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RURAL ENTREPRENEURSHIP: EXAMINING THE CHALLENGES AND STATE OF RURAL SMALL BUSINESSES

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

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RURAL ENTREPRENEURSHIP: EXAMINING THE CHALLENGES AND STATE OF RURAL SMALL BUSINESSES

WEDNESDAY, JULY 26, 2023

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

The Committee met, pursuant to call, at 10:02 a.m., in Room 2360, Rayburn House Office Building, Hon. Roger Williams [chairman of the Committee] presiding.

Present: Representatives Williams, Stauber, Meuser, Mann, Ellzey, Molinaro, Alford, Scholten, Thanedar, Davids, and Pappas.

Also Present: Representative Moylan.

Chairman WILLIAMS. Good morning. 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 that will focus on the challenges facing main street in rural America.

I want to thank our witnesses for being here today and I understand that all of you traveled a long way to share your stories. There are probably more important things that you could be accomplishing back home and at work but I am extremely grateful that you chose to give us your time to tell us about your businesses and backgrounds so we can hear directly from all of you.

Entrepreneurs in rural communities are responsible for bringing life, jobs, and economic advancement on their hometowns. However, in Biden's America rural entrepreneurs face a series of unique challenges that make running their businesses more difficult than they need to be. Small businesses across America are facing unprecedented economic challenges, high taxes, and unnecessary regulatory burdens. To make matters worse, according to the Congressional Budget Office, inflation in rural areas was over double that in the urban areas.

Unfortunately, the obstacles do not stop here. Workforce issues and the inability to obtain affordable capital is making it more challenging to keep operations moving forward. While there are certainly headwinds for all rural entrepreneurs, I remain confident that they will overcome these obstacles.

In the meantime, this Committee will be looking at the federal resources that are available to rural business owners to ensure that they are making the intended impact. The challenges of a

business owner in Weatherford, Texas, where I am from faces very different than those in Washington, D.C. While no entrepreneur needs the government to be successful, we must ensure that if we are spending taxpayer dollars to help our nation's job creators they will be able to be utilized by all people regardless of where they are located.

So Congress is currently working on the new Farm Bill that will provide certainty for our nation's farmers and ranchers for their next 5 years. These businesses feed American and it is important that we are listening to their concerns as this bill is being developed.

And I am glad we have some of our witnesses here today that will be able to give us their perspectives on the challenges they are seeing in their rural communities. There is no doubt rural small businesses are resilient and will not stop in the face of adversity and hardship, and I am confident that their hard work and unrelenting spirit of all of you and entrepreneurship that happens our rural small business owners exhibit can be a shining example for all of our nation's job creators. And where there are gaps, we need to understand where federal, state and local assistance programs can help.

So I look forward to our discussion today as we shed light on the challenges facing rural America while highlighting success stories that give hope to entrepreneurs across the country.

So I ask unanimous consent to waive Representative Moylan from Guam onto the Committee for the purpose of asking questions in today's hearing.

And without objection, so ordered.

So with that, I will now yield to Ms. Gluesenkamp Perez for an opening statement.

Ms. GLUESENKAMP PEREZ. Thank you, Mr. Chairman, for holding this important hearing.

As somebody who lives in rural Washington, the importance of supporting our rural entrepreneurs is an issue close to my heart and vital to our economic prosperity. Too often when we think of places with robust entrepreneurship, rural areas are left out of that discussion. Yet, small companies are the foundation of rural economies delivering essential services to residents fostering job creation and stimulating economic growth. Unfortunately, rural businesses also often face disproportionate challenges when starting and scaling their operations.

In my home county, Skamania County, and many others across the country, rural businesses lack the capital that is easier to obtain in major cities, the high-speed broadband connection that keep them competitive, the clean water that keeps them healthy, and the workforce to grow their enterprise.

The disparity in rural areas extends beyond just entrepreneurship—from access to healthcare, to neglected infrastructure, to food and banking deserts—rural communities are consistently at a disadvantage. Often, being rural literally means being further away from some of the essential services which makes the small and local businesses that much more important.

If your car breaks down or your phone screen shatters, most people cannot go 2 or 3 hours in the city to the nearest dealership or

Apple store. Instead, you have to rely on your local mechanic or electronic shop. And yet, many manufacturers are trying to stop the ability of these shops to provide basic services to rural residents, which is why I came to Congress to support right to repair legislation.

Despite existing resources, rural towns may lack the support to navigate complex grant programs or interact with federal agencies and that basic infrastructure is invaluable to nurturing an entrepreneurial ecosystem that creates economic growth and resilience.

It is our duty here in Congress to meet the needs of our rural entrepreneurs and unleash the power of our federal programs and investments. And we are taking significant steps to do just that with historic funding for broadband, fiber, and water system projects under the Bipartisan Infrastructure Law, energy modernization with the Inflation Reduction Act, and shifts in focus to place-based local strategies.

Last year's Democratic majority led the way to a brighter future for rural America. But our work is far from over. My partners on both sides of the aisle and I are working hard to make sure that these infrastructure and energy laws are implemented effectively and that rural areas get our fair share.

I am especially proud to cosponsor the bipartisan Supporting Small Businesses in Career and Technical Education Act of 2023, which would empower hardworking Americans to join the trades and train them to start their own small businesses.

As we move forward with landmark investments in our communities, I remain committed to ensuring that rural America is not left behind.

With that, I would like to thank all the witnesses for joining us today. We look forward to hearing your testimony.

With that, I yield back.

Chairman WILLIAMS. The Member yields back.

And now I will introduce our witnesses.

Our first witness with us here today is Mr. Kendell Culp. Mr. Culp is the vice president of the Indiana Farm Bureau located in Rensselaer. I am from Texas so that is hard to say. Rensselaer, Indiana. Mr. Culp was also recently elected in 2022 to the Indiana House of Representatives and serves on the U.S. Department of Agriculture's Technical Advisory Committee. He previously serve as the Jasper County commissioner, president of the Indiana Association of County Commissioners, and vice president of the Indiana Farm Bureau. And we know in Texas the power of the county commissioner, so you are a big deal in Indiana. So good job. Mr. Culp is a graduate of Purdue University. Mr. Culp, thank you for joining us today and we look forward to today's conversation.

Our next witness with us today is Mr. Matthew Splitter. I am former baseball player and when I hear splitter it scares me to death. Mr. Splitter is the owner of Splitter Farms located in Sterling, Kansas. Splitter Farms began in 1876 when Wilhelm Splitter moved to Central Kansas. Five generations later, the family still farms the same land and Mr. Matthew Splitter returned to the family farm when he was just 24 years old and a new graduate. Mr. Splitter has served on multiple boards, including the Central Prairie Co-op Board of Directors and the Kansas Corn Association

Board of Directors, as well as currently serving on the FCC's Federal Advisory Commission, a Precision Ag Connectivity Taskforce. Mr. Splitter is a graduate of Kansas State University. I am a TC Horn Frog. Okay? Where you earned a bachelor's degree in agriculture, agricultural operations, and related sciences. He also recently attended Texas A&M's Executive Program for Agricultural Producers in 2020. So Mr. Splitter, thank you for joining us today, and we look forward to hearing a conversation with you also.

I now recognize my colleague, Representative Alford from the great state of Missouri, to briefly introduce his constituent who is appearing before us today.

Mr. ALFORD. Thank you, Mr. Chairman.

Our next witness here with us today is Jennifer Cassaday. Ms. Cassaday is the owner of Byrd's Pecan Delights located in Bates County, Missouri, which I was just at last week with about I think 50 other small business owners who wanted to come learn about the Small Business Administration and how we were making positive changes. She brought along some bourbon roasted pecans which I may pass around here on the dais and let you have a few, Chairman.

She founded her business, Byrd's Pecan Delights in 2014, following in the footsteps of her grandparents who opened a shop after buying a pecan farm in 1964. Relying on farm fresh pecans for many of their products, Ms. Cassaday now knows firsthand the challenges that rural small businesses can face such as droughts which we are facing today, extreme drought, rural delivery routes and lack of resources. A lot of people do not think about these things. In true entrepreneurial spirit, Ms. Cassaday does not only own and operate Byrd's Pecan Delights but she also serves as the president of the Adrian Chamber of Commerce. She is here with her husband, Jeremy, who is also a small business owner and a Harley rider. Good guy. Ms. Cassaday, thank you for being a rich part of America's fabric joining us today, and hopefully we can learn something from your experiences that we can make some positive changes in America.

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

Chairman WILLIAMS. Representative Alford yields back.

I now recognize Ms. Gluesenkamp Perez to briefly introduce our last witness appearing before us today.

Ms. GLUESENKAMP PEREZ. Thank you, Mr. Chairman.

I would like to welcome Josh Phillips, the owner of Spawn Fly Fish, a growing small business in Ilwaco, Washington. Mr. Phillips started his business at home in 2017 creating lifelike molded fish heads as lures for flyfishing. He soon acquired a building in Ilwaco, branched out to kayaks and other flyfishing equipment, and built an ecommerce brand that is globally distributed. Today, Spawn Fly Fish is a full-scale brick and mortar store. Before becoming an entrepreneur, Mr. Phillips was a substitute teacher and a professional soccer player where he captained the Portland Timbers second team. You know, we joke in D.C. and in my office that here on the East Coast they have marble and museums and on the West Coast at home we have the woods. And we are very grateful for Mr. Phillips's leadership in ensuring and fighting for public access to the woods and our rivers. He is active in his local community and

sharing his rural small business knowledge and experience with other local small business owners and the high school. He holds a bachelor's degree in business administration from Gonzaga. Thank you so much for being here with us today, Mr. Phillips, and thank you to the rest of the panel. I look forward to hearing and our discussion today.

I yield back.

Chairman WILLIAMS. Ms. Gluesenkamp Perez yields back. And I want to thank you for that. And we appreciate all of you again being here today.

So before we are recognizing the witnesses, we will do some housekeeping. I would like to remind them that their oral testimony is restricted to 5 minutes in length. And if you get a little long you are going to hear me do this (tapping of gavel). Okay? That means you are done. Okay? And if you see the light turn red in front of you it means your 5 minutes is coming up. Okay?

