would be limited, though not undesirable, for America's small creators.

"Gold Standard" Training Datasets

Stakeholders have suggested that an entity like the National Institute of Standards and Technology or the new National AI Research Resource create a "gold standard" training dataset with licensed and legally safe content available for public and commercial use in training GenAI models.[63]

Like the licensing proposal, implementing this idea would create another possible source of revenue for small creators while still providing GenAI developers with viable training data. Additionally, the creation of a "gold standard" dataset could have the added benefit of lowering barriers to entry into the GenAI market for new AI startup businesses. The creation of this standardized dataset could also demonstrate its viability and help nudge private companies to use

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[61] Meera Navlakha, *OpenAI Launches Webcrawler GPTBot, and Instructions on How to Block It*, MASHABLE (Aug. 8, 2023), https://mashable.com/article/open-ai-gptbot-crawler-block; Forrester, *Generative AI Gets an Upgrade to Business Class*, FORBES (Mar. 31, 2023), https://www.forbes.com/sites/forrester/2023/03/31/generative-ai-gets-an-upgrade-to-business-class; Artificial Intelligence and Intellectual Property – Part II: Copyright: Hearing Before the Subcomm. on Intellectual Property, 118th Cong. (2023) (Statement of Dana Rao) [*hereinafter* Rao Judiciary Testimony].

[62] Cong. Research Serv., *supra* note 1, at 4; Judy Kurtz, *supra* note 58.

[63] Saffron Huang & Divya Siddarth, *supra* note 50, at 13.

licensed, legally safe training datasets. In fact, some firms, such as Adobe and Getty, have already created GenAI image tools trained only on properly licensed content.[64]

However, the creation of a federal government GenAI training dataset would raise numerous controversial questions about its nature, especially because of ongoing policy discussions surrounding misinformation and censorship. In funding or mandating the creation of such a dataset, it is imperative that Congress prohibit the inclusion of false, misleading, and other harmful content under the disingenuous guise of including the views of "both sides" of an ideological conflict such as the January 6, 2021 insurrection at the United States Capitol. It is important that any "gold standard" legislative proposal resolve these questions before advancing.

Watermarking GenAI Creations

Congress is considering legislation to require the watermarking of GenAI outputs, and President Biden's Executive Order 14,110 directs the Commerce Department to report on "science-backed standards and techniques" for GenAI output watermarking. GenAI firms are also exploring watermarking and content "nutrition label" -like technology.[65] These watermarks can be visual or digital, depending on the output medium, and technology is being developed that would make them difficult, if not impossible, to remove.[66] For optimal efficacy, the content ecosystem would need to widely adopt output watermarking with a single, universal standard[67] — something that can be prompted by federal regulation. This could be implemented through the creation of a standard watermarking system by an agency like the National Institute of Standards and Technology and a statutory requirement for GenAI software to watermark outputs.

While many conversations surrounding GenAI watermarking have focused mainly on deepfakes and misinformation, a policy mandating the practice could also be beneficial to small creators by distinguishing potentially competing content and helping potential clients and viewers understand what content has been made by a GenAI model and what has been made by a human. This distinction would be analogous to the same distinctions made between products made by American small businesses and products made abroad or products made by large corporations and would help inform client decisions in who to solicit content from. In promoting the use of human-made content, this kind of federal regulation could be a boon to America's small creators.

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[64] Rao Judiciary Testimony, *supra* note 61; Press Release, Getty Images, Getty Images Launches Commercially Safe Generative AI Offering (Sep. 25, 2023), https://newsroom.gettyimages.com/en/getty-images/getty-images-launches-commercially-safe-generative-ai-offering.

[65] Rao Judiciary Testimony, *supra* note 61; Cristiano Lima, *Congress is Playing Catch-Up on AI. She's Been Sounding the Alarm,* WASH. POST (Jul. 13, 2023), https://www.washingtonpost.com/politics/2023/07/13/congress-is-playing-catch-up-ai-shes-been-sounding-alarm; Exec. Order No. 14,110, 88 Fed. Reg. 75,191 (Oct. 30, 2023).

[66] Ziv Epstein et al., *supra* note 3, at 9-10; John Kirchenbauer et al., *A Watermark for Large Language Models*, (Jun. 6, 2023), http://arxiv.org/abs/2301.10226; Keith Collins, *How ChatGPT Could Embed a 'Watermark' in the Text It Generates*, N.Y. TIMES (Feb. 17, 2023), https://www.nytimes.com/interactive/2023/02/17/business/ai-text-detection.html.

[67] Ziv Epstein et al., *supra* note 3, at 9-10.