So I want to now recognize Mr. Culp for your 5-minute opening remarks.

STATEMENTS OF KENDALL CULP, VICE PRESIDENT, INDIANA FARM BUREAU; JENNIFER CASSADAY; OWNER, BYRD'S PECAN DELIGHTS; MATT SPLITTER, OWNER, SPLITTER FARMS; JOSH PHILLIPS, OWNER, SPAWN FLY FISH

STATEMENT OF KENDELL CULP

Mr. CULP. Thank you, Mr. Chairman, and Members of the Committee. I appreciate the opportunity to be here to speak to you this morning about the challenges that rural communities and small businesses are facing. As the Chairman introduced myself, I am Kendell Culp and I testify before you this morning as vice president of Indiana Farm Bureau. I am also a Member of the Board of Directors of the American Soybean Association and I am proud to represent House District 16 in the Indiana General Assembly in my first term.

I live and farm near Rensselaer, Indiana. That is a town of about 6,000 people. That is located in Jasper County in the northwest quadrant of the state of Indiana. I farm with my father and my wife and my son on our family farm. We raise corn, soybeans, beef cattle, and hogs. We also operate Culp Family Farms meat sales as well as a catering service.

Now, in the past, as you said, I served as Jasper County commissioner for 18 years, been on our local drainage board, and served on our county's Economic Development Board. Because of these past associations, I believe I can offer a unique perspective to the challenges that we face today in rural communities.

First of all, our rural communities face several challenges and the 2020 Census certainly highlighted how dire that situation is across rural America. Rural communities have seen a decline in population in the last many years while our friends in urban and suburban area has seen growth.

According to the 2020 Census, 53 percent of Indiana's countries lost population which mirrors the exact percentage we have seen across all of the United States. That is a problem that certainly

must be addressed before our rural communities begin to disappear.

I am sure it will come to no surprise to the Committee to know that the workforce challenges are the forefront of every industry, every community, and every business whether large or small. Jobs cannot get filled, shops and restaurants are having to cut back and reduce their hours of operation, and small business that are so important to rural American in many cases are closing for good. Now, I have seen this happen in my own hometown. Last year, two small family businesses closed because the next generation chose not to move back to their hometown where they were born to continue on that family business.

Now, in order to attract, small businesses in small communities need access to reliable broadband. Today, internet access is a must for small businesses, and without that reliable connectivity, they will miss out on opportunities needed to survive and to grow their business.

Now, like several other counties in Indiana, Jasper County was a childcare desert and young families that needed that childcare were forced to drive up to 45 minutes to find that service. Now, with the help of a few local folks, our communities, local government, and businesses, Appleseed Childhood Education opened its doors earlier this year to 70 slots for children to be served in our community for quality childhood education. And really, it showed that if a community comes together and pools their energy and pools their resources that we can tackle an issue and come to resolve.

Finally, we must focus also on quality of life amenities. When potential new families come to communities, they want to know do we have high quality educational opportunities in your community? Do we have access to healthcare and emergency services? Is there adequate and affordable housing in your community? And do we have the road, water, and utility infrastructure needed to support those residences and those business? All these questions must be addressed if we are going to attract and retain workforce in our communities.

Now, I have identified some of the challenges that we face in our communities but what can Congress do to help? Well, first of all, I would encourage Congress to work together and pass a bipartisan 2023 Farm Bill on time so that we cannot lose access to the programs that we really need. The Farm Bill impacts the well-being of all Americans, and while it is not the fix for everything, the challenges that our rural communities are facing, the rural development title of the Farm Bill offers programs that can add tools that communities need as they plan for future and future growth.

In conclusion, I want to thank you today for the opportunity to testify. Rural communities are the backbone of this nation and in many cases agriculture, along with those small businesses, are the economic drivers of those communities. If farmers have a good year they are going to spend dollars in their hometown and that benefits main street businesses and they will flourish as well. Open discussions like this will allow us to find solutions to the challenges that we face. I truly love living and working in my rural community and it is my greatest honor to serve my constituents in my district. I

look forward to answering your questions today and discussing some of the challenges of our communities. Thank you.

Chairman WILLIAMS. Perfect.

I now recognize Ms. Cassaday for her 5-minute opening remarks.

STATEMENT OF JENNIFER CASSADAY

Ms. CASSADAY. Thank you.

I am here representing businesses in a town of about 1,700 people. Adrian, Missouri is located about 60 miles south of Kansas City, right on the I-49 border. We are a town of people who back each other up and support each other every which way we can. It is a town primarily made up of farmers, teachers, and other business owners who understand what it means to work for everything you have.

Business owners in the area work 24/7 to keep their doors open trying to fulfill a dream. Each one of them have a story to share about why they became entrepreneurs and why they continue to strive for success with their business. Each one of them will probably also tell you that it is one of the hardest things they have ever done. At least that was the most common reply I got when I was asking their thoughts on running a business in 2023.

I first opened my business back in 2014 at a very small location a few blocks from where it is now. Four years ago I moved into a building that we renovated because it was located right off the interstate. I then completely revamped my business plan. We still sell our pecans that we raise as a family on about 600 acres of pecan trees, but we also offer a full breakfast, lunch, dinner menu. We make our own homemade ice cream. We sell gourmet coffee and it is also a bakery as I am a certified pastry chef by trade. Within 6 months of opening at this location, we went up against COVID, followed by supply shortages, wage increases, and inflation.

At times it feels like the odds are stacked completely against us as business owners. I recently had to purchase a van in order to travel an hour to the city to get supplies to supplement having it delivered because I could simply save money. I am able to save $300 to $400 a week by doing this but I have to use up an entire day of not being at my business to do it.

I will say I love what I do and I am fortunate enough to have family, friends, community, and not to mention a great staff that backs up my dreams as if it is their own. Even though I cannot pay them what they well deserve, and I cannot afford to offer insurance or other benefits because as a small business owner there is also no breaks on that unless you have large amounts of employees.

Our profit margins allow for very little spending because we also cannot price things where they need to be in order to take care of everything or else we price ourselves out of the market. For example, I buy my supplies at the same place restaurants in Kansas City buy their suppliers but I cannot sell it on the menu for the same as what they sell it for.

If we drive away our local commerce, then we have to rely more and more on the outside commerce to come into our town, which is what our focus has been here lately. Our reality that we accept and embrace is that if we rely on the population of 1,700 within our town then our businesses just will not survive right now.

Unfortunately, this means we have to advertise at a large radius to get more people to travel to come and see us or come off the highway. This takes billboards and large amounts of advertising. In the city, the marketing philosophy is how to bring people off the street, but in rural America the concept is a bit more broad and it is how do we convince people to drive the 20, 30, 60 minutes to come to our town or exit off the interstate. Just having a sign listed under the Food this Exit, Missouri Department of Transportation charges $2,000 a year. And it is higher depending on the traffic so it is usually just larger businesses and chains that can even afford that. Advertising with travel magazines and similar entities cost upwards of $1,000 plus a year, and that is a lot of money when trying to balance daily sales and with the higher cost of everything. At the end of the day, there just is not anything left to work with.

We need some barriers to be broken down so small businesses can succeed and not feel like it is impossible to be successful. The more sales tax that comes through a small city the better it can survive. It helps the schools. It helps the community. It helps those who cannot pay their bills. It helps on the federal level as well but then it also helps the city to function and to thrive on its own two feet. And it takes those tax dollars to do that. We are not fans of big chains but our small town, even if we were, they would never set up shop because we do not have the population to support it. That means the commerce has to fall completely back on small businesses. And when small businesses cannot survive, small towns in rural America will continue to fall.

Chairman WILLIAMS. Thank you.

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

STATEMENT OF MATT SPLITTER

Mr. SPLITTER. Thank you, Chairman, and the entire SBA Small Business Committee.

It is an honor to be here before you today as a fifth generation farmer from Central Kansas. If I told you that farming was in my blood I would lie. I was adopted before I was born so this is kind of living the true American dream.

In 2010, my wife Janna and I had the opportunity to take over our family farm. My father had just passed away and we came back to a farm that was 1,200 acres and one seasonal employee. As we sit here today, we farm over 10,000 acres in Central Kansas and we have six to eight full-time employees.

As I wrap up in m11th year of full-time farming, we can reflect back on all the challenges and the success stories that we have had. Our growth has been contributed mostly to relationship building. A lot of retiring farmers, neighboring farmers, and custom work. Lots of sleepless nights and just lots of prayers got us to where we are today.

I would like to talk a little bit about the challenges, the opportunities, and the quality of life. There are micro and macro challenges that face today's young farmers. One of the largest challenges that face young farmers today is access to capital. Regulations placed on lending institutions make it difficult to access necessary funding that allows a small farmer and a young farmer to

plant their crop. With little to no collateral, the ability to borrow is significant limited. Other resources, such as USDA/FSA loans are great alternatives but they are cumbersome and time consuming. In today's fast-changing markets, time is of the essence. Same is the case for rural Main Stret and small businesses. Capital is hard to come by and very complicated to work through. Very cumbersome and very slow.

Most recently, supply chain issues, inflation, regulatory uncertainty, and weather—we just came out of the worst drought that I have seen and I have not been farming very long but it has been a tremendous drought through Central Kansas—makes producing the world's safest and most affordable food supply very difficult.

Inflation continues to wreak havoc on our farm equipment purchasing and borrowing. Daily, we struggle procuring parts for equipment, seed, and fertilizer for crops regardless of the price. We just cannot get them. More specifically, equipment costs on our operation were up 12 percent from late 2021 to early 2023. Seed costs were up 7 to 12 percent from 2022 to 2023. Fertilizer prices have fluctuated from 25 to 70 percent increases year on year. Although prices were up, commodity prices were also higher. It helped offset some of those costs. The 2022 growing season was extremely dry. We had 33 percent of our average rainfall and were unable to raise even our average production number. Our wheat harvest that we just got out of about 12 days ago was about 30 to 40 percent of our average. To me, it feels like some federal regulations are trying to put family farms out of business while we should be working together to be the world's gold standard in agriculture.

More challenges that rural Americans face, not just agriculture producers, are access to healthcare, quality education, childcare, high speed internet access, quality housing. The list goes on.

Although there are multiple challenges, there are multiple opportunities as well. There are great opportunities for entrepreneurs in rural America. The need for main streets to stay vibrant and cater to the local economy remain. We need local businesses where we can shop and socialize without having to travel out of our community.

With the realization that working remotely is more widely accepted, moving to rural areas has become more attractive. The push and implementation of rural broadband access will allow employees and employers to connect regardless of geographical location.

In the 2017 Census, the average age of the farmer was 57-1/2 years old. The land is not going anywhere and the opportunity still exists for young farmers to begin. Kansas State University's Office of Farm and Ranch Transition is helping link beginning farmers with retiring farmers. This program allows for mentorship while searching for the next generation to farm. It is a one-of-a-kind program providing young entrepreneurs a chance to follow their dreams.

Up to this point we have been very proud to say all of our employees are long-time and lifelong Members of our local communities. The wages that we pay to our employees stay local. Their children go to or have gone to the local public schools. They shop local. Tax dollars stay local. They use medical services that are

local and support may organizations. They are volunteers in their 4-H clubs, Members of the volunteer fire department, and they volunteer their time at church. Our closest friends are doctors, nurses, schoolteachers, engineers, work in the tech sector, veterinarians, bankers, coaches. My time is running up. I am going to talk faster. Restaurant owners, neighboring farmers. But they have all chosen to be in rural America.

Our county, Rice County, Kansas, has 9,400 people and four stoplights, one of which works after 6:00 p.m. We are the epitome of rural America and we deserve recognition.

Again, thank you for inviting me to speak before you and I look forward to answering any questions and being a resource for further policy discussion.

Chairman WILLIAMS. Thank you, Mr. Splitter. Great story.

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

STATEMENT OF JOSH PHILLIPS

Mr. PHILLIPS. Chairman Williams, Ranking Member Gluesenkamp Perez, I am delighted to stand before you today and share my story.

My name is Josh Phillips, and I am the owner and president of Spawn Fly Fish, a thriving fly shop located in Ilwaco, Washington. This quaint town over 2,000 miles away embodies the essence of rural America where challenges are plentiful. However, my company has committed to not only achieving success in our community, but also inspiring success in rural communities nationwide, despite the obstacles we face.

Having grown up visiting Ilwaco my entire life, and moving there full time several years ago, I have personally witnessed the struggles endured by its community. Limited housing, scarce job opportunities, and the subsequent talent drain from rural areas are all too familiar to us. Driven to make a difference, I embarked on a journey to bring a growing ecommerce business to Ilwaco, showcasing the power of hard work and determination.

While our venture focuses on fly fishing, it is our unwavering passion to the community that has garnered recognition and success in rural America. Recognizing the need for stability in rural communities, I seized the opportunity to create a foundation of support and empowerment using the tools at hand. Spawn Fly Fish was born out of a deep commitment to providing exceptional products and fostering a sense of community among fly fishing enthusiasts.

To ensure the success of our business, we made a commitment to rural America by building a thriving community around our brand through a brick-and-mortar storefront. We understand the significance of supporting local economies and garnering job opportunities within our community. By sourcing materials locally and collaborating with other small businesses in the area, we not only bolster the regional economy but also forge strong relationships that continue to improve the overall growth and vitality of rural America.

In addition to our dedication to the local community, we are also advocates for environmental sustainability. Recognizing the delicate balance of our ecosystems and the importance of preserving

the natural resources that enable outdoor recreation, Spawn Fly Fish is dedicated to preservation. We donate a percentage of profits to conservation groups and aim to create lifelong stewards of the environment.

Through our unwavering commitment to our rural community, Spawn Fly Fish has emerged as more than just a thriving business. We have become a beacon of hope, fostering a strong sense of community and inspiring success. Our entrepreneurial spirit exemplifies the resilience and determination that define our great nation, serving as an inspiration for others in rural communities. By demonstrating that success can be achieved outside of urban centers, our small fly shop paves the way for the revitalization of rural economies and the empowerment of local talent.

However, life as a small business owner in a rural community is incredibly challenging. After 6 years, we are still completely owner-operated without any employees. The lack of available housing makes it difficult for us to attract talented staff, and this housing issue also affects us as owners. To address this, I had to advocate to the local city council to allow for single-floor occupancy in the commercial district, enabling one of my partners to move to Ilwaco and help operate our business together.

The obstacles we face go beyond housing. Our financial situation is a constant battle, as rural communities often experience high turnover of businesses and lack of banking options. Securing simple lines of credit and business loans becomes a lengthy and challenging process, forcing us to rely on credit cards for operating expenses.

In addition, essential services such as gas, water, groceries, internet, and health services are all limited and come at a premium cost in rural communities. This further strains our financial resources.

Many rural communities like ours rely on tourism, and many of these communities' tourism opportunities, including ours, involve outdoor recreation. At the forefront of recreation in Ilwaco is fishing. The need for funding and proper management of these fish populations and the watersheds that they live are vital to our community's survival. Not only are recreational activities like fishing experiencing limitations, but the places where these actives occur—public lands—are being restricted. Limited access to public land has becomes more of an obstacle, hindering our ability to fish and recreate in the places that we love. When someone visits our community to recreate, every single person in this community wins.

Despite all the challenges, we remain committed to the future of rural communities. We understand that if we lose the people who care about these areas, our rural communities will lose their essence and vibrancy. Therefore, we persist in our efforts to overcome these obstacles, seeking solutions and support to ensure the long-term sustainability of our business and others like it.

In closing, I extend my gratitude to the Committee Members for your time and consideration. It is an absolute honor to have the opportunity today to share my experience and offer insights into what it takes to build, sustain, and inspire small business in rural America. I am ready to answer any questions and champion the prosperity of rural communities. Thank you.

Chairman WILLIAMS. Great job on the timing and great stories from all of you.

Let me just say you are going to see Committee people moving in and out. There are a lot of hearings going on so they will be coming in and out as you see that.

Now we will move to the Member questions under the 5-minute rule, and I recognize myself for 5 minutes.

As the Chairman of this Committee, I have repeatedly discussed my personal experiences as a small business owner. Many people know that I own car dealerships back in Texas but what they may not know is that I also run a Black Angus calf-cow operation and pecans. Not nearly as large as yours. And I can tell you that I know the price of fertilizer and what it has done. And the struggles that so many people have faced, we have faced in many cases firsthand that all of you talked about here today.

So with out of control inflation and a brown bale of hay that usually runs 40 to 45 bucks is now $95 in a business with such tight margins, these changes can be detrimental to long-term success.

So Mr. Splitter, I would like to ask you. Do you have any examples of how inflation is hurting your farm? And how have you had to adjust operations to compensate for those higher prices?

Mr. SPLITTER. Compensation for higher prices—consolidation in agriculture is just tough. Access to a competitive market is really tough as well. But as inflation goes, because we are young farmers, young business, we do not have cash reserves to go back to. Whatever the interest rate does, it does. We still have to pull on a line of credit. We are probably doing a little bit more marketing on our grain side, extending ourselves out a little bit so we can lock in some grain prices. Whenever we are making a big purchase of fertilizer, seed, or chemical, we are offsetting it with a futures price as well on the board. We are being just more aggressive in that nature.

Chairman WILLIAMS. My second question, over the last few years business owners across the country have faced economic uncertainties. We have talked about that. But one thing is certain; main street is resilient and ready. And I have always said that small business owners will do whatever they can to survive and are willing to make tough decisions in order to keep doing what they love. So unlike the government, the private sector will find ways to keep their doors open with our money.

So Ms. Cassaday, as the president of your local chamber in Adrian, Missouri, a town as you said of less than 2,000 people, you have a unique perspective on the local business in your area. So what challenges do you face operating in a rural community? And what efforts do you take to attract people and businesses to come to the community?

Ms. CASSADAY. Well, we get together and we do things like trying to plan events. But really the biggest thing that I think hurts a lot of us directly is with this inflation. You know, I have to constantly look at how I am going to price all of my items on my menu, what we sell. But then you feel like you are constantly raising prices, raising prices, raising prices. And then you listen to customers get frustrated at, you know, well, I could go somewhere else and get this so much cheaper. Well, we know that but we are kind

of backed into a corner and do not have much option and we are still struggling to keep our doors open. So I am still not able to price things where they need to be but——

Chairman WILLIAMS. And it is difficult to pass it on to customers.

Ms. CASSADAY. It is very difficult to pass it on to customers right now.

Chairman WILLIAMS. You have got help from both sides here.

Ms. CASSADAY. Yeah, because the inflation is, I mean, they are hurting our customers.

Chairman WILLIAMS. Yeah.

Ms. CASSADAY. They are paying higher amounts at the grocery stores and everywhere that they go. So, of course, they are looking for cheaper items and we cannot compete with the bigger chains and what they have to offer.

Chairman WILLIAMS. Mr. Culp, as you know, many small business owners are unaware of the government resources that are out there or find the application process to burdensome to even want to get involved in it. What are you hearing from businesses about this problem about able to access, and what have you done on the state and local level to bring the community together to find solutions and create a better economic environment in Indiana?

Mr. CULP. Well, that is a concern. I hear that over and over again from small businessmen. I mean, I have participated on an energy grant program to have energy savings on my farm and so I had to hire a consultant to do the application for me. And then there is follow up. Every year there is additional documents that have to be filed. If you do not go that route of hiring someone else, if you forget to do that or file that on time then you are liable to repay all of that and lose your grant. So that certainly is a big issue. We need to make sure that there is less of those regulations. And in some cases there is just not a knowledge that that even exists.

And I can tell you at the state level we do that. We just passed a budget in Indiana and we have dollars available for different programs to support and to help the growth of those businesses. And we think as legislators that we have done our job and we say, well, we have taken care of that problem because we have delegated or we have appropriated those dollars. What we do not do is follow up to see did those dollars get to where they were supposed to go, to the right groups, the right communities to help them. And so we are really relying on others to make sure that the application gets done and in many cases it does not reach the right location.