Conclusion: GenAI Policy Must Benefit America's Most Vulnerable Content Creators

GenAI, in general, is not yet a fully mature technology. Many of its outputs still contain inaccuracies, distortions, and "glitches" that render them imperfect and flawed. However, even in its current state, GenAI software in various mediums has demonstrated that it can unfairly outcompete America's small artists, writers, and musicians, and push them out of business. Adding to the advantages that GenAI holds in content creation is the fact that GenAI firms regularly use these creators' work to train and improve their models, commercially benefitting at creators' expense. As GenAI continues to mature, its competition with human content creators will only intensify, and its advantages will grow wider.

Much fanfare has been made of the forthcoming action and debate surrounding AI policy and regulation, with visions of far-reaching, long-term legislation.[68] While it is important to adopt a far-sighted, comprehensive approach to addressing the AI revolution and the issues it will surface, it is also imperative that Congress directly acts to protect America's most vulnerable entrepreneurs and content creators from the shocks and consolidated corporate power that AI will bring. GenAI may be merely a part of the larger conversation surrounding AI, but it is extremely important to the small creators that the Committee endeavors to empower.

[68] Ctr. for Strategic and Int'l Studies, *supra* note 46; Ryan Tarinelli, *Lawmakers Suggest Agency to Supervise Artificial Intelligence,* ROLL CALL (May 23, 2023), https://rollcall.com/2023/05/23/lawmakers-suggest-agency-to-supervise-artificial-intelligence.

July 21, 2026

The Honorable Roger Williams
Chairman
Committee on Small Business
United States House of Representatives
Washington, District of Columbia 20515

The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
United States House of Representatives
Washington, District of Columbia 20515

RE: Committee hearing, "AI on Main Street: How AI is Shaping the Future of Small Business"

Dear Chairman Williams and Ranking Member Velázquez,

Thank you for the opportunity to submit this statement for the record. The Association for Competitive Technology (ACT) represents small and medium-sized technology companies that develop software and connected devices powering the modern digital economy. ACT represents a domestic ecosystem valued at approximately $1.8 trillion, supporting 6.1 million American jobs.[1] ACT members are innovators that create the software bringing your smart devices to life. They also make connected devices that are revolutionizing healthcare, agriculture, public safety, financial services, and virtually all other industries.

Because our members are leading consumers, developers, and adopters of artificial intelligence (AI) tools, they are directly affected by how policymakers view AI markets. ACT appreciates the Committee's attention to how AI is shaping the future for small businesses. This statement focuses on the real-world impact of AI on small technology firms and the policy environment necessary to ensure that small innovators can continue to compete, access capital, and thrive in this rapidly evolving market.

While AI presents unprecedented opportunities for small businesses to scale and innovate, realizing this potential requires a policy environment that avoids preemptive regulation, ensures access to capital and talent, maintains a dynamic market for mergers and acquisitions, and invests in the infrastructure that small

[1] The Association for Competitive Technology (ACT), *The State of the App Economy*, https://actonline.org/wp-content/uploads/APP-Economy-Report-FINAL-1.pdf.

innovators depend on. Small businesses are already building, deploying, and scaling solutions that improve productivity and create jobs. However, fragmented regulatory frameworks and aggressive competition policies grounded in speculation rather than evidence threaten to stall this progress.

The Real-World Impact of AI on Small Business

The narrative that AI is a tool exclusively for large technology companies is inaccurate. Small businesses are actively building "AI stacks" to automate administrative tasks, enhance marketing, optimize pricing, and improve customer service. Recent survey data demonstrate that 58 percent of small businesses now use generative AI, which is up from 40 percent in 2024.[2] Among U.S. technology micro, small, and medium-sized enterprises (MSMEs) specifically, 62 percent actively use AI, and 45 percent have fully integrated it into their workflows.[3]

This rapid adoption is delivering tangible benefits. An overwhelming 91 percent of U.S. small tech businesses report cost savings from AI, with a median reduction of 10.7 percent.[4] Furthermore, AI is proving to be an engine for job creation rather than displacement, with 82 percent of small businesses using AI reporting that they increased their workforces over the past year.[5]

This success story stands in stark contrast to the experience of small businesses in Europe. In the European Union and the United Kingdom, where a premature "regulate first, innovate later" approach prevails, only half of startups actively use AI.[6] European regulations are delaying access to frontier models, resulting in estimated annual losses of $109,000 to $375,000 per firm due to delayed product launches and foregone efficiency gains. The divergence illustrates a growing transatlantic gap driven not by technical capacity but by regulatory design choices.