Chairman WILLIAMS. Thank you. My time is up.

I now recognize Ms. Gluesenkamp Perez for 5 minutes of questions.

Ms. GLUESENKAMP PEREZ. Thank you, Mr. Chair.

Mr. Phillips, could you share your experience in finding capital for your business?

Mr. PHILLIPS. I can. Yes.

As a growing ecommerce brand we have had extreme struggles finding local banking options. With limited options, we have turned to credit cards, which every bank in America will sign a small busi-

ness up for. This has posed a massive challenge on us as a small business.

Also, the other need for capital, as a small business we have not been able to look far out into the future so we have relied on reactionary options such as online lending platforms which come at a premium, although turnover is very fast, further burdening a small business.

Ms. GLUESENKAMP PEREZ. What was the main reason you opted not to pursue a loan from the SBA?

Mr. PHILLIPS. The main reason is not that I do not understand how to check each box. The main reason is that as a small business owner, when we are not doing one task, another task is being impacted. So for me to check each box means that the daily operations of our small business are not being fulfilled, which in turn hurts our small business and does not allow us to operate the way that we need to to support our local community.

Ms. GLUESENKAMP PEREZ. Would you agree that more investment is needed to make the SBA's loan application process more accessible and straightforward for small business owners?

Mr. PHILLIPS. I would agree, yes, so that we have time to do what we need to do to survive.

Chairman WILLIAMS. So in the past, so in some parts of your district I know we can count the number of banks on one hand. How much harder does the lack of a physical bank make getting loans and investments for small businesses?

Mr. PHILLIPS. It does make it extremely challenging. We bank with Chase, and the nearest Chase is over 2-1/2 hours away. Like you heard earlier, these times that we are not in the physical location of our small business, again, restrict us from operating. A day to visit a bank takes 2-1/2 hours one way, an hour meeting, and 2-1/2 hours back. That day is essentially over.

Ms. GLUESENKAMP PEREZ. So, when there are just one or two banks and, you know, a 3-hour drive, how does that affect the favorability of the loans and fees a client could get, would you say?

Mr. PHILLIPS. It does not really give us an option as a small business. Or in turn, like I stated earlier, it lends our ability to venture elsewhere which in turn is the internet.

Ms. GLUESENKAMP PEREZ. You know, almost every community I visit—and in my community—housing is the issue we hear over and over and over from small business owners. Like, we cannot find housing for the people we need to hire. And so, I thought your solution was really interesting of lobbying. And you know, we talked about the headache and the struggle to get your property rezoned so that you were able to, you know, it is so funny to go into your business and there is like a coffee cup. You know, someone is living there. So, I wonder if you could talk about your experience finding housing, navigating, and the necessity of, you know, zoning flexibility.

Mr. PHILLIPS. Yeah. Our housing on the coast of Washington is extremely limited, which has possessed a ton of challenges. As Ms. Gluesenkamp Perez just stated, a business owner of mine occupies the back space which was previously unallowed. We had to advocate for single-floor occupancy to our city council. And there was a lot of hesitancy against it. But through constant communication,

our dedication to our community, we were able to get that passed and in turn allow for my partner to move to Ilwaco to benefit our local community.

Ms. GLUESENKAMP PEREZ. Thank you so much.

Ms. Cassaday, thank you for staying in business. Thank you for fighting the fight. I know that, you know, you would have a lot less heartache doing something else. And so thank you so much.

And I saw on your Facebook page that you are out recruiting high schoolers and looking for work. And I wonder if you could sort of talk about the mutual value of bringing in young people and having meaningful work in their local communities, your efforts to find them. Just, yeah, talking about your labor market.

Ms. CASSADAY. Well, when it comes to teenagers, I think I look at my teen staff as my kids. I kind of become their mom because this younger generation, you know, they rely on texting and I have to teach them how to work a landline. So if that tells us where we are starting at with this. So, yeah. It is just teaching them a lot of life skills. They do not know how to count money. You know, we are working through a lot of very basic things with these younger staff Members.

Ms. GLUESENKAMP PEREZ. Well, thank you so much for doing that work. The apprenticeships are so necessary and thank you sincerely to all of our witnesses.

Ms. CASSADAY. Thank you.

Chairman WILLIAMS. Next, I recognize Representative Meuser from the great state of Pennsylvania for 5 minutes.

Mr. MEUSER. I appreciate that very much, Mr. Chairman. And certainly, thank you to all our witnesses for making the trip and being here with us today.

So Mr. Culp, I would very much like to start with you. And congratulations and everything that you are doing serving as a representative of the Farm Bureau and many other roles that you play.

So as far as small business goes, are taxes helpful, higher taxes? Is that something that helps small business?

Mr. CULP. Not at all, actually.

Mr. MEUSER. It adds cost. It adds cost.

Mr. CULP. No. No.

Mr. MEUSER. Do you think you pay your fair share?

Mr. CULP. Absolutely.

Mr. MEUSER. Okay. So, yeah. And higher taxes make American businesses and certainly American farms less competitive. And then you make less because you are paying higher taxes. Then there is a negative return on that investment since you are making less because you cannot reinvest in your business, and therefore, tax revenues will go down.

How about regulations? Have regulations from the federal government, or state government for that matter, been helpful to you?

Mr. CULP. Regulations are not helpful.

Mr. MEUSER. Okay. So what about workforce? What do you think has caused the great decline? I mean, COVID, obviously, but since then?

Mr. CULP. Well, COVID highlighted it but, I mean, with the retirement of the baby boomers, and we just do not have the skilled

workforce available. We have issues right now where we have young folks—a real example is a local drive-in. I got a call from them at a neighboring town. A local drive-in hires high school kids. And so I did not realize but there are regulations on the number of hours they can work depending on their age and then depending on if it is a school year or not. And here are kids that are 14, 15, 16 that want to work but there are government regulations that say they can only work to 9:00 p.m. and so they are not able to.

Mr. MEUSER. So, you know, access to capital has come up from a few of you. The massive spending that took place over the last couple of years, did that benefit you? Did you see any of that money, $5 trillion?

Mr. CULP. No.

Mr. MEUSER. You did not see anything; right?

Energy costs, obviously, that is an added burden. Causes inflation.

Mr. CULP. Have gone up.

Mr. MEUSER. As did the spending.

And I know broadband is something that we have handled horribly, both the federal and state government, rural broadband, so that needs to be micromanaged in order so you have the right access to it.

Has the federal government, particularly over the last 2 years, done anything—and we have this Farm Bill coming out—done anything that has been positive for you? And Ms. Cassaday, I am going to come to you in a second.

Let me just divert to you if you do not mind. You are chamber president. You have your small business and everything else. You mentioned insurance. You cannot afford insurance, small business. There is something called association health plans, AHPs that used to exist. Farmers used to love them, particularly in Pennsylvania. But my colleagues on the democrat side just wiped them out. I mean, democrat governors hate them. Colleagues here hate them because largely, the only thing I can figure is they want you to go into Obamacare, the Affordable Care Act.

Ms. Cassady, comment to me on why you think AHPs, if you are familiar with them, have been eliminated.

Ms. CASSADAY. I am not super familiar with them.

Mr. MEUSER. Okay. It allows all of your chamber Members to buy in a group so as their insurance rates, healthcare rates and such would come down. But they have been eliminated.

Ms. CASSADAY. Right.

Mr. MEUSER. It has really greatly negatively affected small businesses as well as farms in Pennsylvania.

But just going through the list, has the federal government over the last couple of years done anything except create barriers as you mentioned that has been helpful?

Ms. CASSADAY. Correct. Yeah. I mean, we are constantly combatting all of the inflation. You know, it seems like every time I turn around there is something else that costs more money. It is more money. It is more money.

Mr. MEUSER. It is crazy.

Ms. CASSADAY. Which means there is less——

Mr. MEUSER. Crazy.

Ms. CASSADAY. We are doing a terrible job. Right.

Mr. Splitter, let me ask you. You brought up access to capital a couple of times and then you said regs are putting you out of business. Hopefully, this Farm Bill, I am sure the SNAP program, the majority of the Farm Bill, of course, has positive effects on your business. It needs to be continued. It is important. None of us argue that. Let's talk about access to capital. Are you using credit unions? Are you using SBA? Are you using community banks?

Mr. SPLITTER. We are using a community bank that specializes in agriculture.

Mr. MEUSER. Do you understand that the SEC, the FDIC and the Fed want to increase the deposit requirements of these community banks?

Mr. SPLITTER. We have been made aware of that.

Mr. MEUSER. Yeah, what do you think of that?

Mr. SPLITTER. Thankfully, we are past that point in our operation but if we had been facing those regulations 10 years ago, we probably would have had to file bankruptcy.

Mr. MEUSER. Look forward to getting from you, your testimonies were great, anything at all that you can provide that we need to stop doing or do a lot better I would love to see it. Thank you.

Mr. Chairman, I yield back.

Chairman WILLIAMS. I next recognize Ms. Scholten from the great state of Michigan for 5 minutes.

Ms. SCHOLTEN. Thank you so much, Mr. Chair. And thank you to our incredible panel of witnesses for being here today.

I am from the great state of Michigan where we have large swaths of beautiful rural area, especially in my district. So ensuring that we support rural small businesses is so critical to me. It is not just about enabling the spirit of entrepreneurship but making sure small and rural towns have reliable infrastructure, like broadband internet, water, and access to childcare. All these things that we have been talking about today I consider to be the foundations of a critical infrastructure on which to build small businesses in rural communities.

Mr. Culp, my first question is for you. In your testimony you discuss the importance of attracting and maintaining a strong workforce. Can you talk a little bit more about how workforce issues compound in rural areas with other issues like childcare deserts or access to broadband internet?

Mr. CULP. Absolutely. We are located in northwest Indiana. We are about 45 minutes you could go north or south to a more metropolitan area. And so we have young families that maybe come in and they get a job, they interview for the job, they get a job. Our hospital was a good example of this. And so the professional that is getting hired is fine to live there. The spouse comes and says, well, where is the retail? Where is the entertainment opportunities? Where are the food venues? Right? Where are the walking paths? And you see all of these quality of life and quality of place amenities that sometimes are not there. And if they went 45 minutes either way in our case they would have an abundance of all of those. And so what happens then, not only do they want to live there but it is like, oh, we have a lot more employment opportuni-

ties there as well and you lose those people. They just will not come because you cannot offer those quality of life issues.

So I would have said 10 years ago, or 15 years ago as a county official, those really are not county government issues but I have really changed my tune on that because we have got to attract people to our communities to live and to work because we need that workforce whether it is professional or other. And to get that we are going to have to have things that attract them. And so the things you have listed certainly fall into those categories.

Ms. SCHOLTEN. Thank you so much.

Mr. Phillips, my next series of questions are for you. And I want to talk a little bit about the relationship of water to your business in particular as well. I am proud to represent miles of beautiful Lake Michigan shoreline, a year-round angler myself and serve on the Water Subcommittee on our Transportation and Infrastructure Committee here in Congress. We know how important clean water is to so many businesses, but especially one like yours.

The fish who you rely on for your revenue depend on clean water. We have got a beautiful map in my office of how far the boundaries outstretch. I represent a lot of fish. That is the joke in my office.

What is the best way in your opinion for the federal government to protect this vital input for the rural small businesses who need it?

Mr. PHILLIPS. The biggest factor in this is that although I do make a living on fish, it is not just myself that benefits from clean water. The entire community surrounding my business also benefits. When somebody comes to our rural town they gas their boat up. They stay in a hotel. They eat at a restaurant. It is not just one individual when it comes to fish. It is the community at-large when you are talking about communities that rely on clean water for outdoor recreation. So in saying that, it is not just about me; it is about our community as a whole when you are talking about clean water. And knowing that I think is very important that it is not just about a fly shop in Ilwaco. It is about everybody.

Ms. SCHOLTEN. Yeah. It is clear you have a firsthand knowledge, understanding of just the greater economy that a business like yours supports around it.

And quickly, you know, just as a follow-up, would you have chosen Ilwaco to locate your business in if its water infrastructure was polluted, contaminated?

Ms. PHILLIPS. No, I would not have. The ability to get out and escape, per se, the challenges that we all have as business owners is something that revitalizes myself, as well as allows us to market our products to a larger audience, to communities across the nation.

Ms. SCHOLTEN. Yeah, thank you so much.

I yield back the remainder of my time.

Chairman WILLIAMS. Yields back her time.

And now I recognize Representative Mann from the great state of Kansas for 5 minutes.

Mr. MANN. Thank you, Mr. Chairman, for the time. thank you all for being here. And Mr. Chairman, thank you for having this important hearing this morning.

I represent the big 1st District of Kansas which is 60 primarily rural counties in western, central, and the eastern part of our state. We have hundreds of thousands of small businesses in our district. About 80 percent of the folks in our district work in small businesses. They really drive, as we know, the economy and certainly the economy in my district.

Mr. Splitter, first question is for you. I have been to your farm. Great seeing you. Thank you for testifying this morning. Great to see your wife here as well.

In your testimony you talked about federal regulations and how they are trying to put family farms out of business and that we should be working together to be the world's gold standard for agriculture here in this country. I could not agree more with you. Can you share more about how regulations and federal policies have negatively impacted your farming operation?

Mr. SPLITTER. On our operation, one thing that we always go back to is trust the science. Trust the experts. When we are sick at our house we do not go to Google; we go to the doctor. Ethanol is a big deal for us. We live 6 miles from the local ethanol plants and what better story can rural America tell than ethanol production? You know, a green plant is producing fuel and that green plant can be grown every year, again, and again, and again. Why are we limiting access to ethanol production? That just seems mindboggling to me.

I have been trusting the science. EPA regulations on some herbicides, chemicals that we use. Atrazine in particular is the most studied chemical of all time and it has been proved to be safe in the doses and in the volumes that have been set forth by the EPA. But yet, we routinely, routinely, routinely bring it up for review. So in our house we trust the science.

Mr. MANN. I could not agree more. And you look at the history of the chemicals used in agriculture today. Let's trust the science. Not the political science but the real science. Clearly, these things are safe. They have been proven over decades and we need to give some certainty to our ag producers.

You mentioned in your testimony as well about Kansas State University's Office of Farm and Ranch Transition, their program which links beginning farmers with retiring farmers in an effort to find and mentor the next generation of farmers. Can you speak more about the opportunities this program to young entrepreneurs and future farmers in your experience interacting with that particular program?

Mr. SPLITTER. Yeah. That program came into existence probably about 5 years ago. And we had already gone through two farm transitions. One after my father had passed away, so I was never able to be mentored by my father in a formal setting. Of course, all fathers mentor their children. But it was in 2015, we were on the verge of bankruptcy and I went to a local farmer who was not considered competition to me and just asked for mentorship. That took a lot of swallowing my pride. I did not know really where else to turn. And so we went into a long-term relationship where we were able to take over his farm so him and his wife could retire. That was part of our farm growth. It was not really a strategy as much as a resource for us to just grow as human beings and an

operation. But that office is doing exactly what we did. It is matching an older generation, or an older generation that does not maybe have an heir to come back to the operation, and instead of going through the community and asking for applications, it is kind of like a dating service for farmers. It has worked. The success stories are just tremendous out of that office.

Mr. MANN. It is fantastic. And I think that is an example for not just agriculture but all of our small businesses to be looking at how do we continue them on when there are not heirs or when the next generation does not necessarily, for whatever reason it does not make sense for them to carry on.

Last question would be for you, Ms. Cassady. Can you talk to us a little about access to capital and what barriers do you face when trying to access capital for your business?

Ms. CASSADAY. There are several barriers. And you know, even just opening up a business, I have talked with the local bankers and, you know, we have very small banks in a small town. And I was told that to get an SBA-backed loan is pretty well impossible. You will just be drowned in paperwork and it seems to be never-ending. And so the businesses, if you want to open up a business you have to get more creative and, you know, I had to rely on relatives and other people to help back my business in order to make it come into existence.

Mr. MANN. I think that is great for this Committee to hear, Mr. Chairman. Here we spend tens of billions of dollars on these SBA loan programs, yet the regulations and the ability to access them are so burdensome you are being advised to not even pursue them.

Ms. CASSADAY. Right.

Mr. MANN. Which is something that, you know, has been a focus of this Committee and something as Members of Congress we all need to keep front and center.

Thank you, Mr. Chairman. With that I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize someone else from Kansas. We have got everybody from Kansas here today. Ms. Davids for 5 minutes.

Ms. DAVIDS. Well, maybe about half the population because there is like six of us in the room. Seven, eight. There is like 10 of us. Half the population.

Thank you, Chairman. And to everyone on the Committee. And to our witnesses for joining us today.

I am excited to have this conversation, partly because there are some Kansans here, but also because I serve on both the Small Business Committee and the House Agriculture Committee. And so definitely appreciate some of the comments that we have heard today because as you can imagine there is a lot of overlap between the two Committees, especially recognizing that particularly in Kansas we have a lot of family farms. I think we might have some of the highest numbers of family farms still in the country. And then in the 3rd District specifically we have a lot of smaller farms and family-run small businesses. Certainly, we have already heard from Mr. Splitter in Lorraine, Kansas, which is actually further away than Ms.—I am sorry. It is so funny. When I go down to visit my family in Waynesville, Missouri, I am going to stop by. I am going to go down 49 and I will stop by your shop, Ms. Cassaday.

So in Lorraine, Kansas, they are having a fifth generation family farm testifying here today. Mr. Splitter, I really, really appreciate it because you are certainly highlighting some of the issues that we talk about a lot on this Committee. And as we have been discussing the 2023 Farm Bill, I know quite a bit of the conversation has centered on trying to figure out how to address the digital divide that exists. And when we think about the federal government announcing recently broadband grants from the bipartisan infrastructure law, I was definitely happy to see that Kansas was going to be one of the states to get the federal support to improve that middle mile infrastructure, broadband infrastructure, because if we have taken anything away from today it is that we have to absolutely be thinking about this holistically. Everything from supporting our rural communities through passing the Farm Bill, to addressing how the operation of a modern farm or agriculture operation happens. You know, the technologies that are being used. And I think that we have seen tons of progress over the past few years to ensuring that all Kansans have access to broadband but certainly there is still a lot more work to do. So I am really glad to hear, Mr. Splitter, some of the comments that you made and then in your testimony I know you have addressed some of that.

This is for anybody on the panel who wants to respond, but Mr. Splitter, I would love for you to kick us off here. If you could talk a bit about how much of an obstacle having reliable, fast, affordable internet access is to running your operation. And what does successful implementation of those federal broadband dollars mean to you? Like, what do you want to see happen with that?

Mr. SPLITTER. Technology is a huge part of our operation. Just absolutely huge. Actually, as we have been sitting here today my phone has just been going crazy because we are 110 degrees and all my equipment is telling me that it is too hot. So we are communication from the farm in Central Kansas to my phone in D.C. today telling me the updates, the live updates of what is happening with some of our equipment today.

We may just be a technology business that is masked as a farm for how much data that we do. We reconcile everything to the decimal point and a lot of that is done in real-time on the fly from the operators in the cab of the tractor, sprayers, planters, whatever it may be.

We have one person that we can access high speed internet from and it is not even high speed. There is, and this is a guess, probably $20,000 worth of investment of hardware on our end to put a receiver above the tree line and then shoot the signal back to us and then across our whole operation. Not every acre but just our farmstead, our 5-acre farmstead.

So broadband is just tremendously important to us on our operation. And it really freaks out my family when the internet stops working in the middle of an afternoon. Business cannot get done. The kids cannot be quiet because their iPads quit. All jokes aside, it is just tremendously important that we have access to it. And reliable. Not even access; reliable access.

Ms. DAVIDS. Yeah. And I just realized I took too much time asking my question. I just really appreciate all of you coming in. And in a lot of ways, highlighting how complex making sure that rural

communities are being supported can be because of the multitude of issues that you all are facing. So thank you so much for being here today and I yield back.

Chairman WILLIAMS. Yields back. I now recognize Representative Stauber from the great state of Minnesota for 5 minutes.