Navigating the Regulatory Landscape: The Threat of Fragmentation

For small businesses that depend on stable and predictable environments to reach customers and innovate, the domestic regulatory landscape is becoming increasingly perilous. In 2025 alone, state legislators introduced over 1,100 AI-

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[2] U.S. Chamber of Commerce, *Empowering Small Business: The Impact of Technology on U.S. Small Business* (Aug. 18, 2025), https://www.uschamber.com/technology/artificial-intelligence/u-s-chambers-latest-empowering-small-business-report-shows-majority-of-businesses-in-all-50-states-are-embracing-ai.
[3] The Association for Competitive Technology (ACT), *The Hidden Cost of AI Regulations for EU and UK Startups and SMEs* (Oct. 2025), https://actonline.org/the-hidden-cost-of-ai-regulations-a-survey-of-eu-uk-and-u-s-companies/.
[4] *Id.*
[5] U.S. Chamber of Commerce, *supra* note 2.
[6] The Association for Competitive Technology (ACT), *supra* note 3.

related bills.[7] This growing patchwork of state and local regulations threatens to turn the job-creating and efficiency-enhancing promise of AI into a costly headache that many small companies simply cannot afford.[8]

Sixty-five percent of small businesses nationwide are concerned about rising litigation and compliance costs from conflicting state and local AI laws.[9] When faced with regulations like those enacted in Colorado and California, one-third of small businesses stated they would scale down AI use, and another fifth indicated they would be less likely to use AI at all.[10]

ACT supports the push for a unified, national policy framework for AI that preempts burdensome state laws. A single federal standard is essential to protect small businesses from crushing compliance costs while maintaining American innovation leadership. Federal agencies should apply existing regulatory frameworks[11] before advancing new ones, prioritizing a risk-based approach aligned with the National Institute of Standards and Technology (NIST) AI Risk Management Framework.[12] Policymakers must clarify roles and responsibilities across the AI value chain rather than imposing one-size-fits-all mandates that disproportionately burden small developers.[13]

Building the Infrastructure Small Businesses Need

To accelerate the pace of scientific innovation, the United States must foster an environment where private-sector ingenuity and public-sector investment reinforce one another. Congress should provide long-term appropriations for the National Science Foundation's National Artificial Intelligence Research Resource (NAIRR), which provides researchers with access to datasets, models, cloud computing, and

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[7] U.S. Chamber of Commerce, *The Hidden Cost of 50 State AI Laws: A Data-Driven Breakdown* (Nov. 18, 2025), https://www.uschamber.com/technology/the-hidden-cost-of-50-state-ai-laws-a-data-driven-breakdown.

[8] Stevens, Morgan. *State of Confusion: How a Patchwork of AI Laws Hurts Small Businesses and U.S. Competitiveness*. Association for Competitive Technology (ACT), Oct. 2025, https://actonline.org/2025/10/10/state-of-confusion-how-a-patchwork-of-ai-laws-hurts-small-businesses-and-u-s-competitiveness/.

[9] U.S. Chamber of Commerce, *supra* note 2.

[10] U.S. Chamber of Commerce, *supra* note 7.

[11] Association for Competitive Technology (ACT). *Mapping Existing Laws to AI*, https://actonline.org/wpcontent/uploads/ACT_Mapping_Existing_Laws_to_AI_Outline.pdf.

[12] National Institute of Standards and Technology. *AI Risk Management Framework*. U.S. Department of Commerce, https://www.nist.gov/itl/ai-risk-management-framework.

[13] Association for Competitive Technology (ACT). *AI Roles & Interdependencies Framework* (May 2024), https://actonline.org/wpcontent/uploads/ACT-AI-Roles-Interdependencies-Framework-final-text-May-2024-UK-English.pdf.

AI credits.[14] The NAIRR Task Force estimated that sustaining this vital program would require $2.25 billion in federal appropriations over six years.

At the same time, it is important to consider the role that existing market actors play in providing compute capacity and essential tools to American small businesses. Large companies currently offer small businesses and startups free or low-cost access to sophisticated AI development platforms. This market-led investment is procompetitive, as it makes resources accessible to smaller firms by reducing the need for large upfront investments. Competition policy must not inadvertently penalize the very investments that enable a competitive AI ecosystem.

Congress must also take proactive measures to strengthen physical AI infrastructure. This includes providing federal agencies with greater authority to site and permit interstate transmission lines, preventing states from imposing regulations that disproportionately burden data centers, and accelerating the development of domestic nuclear power.[15] Additionally, Congress should advance legislation like the Promoting United States Leadership in Standards Act (S. 1269, 119th Congress)[16] to make international standards development meetings more accessible to American small businesses, which generally lack the time and other resources needed to send personnel overseas.