Mr. STAUBER. Well, thank you, MR. Chair. And I have read parts of your testimony. To the witnesses, thanks for being here.

As my colleague from Kansas just talked about, he talked about broadband and the importance of it.

I just came from a Natural Resources hearing where there was a piece of legislation that removed the NEPA requirements for laying broadband in rural American and already pre-disturbed ground like where wires are already in the ground, where wires are already on the poles. They are talking about more NEPA to do that. So you have got electrical wires. Some of my colleagues on the other side of the aisle want to do a NEPA review to put broadband wires on an already generated electrical line. NEPA, 4-1/2 years on average it takes. Can you wait 4-1/2 years? That is on average. It is more like 9 or 11 or a mine in Minnesota it is 20 years. I do not think you can wait that long. You want it now. And I think we have the opportunity with the investment and the need for rural broadband. I said this, rural America, I represent Northeast Minnesota. It is rural and it is beautiful. But the constituents that we serve that are in rural America deserve the same priority as those living in the metro areas. As rural business owners, small business owners, you deserve the exact same attention that somebody does in your bigger cities in your respective states. No more, no less. But you deserve the same. It has to be fair. And the frustrating thing for me, and I think on both sides of the aisle we have democrats and republicans that represent rural America. There is no daylight between us that represents rural America.

As my colleague from Kansas just said, we have to get this done. We have to have the return on investment. And I think there is an urgent need to do that because we want you to succeed. Not just give lip service from the respective state capitals or our nation's capital. We have to make sure that this investment gets to where it needs to get and soon. Rural health, your small businesses, rural health, telehealth, telemedicine, our schools, our grocery stores, our small businesses like you, our farmers, we need to make that investment.

Mr. Culp, in your statement you highlighted the decline in population in rural communities and the importance of reliable broadband access. How do you believe improved broadband infra structure can positively impact rural small businesses and attract new workers to live and work in our rural areas

Mr. CULP. Well, it is going to be vitally important, obviously, with our workforce issues. And just the connectivity. You know, we learned during the pandemic that our home served as our school, as our doctor's office, as our churches; right? Everything is there. But the connection is broadband. And I heard them talk about we need to have broadband focusing on the middle mile, but in the rural areas we have got to have it to the last mile. Just like when they brought rural electrification out into the rural areas, the same thing. In our areas, actually, local government, our county is work-

ing with our local RMC, our electric provider, and they are providing the broadband. It seems like a natural entity to do that because they are used to taking those services out to the last mile. Broadband, obviously, needs to be just the same priority.

Mr. STAUBER. In your opinion, what is holding up the successful implementation of rural broadband to make sure that it is reliable for you?

Mr. CULP. Well, most of it is cost. It is very expensive. It has a very long payback. You have to remember, if you are taking it out, you might be running 5 miles of line and maybe only servicing three or four households. And so it is not cost effective. And that is where the grant programs come in. Broadband is one issue that is very unique because you have federal, state, and local dollars and governments all working together to collaborate to make sure that we get that broadband out to the rural areas.

Mr. STAUBER. Mr. Culp, if you go back 70, 80 years, the U.S. Postal Service said every mailbox mattered. Every rural farm mattered. They got their mail. Now, we have to look at this as an opportunity. Every inbox matters.

Mr. CULP. Absolutely.

Mr. STAUBER. You know, that is going to be so important that we do this in a bipartisan fashion.

So I see my time is up. Mr. Chair, thanks for holding this hearing. It is extremely important that we hear from the business men and women that have the boots on the ground. And I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Representative Thanedar from the great state of Michigan for 5 minutes.

Mr. THANEDAR. Thank you, Mr. Chair. And I want to thank you and the Ranking Member for all this very, very meaningful discussions and the witnesses who are here helping.

You know, being an entrepreneur myself, having run small businesses, knowing the struggles small business owners have in terms of running their businesses, making payroll every 2 weeks, these discussions are very, very vital. And Chairman, I appreciate your leadership and the bipartisan nature by which we are really doing our best to help small businesses.

Ms. Cassaday, in your testimony you discuss the struggles your business had during the COVID pandemic. Ms. Cassaday, I see that during the pandemic Byrd's Pecan Delight received a PPP loan and EIDL loan; is that right?

Ms. CASSADAY. That is correct.

Mr. THANEDAR. How important was this assistance from the federal government to the survival and recovery of your business? If you can help me understand.

Ms. CASSADAY. Sure. It was very vital because, you know, when we shut down, rural areas, I mean, we were told that we had to go curbside as a restaurant. Well, when you are in a rural area that was very limited. And so without that assistance I would not have been able to keep my doors open.

Mr. THANEDAR. Now, do you think there are enough programs and resources are there to serve everyone who needs such help?

Ms. CASSADAY. Not in the rural areas. I do not think that the other rural businesses are even aware of anything that SBA has

to offer or, you know, they do not get to take these classes on marketing or get to understand what all the different loans are that are available because in SBA, I mean, the resources for rural areas, it just is not there.

Mr. THANEDAR. And you know, listening to you all, I see that worker shortages are adversely impacting rural America as mentioned by you. Finding a reliable and skilled workforce is essential to rural entrepreneurship, especially in growing profits and unleashing innovation.

Mr. Splitter, my question to you is do you think reforming our immigration system can help you attract workers in rural communities, especially streamlining the visa process for seasonal workers here on H2A or H2B visas?

Mr. SPLITTER. I cannot speak too much about that. Currently, we utilize all local employees. We have been very fortunate to be able to find skilled and quality employees locally. But I think the H2A program, bringing in helpers, seasonal helpers, is something that we will be looking at very closely into the future. So anything to streamline it would be helpful.

Mr. THANEDAR. While access to capital continues to hinder small businesses across our country, in rural or in urban areas, many of the small businesses in my district struggle with finding capital to grow their business or establish new small businesses. As a result, finding a solution to this problem is something we all share on this Committee.

Mr. Culp, what can the federal government do in conjunction with local entities to provide more access to capital in the form of loans and grants to small business owners?

Mr. CULP. Well, and besides just small business owners you have small farmers and small agricultural businesses. So the farm credit system obviously is a function of the federal government. Very effective to getting those dollars, those capital dollars out. I utilize that service and purchases that I have made as well. I think it is important that when you look at young entrepreneurs beginning, it is very important that they have access to capital because they do not have the assets always to back them up. I know we used in our county, we looked at using ARPA dollars to start a revolving loan fund for small startup businesses in our community. And it was met with a lot of support and enthusiasm. We are not talking about a big industry being built. Sometimes you just need a few thousand dollars or $10,000 to get somebody jumpstarted and then over time you could have a low interest payback. We set that up working with local financial institutions. And those are the type of programs I think that you need to institute. But a lot of those can even be done locally, not at the federal level.

Mr. THANEDAR. Thank you.

And I yield back.

Chairman WILLIAMS. The gentleman yields back.

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

Mr. ALFORD. Thank you, Mr. Chairman. Thank you to our witnesses for being here today. I know you come up here on your own dime and your own time and I really appreciate your investment in America.

Rural small businesses know the needs of rural communities better. And when they succeed, our communities succeed, our states succeed, our nation succeeds. And I see firsthand. In Missouri's 4th Congressional District, and I am honored as Sharice Davids, my colleague from Kansas, to sit on both Ag and Small Business. We see how these tie together in this symbiotic relationship. We are working hard on the Farm Bill right now. It is so important to our rural communities. And sir, you mentioned rural broadband. We have got to get that right.

The SBA also has an office of Rural Affairs but little information is available on what that office is doing and how it is focusing on rural small business. Five years ago, in April of 2018, the Department of Ag and Small Business Administration signed a memorandum of understanding to enhance collaboration. Ms. Bette Brand, former Deputy Under Secretary for Rural Development was not able to be here today because she was in a car accident. We are praying for her recovery. She wrote that the memorandum of understanding strength and coordination between USD and SBA but we do not know what came of it.

So this leads into my questions. One of my favorite questions of all time is Cool Hand Luke. And one of the best lines is, "What we have here is a failure to communicate." And I think that is what has happened.

Ms. Cassaday, I was in your business a week ago. How many people did we have there, 40, 50 people?

Ms. CASSADAY. There was, yeah, probably every bit of 45 to 50.

Mr. ALFORD. A lot of them small business owners. And they were asking, how do we get help?

Have you interacted with anyone from the Office of Rural Affairs for the Small Business Administration?

Ms. CASSADAY. I do not know about the Rural Affairs. We do have a location that is located about 1-1/2 hours away from us and she said that she did have some resources that could help us.

Mr. ALFORD. That is in Appleton City, the lady?

Ms. CASSADAY. Well, this one is out of Sedalia, actually. I had a nice long discussion with her but she said that her funding is so tight that she has a hard time getting out and even letting people know about the information in the rural areas.

Mr. ALFORD. I think one of the common themes there from what I heard and what you were hearing as well is people just did not know where to turn to for help.

Ms. CASSADAY. That is correct.

Mr. ALFORD. How do they access the information, the encouragement, and the money? Is that what you heard?

Ms. CASSADAY. That is absolutely what I heard. Yeah.

Mr. ALFORD. Mr. Culp, have you had any interaction with the Small Business Administration's Office of Rural Affairs?

Mr. CULP. I have not. I did not even know that existed, actually. Yeah.

Mr. ALFORD. What we have here is a failure to communicate.

How about you, Mr. Splitter?

Mr. SPLITTER. No, I have not.

Mr. ALFORD. How about you, Mr. Phillips?

Mr. PHILLIPS. In terms of Rural Affairs I was not aware.

Mr. ALFORD. Well, we have got to fix that. We have got to figure out what is going on. And we are going to be working on that. Next month I will be introducing a Small Business Administration Rule Performance Report Act. This bill will require two reports actually. One will be a report from the SBA on the activities of the Office of Rural Affairs. We are going to give it another try to see if we can get this information. And the second report is going to be on what was accomplished under the memorandum of understanding. I actually pronounced it correctly this time.

Ms. Cassaday, in your written testimony you talked about some of the unique challenges you face—rural deliveries and procuring supplies, having to drive to Kansas City, it takes you all day. What are some of the other challenges that you are facing? Because it is you and your husband. I forget how many employees you have but——

Ms. CASSADAY. I have 11.

Mr. ALFORD. Eleven employees. This is a great business. How are you keeping it together in Adrian, Missouri with the challenges that you face?

Ms. CASSADAY. Well, some days not very well and other days we fare better.

I will tell you that our biggest issue is the inflation and the cost of supplies. The amount o of money that goes out is my supplies is my biggest one. My payroll is my next bill that I pay. They are the two highest things that I am dealing with in my business.

Mr. ALFORD. Well, I hear that from farmers who are small business owners, and small business owners like yourself, it is food, fuel, and fertilizer for our district. And I blame Joe Biden for that. For demonizing fossil fuels, targeting the fossil fuel industry, but putting the crosshairs on the backs of the American people. He has done it. He owns it. We are going to have to make some changes. We have got to get back to reducing inflation and making businesses more profitable, increasing our communication between the SBA, and that is our job here to make that happen.

Thank you, and I yield back.

Chairman WILLIAMS. I now recognize Representative Molinaro from the great state of New York for 5 minutes.

Mr. MOLINARO. Thank you, Mr. Chairman. And I appreciate not only the hearing but the witnesses today.

It is without question certainly that small businesses like yours, but of course all across this country, have been dealing with the frontline of great burden, whether it is the high cost of fuel and electric, inflation, taxes, and labor shortages, there is little question that all of you just really cannot catch a break. But you continue to thrive and that is important.

It is true not only where you are from but where I am from in New York, I know it is hard to believe but there are rural parts of the state of New York. A lot of rural parts of the state of New York, and I represent 11 counties that are both small cities and mostly rural communities.

In my district, for instance, the average family farm or average farm is less than 200 acres and farmers are already dealing with excessively high input costs, labor costs, and in New York, sadly

electric and tax costs. Add to that the rising cost of diesel and fertilizer and we know agriculture is really being pounded.

Mr. Splitter, I wanted to jump right in on some of what you have spoken about. I know that you understand all too well the challenges that family farms face. You talked a little bit about that already under our current economic environment. In your testimony you specifically talked about the difficulties associated with accessing the farm loan programs and some other USDA resources.

In your perspective, so we spent a lot of time asking you generically what are the things that are important to you. What can we do? What can this Committee do to ensure family farms, businesses like your own are connected to those resources? I think you mentioned, maybe it was Ms. Cassaday that said we do not even know some of these services that exist. What is the thing this Committee can do to really impress upon SBA to be more accessible to all of you?

Mr. SPLITTER. I think just going back to that, I did not know that there was access to any kind of help or assistance from SBA for farming, for agriculture. Of course, we know about FSA and USDA and those resources but there was no education to us or anything out there that would lead me to believe that SBA was there to help with the agriculture sector.

Mr. MOLINARO. We appreciate that. I think we hear that consistently. The SBA is a smaller entity in the federal government but more outreach and more connection with small business is critically important. If not that also obviously guarding taxpayer dollars to make sure they get to you and not to those who seek to defraud the American taxpayer as we learned more and more about last week.

You all have talked a little bit about access to high speed internet. I always like to say high speed internet as opposed to broadband because there are multiple ways to move high speed internet to communities like the ones you live in and work in and the ones I represent.

I am proud of serve on the House Agriculture Committee. This is obviously a major topic of conversation as we tackle the Farm Bill and we are hopeful that we can continue to broaden access.

Mr. Culp, in your testimony you mentioned how access to reliable internet, of course, is a must for small businesses, not only to thrive and survive but to access new opportunities. So we can all agree on that. The question generally is how do we do that? I am proud to sponsor and have introduced the Reconnecting Rural America Act to ensure rural and technologically underserved communities have access to reliable broadband and high speed internet services.

But building off the investment of the last infrastructure bill, what else can we do? I heard one of my colleagues talk about NEPA as an obstacle which it is. I know in communities like my own, providers speak to the high cost of the ready cost to get poles installed. In states like New York, whatever regulation the federal government has, New York likes to heap on about 10 times more than that. What other steps can we take to broaden access of high speed internet?

Mr. CULP. Well, fortunately, I am from a state that has really reduced regulation in Indiana but——

Mr. MOLINARO. Well, they must be sending it to us.

Mr. CULP. Even at the local level, and this is the partnership I talked about earlier, we granted all of our county road rights-of-way, we granted access to our local provider to access and to use our rights-of-way to either hang lines or to bury lines in that with no permitting, no cost at all. That was something that actually we even started a program where basically all of that cost, all of that investment is abated. So that is all taxable property for the local government. We abated that because we wanted to encourage them, everything they can do to get that in because whether it is a farm or local, or a small business, you think about, as isolated as some of our rural communities are, the way that they are going to sell their product is to advertise that on the web. They have to have a website. They have to get that information out so people have to access that instead of what used to be we just had our local residents, did business with them and supported them. We have to think bigger, and to do that we have to have that broadband and that far-reaching internet access.

Mr. MOLINARO. I appreciate it. My time is up.

Mr. Chairman, I just would echo one of my colleagues. Access to high speed internet is sort of the last frontier if you will that should be accessible to small businesses and farms and we have got to do more to make sure that happens. Thank you, Mr. Chairman.

Chairman WILLIAMS. Gentleman yields back.

I now recognize Representative Ellzey from the great state of Texas for 5 minutes.

Mr. ELLZEY. Thank you, Mr. Chairman, for holding this very important hearing, and to all of you for spending your own time and treasure to come up here.

You know, this is an interesting town. I think that is being pretty generous. As we are having this very important hearing on the fundamentals of what you do in your businesses to provide the foundation of life in this country which is food, there are very few people here paying attention to this hearing. But there is a line wrapped around the block downstairs talking about UFOs, which at the end of the day is not going to feed the population of this country or of the rest of the world. In a time we have got Russia going back on a deal on Ukraine, 40 percent of the world's wheat coming from the Ukraine, they are going back on a deal to provide food for the rest of the world, it is exceedingly important that the bread basket of the United States and you all small business owners and farmers are able to do your job the best you can to unleash the economy of this nation and feed the rest of the world.

I come from the 6th District of Texas, which is growing increasingly rural, a lot of farmers and ranchers and business folks just like you all. And just like you all, they do not talk a whole lot. You cannot have a business like yours and not have common sense or efficiencies in order to make a living to provide for your families and for your communities. So as I listen to you all, and it is interesting to hear how we talk at length because we are elected to do so, you all have very spare words that you use to describe what you do. And that, I think, represents how important it is. You do not

have time to mess around with flowery words and things like that. You have got a job to do. So thank you for coming up here and doing your jobs.

So part of the problem of what exists up in this town is agencies that do not exist to help you; they exist to provide jobs for people up here in Washington, D.C., who do not know come here from sic 'em about what it is that you do.

So we have heard increasingly in a number of hearings about the SBA having a noble cause but in reality the regulations that they follow do not help you do your jobs. And that is why we rely on small community banks and state agencies that will help you do your jobs, like in Network Kansas or the original capital access program in Texas.

So I think that is really interesting. I would like to see more partnerships with the federal government and the SBA with the states who know their customers, which is you, to help you do your jobs. But when we talk about community banks based on big bank failures on the West Coast, banks too big to fail, we are going to use a sledge hammer to affect all the banks in the country, most notably the community banks which keep your businesses afloat. So there is a mismatch in common sense and efficiencies from up here in what you do.

So in the 2-1/2 minutes I would have left, Representative Culp, I would like to ask you a question. And if you are not ready yet that is just fine and I will go down the road.

What is one thing that you would do, since you are a state rep, what is one thing you would like to see the SBA or the federal government do to make your job easier to provide a living and food for the people that you support?

Mr. CULP. To have a program that offers financial support for entrepreneurial businesses, small businesses, to make sure that they can continue to operate in their community.

Mr. ELLZEY. So does that mean less red tape?

Mr. CULP. It would be less red tape and easier access to that financial support.

Mr. ELLZEY. Thank you.

Ms. Cassaday?

Ms. CASSADAY. Yes. I think that just getting the information out there to the rural areas. You know, I have learned over the last couple of weeks that SBA can offer classes on marketing and helping businesses with their budgets and they can do these different things but nobody in my town that I came across was aware that this even existed or was even a possibility. And I am being told that by funding that, the offices that we could reach out to, they do not have the time or the resources to come out to our rural areas unless we invite them out. But how are we going to invite them if we do not even know they exist?

Mr. ELLZEY. Got it. And I hear the same thing from my veteran friends about the VA.

One thing I would like to note, as we talk about broadband, in my district we do not even have cellular. We do not have LTE. We do not have 5Gs. In some places it is completely sparse, much less broadband. So we need to improve our capabilities to even get cellular out in my district.

So Mr. Splitter, same question to you.

Mr. SPLITTER. Get help to those who need it. I mean, when we were desperate for help it was not there. The other thing I think Washington can do is get out of my way. Let me do my job. You know, let me provide the safest, the most secure, the most bountiful food supply that this world can see.

Mr. ELLZEY. Well, Mr. Phillips, I was going to ask you the question. I am about out of time and I think Mr. Splitter hit that nail on the head.

Mr. Chairman, I yield back. Thank you for your time.

Chairman WILLIAMS. The gentleman yields back.

And I want to say to all of you thank you for being here. I would like to just say a couple of things. I think one thing I hope you recognized with this Committee, you do not see it on TV when you watch Washington but I think you can see there are things we agree on, that these hearings can be bipartisan. And I think this has shown that today that we are all interested and many of us who sit up here are doing a lot of what you are trying to do and make things happen.

I made some notes. D.C. You know, I always tell people D.C. can create a job but it cannot create net worth. And that is what we do as small business owners and you all do. We need to streamline the SBA. We need fewer regulations. We need to bring inflation down. We know to do that. Bring costs down. Broadband we talked about. We need to hire a workforce so we can get the job done. And we need access to capital. I mean, that is everything we agree with on this and we are going to do everything we can to make it happen.