Preserving the Innovation Cycle: M&A and Capital Access

The path from lab to market is often catalyzed by acquisition, integration, or partnership, especially for small developers. Acquisitions account for more than 90 percent of startup exits and are the primary mechanism through which venture capital is recycled into the next generation of innovation.[17] For many small technology founders, an acquisition is the reward for years of risk-taking and effectively serves as their retirement plan.[18]

The AI market is uniquely vulnerable to enforcement-related delays because competitive advantage depends heavily on access to data, talent, compute, and distribution. In this environment, "time-to-capability" is the most critical strategic

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[14] The Association for Competitive Technology (ACT), *Response to the American Science Acceleration Project (ASAP) Request for Information* (July 18, 2025), https://actonline.org/wp-content/uploads/Comments-of-the-App-Association-July-18-2025.pdf.
[15] *Id.*
[16] Promoting United States Leadership in Standards Act of 2025, S. 1269, 119th Cong. (2025).
[17] The Association for Competitive Technology (ACT), *M&A Review in the AI Era: Why Fast, Predictable Merger Timelines Matter for Small Businesses*(June 2026), https://actonline.org/merger-acquisition-review-in-the-ai-era/.
[18] Parag Shah, *Testimony before the House Small Business Subcommittee on Innovation, Entrepreneurship, and Workforce Development* (Mar. 12, 2024).

variable. Lengthy and uncertain merger reviews are therefore uniquely damaging. Significant U.S. merger investigations averaged 12.3 months in 2025, up from 8.1 months during the 2011-2016 period.[19] This deterrence-oriented posture chills investment and reduces valuations for all small firms, even those well below reporting thresholds.

Many AI-related acquisitions are procompetitive combinations of complementary inputs, such as infrastructure, databases, orchestration tools, and enterprise deployment capabilities. These vertical or adjacent-market deals help AI products reach customers faster and operate at scale.[20] Agencies should act only when evidence shows harm to nascent competition and should not treat AI acquisitions as suspect by default. As other nations actively reform their merger control laws to attract investment and reduce friction in dealmaking, the United States risks falling behind if it maintains an aggressive posture grounded more in market speculation than empirical evidence.[21]

Path Forward

To ensure that small businesses can continue to lead in AI innovation, ACT urges the Committee to support the following legislative and policy actions:

- **Support the Small AI Innovators Empowerment Act (H.R. 7968):** We strongly support this bipartisan legislation, which directs the Department of Commerce, in collaboration with NIST and the Small Business Administration, to study the unique challenges small AI businesses face in accessing capital, navigating regulations, and recruiting talent.[22]
- **Advance the NSF AI Education Act:** We call for swift passage of this legislation to expand AI education opportunities, including in rural and underserved communities, through scholarships, fellowships, and centers of excellence. This will help build the skilled workforce that small technology businesses need to thrive.[23]
- **Establish a Unified National AI Framework:** Congress should enact a single, minimally burdensome federal standard that preempts the patchwork of state AI laws imposing crushing compliance costs on small businesses.

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[19] The Association for Competitive Technology (ACT), *supra* note 17.
[20] The Association for Competitive Technology (ACT), *Antitrust at a Crossroads: Protecting Innovation in the Age of AI* (June 12, 2025), https://actonline.org/wp-content/uploads/Antitrust-at-a-Crossroads-Protecting-Innovation-in-the-Age-of-AI-June-12-2025.pdf.
[21] The Association for Competitive Technology (ACT), *supra* note 17.
[22] The Association for Competitive Technology (ACT), *ACT Supports the Small AI Innovators Empowerment Act* (Mar. 17, 2026), https://actonline.org/2026/03/17/act-supports-the-small-ai-innovators-empowerment-act/.
[23] National Science Foundation Artificial Intelligence Education Act of 2025, H.R. 5351, 119th Cong. (2025).

- **Promote Pro-Growth M&A Policies:** Congress should encourage antitrust agencies to adopt faster, more predictable merger-review timelines and focus on actual harm to competition rather than generalized skepticism toward acquisitions.

Conclusion

ACT appreciates the Committee's leadership in examining how AI is shaping the future of small business. The policy choices Congress makes today will determine whether the United States maintains its global AI leadership or cedes ground to competitors who are moving faster to attract investment and reduce friction for innovators.

The United States already possesses robust antitrust and consumer protection laws. These wheels need not be reinvented, since they apply to conduct and markets involving AI services just as they apply in other contexts. Preserving an innovation-centered, risk-based, and evidence-driven framework will better serve consumers, competition, and the small businesses that drive American technological leadership. We look forward to supporting the Committee's continued oversight and stand ready to provide additional data and member perspectives as Congress evaluates how best to safeguard competition and innovation in the digital economy.

Thank you for your consideration.

Respectfully submitted,



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