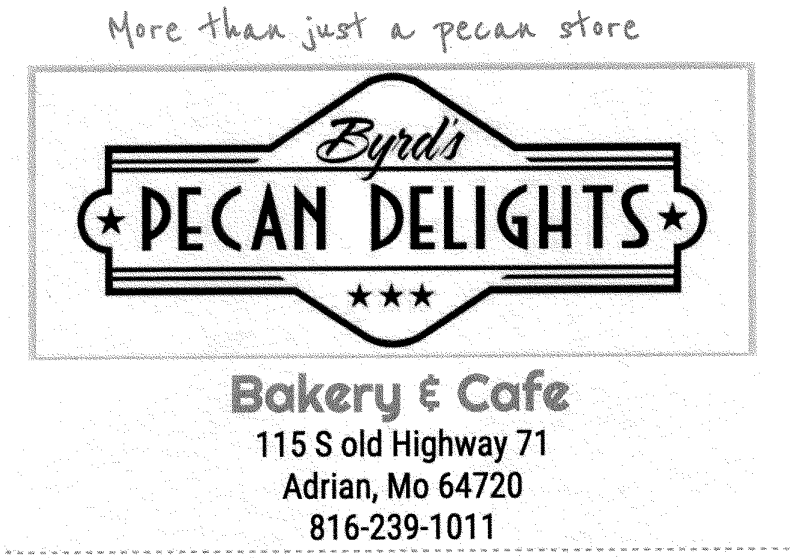
So I would like to thank all of you today for being here, for your testimony, and for appearing today. We know, as said earlier, you came on your own time and it is hard to be away from your business. I would tell you my phone has been ringing right now. My daughter is back home wanting to talk to me about my business. So being away is a big deal.

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. And I want to ask the witnesses if that happens to please respond promptly on that.

So if there is no other further business, without objection, the Committee is adjourned. Thank you.

[Whereupon, at 11:33 a.m., the committee was adjourned.]

APPENDIX



Owner: Jennifer Cassaday

My business is located in Adrian, Mo which is a small town with a population of about 1700 people located about twenty miles north of where our farm is located. My story about how it got started is really just a continuation of what my grandfather started back in 1965 when him and my grandmother purchased their farm of eighty acres. He worked nights at the GM plant in Kansas City and spent his time off building up the pecan farm to what it is today. We now collectively have about 600 acres of pecan trees, 250 acres of which is certified organic. We handle everything from harvesting, to processing, to packaging our own product. I made my grandfather a promise before he passed away that I would open a location and try to do all the things we used to sit around the dining room table and daydream about. I was raised with a man that kept his calculator handy and was explaining profit and loss to me when I was still doing math in elementary school. My grandparents along with my parents raised me with the mentality of you work for what you have and appreciate every bit of it. My grandfather passed away in 2004 from cancer and at that point I got started simply baking pies and also making our own candied pecans. I would set up a tent at festivals and events, eventually moving into a brick and mortar. I stumbled a lot trying to figure out how to do business and make things work but eventually found my way. I opened my first little shop nine years ago and over the last 9 years my business plan has evolved and grown. I went from just making things with pecans from our farm to now being in a new larger location located just off the interstate where we have a full restaurant menu, bakery items, we make our own ice cream, serve lattes and gourmet coffee, and also have retail from other small businesses to shop. You can still purchase an assortment of flavored pecan pies or we will even blend up a slice with our homemade ice cream for that pecan pie milkshake that everyone loves.

We have had to maneuver through covid within 6 months of opening at our new location, shortages, and now wages and inflation.

I am here as a business owner but I am also the chamber of commerce president and I have a passion for small businesses, especially the ones near me in Missouri. I was asked to speak directly about some of the struggles that small businesses are facing on a daily basis. First, is about the cost of goods which I understand is a hot topic right now but I want to veer down a slightly different angle that affects myself and other businesses in our area. As a rural business owner, I get my supplies from the same purveyors as those in higher populated areas such Kansas City. My options to have a semi pull up to deliver goods or I can spend an entire day using a van I had to purchase in order to go get goods at cheaper prices driving to places such as Restaurant Depot and Sam's Club but then I just spent an entire day not at my business because I have to drive over an hour away to do this. Even though I get my supplies at the same place everyone else in the city gets their supplies, I can't charge what those restaurants charge on their menu or I price myself out of the market. We bake our corned beef brisket in house for four hours but no one will pay the $15 I need to charge for the reuben in order to cover that. We smoke our pulled pork on the smoker for twelve hours with our own rub made in house but once again, after I figure out where that price needs to be then I have to make the decision of whether or not anyone can afford to pay that. If I price my menu items where they need to be in order to cover overhead and payroll, I will lose my local customers forcing us to rely more and more on commerce coming in from outside our town. The other issue is when prices on the menu aren't where they need to be, I have to spend an entire day printing up new menus, changing prices in the system, and updating our online ordering because the only person available to do all of that in a small business is usually the owner. Restaurants and small businesses used to have a general rule of refiguring and adjusting prices annually, usually at the first of the year because they can look over the last year's numbers and it cost money to print up new menus and make all the changes in the systems. Now, we have to address the prices monthly and I know of other business owners that take time to

do it more often than that due to prices fluctuating so much. Big box companies have staff in their corporate offices that take care of this. In a small business, this responsibility falls back on the owner.

Outside of cost of goods, I also spend a lot each year on marketing because collectively in a small town as business owners, we have to look at the big picture. The reality is that if we rely on the 1700 local people made up of farmers, teachers, and those that work for, or own other small businesses then our own businesses would not make it. Businesses in highly populated areas have a marketing plan of how to get people to come in off the street. In rural cities, we have to invest in advertising farther away in order to bring people to our town. Rural towns require a marketing plan of how to get people to make the extra drive, take a day trip, or exit off the interstate. This takes billboards, lots of social media advertising, advertising with a radius of 60 miles or more and coming up with local events that brings commerce into our town. This however comes with a price tag like anything else. It cost $2,000 for my business to be listed under the Missouri department of transportation "food this exit" sign. Its $550 a month for a single billboard and that is actually a cheaper rate on the spectrum of what billboards cost. It takes $150 per week to social media in order to stir up an extra $50 a day in sales. I could advertise in the Missouri travel magazine and have a really nice ad for a friendly $1500 a year. Nothing against them, they also have a business to run and have expenses. The point I'm trying to make is that with rural America, the logistics and dynamics of it all is very different in comparison to cities with higher population and it cost more money to make it work.

There is also the struggle of payroll that I know everyone is dealing with across the nation. In rural America, it is no different. My employees still have bills to pay and food to put on the table for their family. I have eleven employees and I am fortunate to have them in my corner. They are hard workers who respect my business, what I stand for, and what I am trying to achieve and I see each of them as family. The reality though, is they still have families and responsibilities so I

make sure they get paid first. Because of this, I have been working without paying myself for quite some time. I know it sounds crazy but I do what I do because I can employ others and use my business as relaxing place to invite families to reconnect over a game of checkers and ice cream, stressed out moms can meet up for coffee, ladies come in for bible study, or recently we offered a place of comfort while a mom reconnected with her daughter she had given up for adoption. I also give to local charities and organizations that are very important for our area such as suicide prevention and school organizations. If you ask me if I need the paycheck, my answer would be yes. We struggle with a budget at our house because money is tight but yet, we have never been without and we are blessed in that aspect. My business has always been so much more to me and my community other than just a building and thankfully my husband and my family is extremely supportive of that. It's so much more than just flipping the open sign back and forth each day and paying bills.

Our small town of Adrian is very special and somehow as business owners we figure out how to make it work most of the time but times are changing and rural businesses are struggling. Our commerce is made up of dollars that help the local kids play sports, help send kids to college that otherwise wouldn't be able to go, we help feed our elderly, buy supplies for kids to have for back to school, and we do it all because our town sees each other as family. I have a huge support system locally but with the high cost of things, like a lot of people right now, I still have more money going out than what is coming in. I was told just the other day by a struggling mom "I want to support small businesses but I can't afford to when big chains can offer things so much cheaper" and this is what we compete with daily. I had a local person ask me a while back about why I'm friends with the other local restaurant owners when they are my competition but my answer was that his concept of that just isn't true. We are friends because we are on the same team. Our competition are the chains, not other small businesses.

We are the kind of town where someone will give their last five dollars because they know that someone else needs it. When a house catches on fire, the entire town will come together and make sure the family has everything they need and help them get back on their feet. I pointed out to someone that owning a small business is very tough in rural America and if I opened my business twenty miles north then I would have the population that would make much better odds for my business to survive. The question was given "so why didn't you open your business twenty miles north?" and the answer to that is simple. Sometimes it's not always about a survival rate and numbers. It's not about the number of people but who the people are. In May of 2022 my husband had a car pull out in front of him while he was on his Harley motorcycle. I spent a week sitting next to his bed in ICU because at first, I wasn't sure if he would survive and then I wasn't sure what our life would look like. If he would be able to walk, if he would be able to remember anything with the swelling on his brain (his helmet came off in the collision), and I had an overwhelming amount unkowns that I was trying to filter through of what our life would be like. During that time, I had people who were basically strangers, checking in on my business and offering help to my staff and myself wherever they could. Money was randomly showing up in our bank account to help pay our bills knowing my husband would not have a paycheck anytime soon since we both owned our own business. People were knocking on the door and dropping off food because they knew I was overwhelmed. We also had people praying for him at every church near and far, some three hours away at other small towns because he is also on the local fire department and I believe it's because of those prayers that he is here today standing beside me showing no signs of ever even being hit by a car. This... this is why I choose to keep my business in a small town and fight against the odds. But the odds should not be stacked so high against us as a business owner. It should not be next to impossible to open and run a business. If you ask a rural small business owner how they got started, they will each have a story to tell and they will also tell

you that it is HARD but they had a dream and a passion they wanted to follow through with. Opening a small business in rural America is considered very high risk so you cannot just walk into a bank and ask for money. I had to get creative in order for my concept and business plan at my new location to come into existence. It took relatives combining funds for a CD that was then placed up for collateral and after a year of being open, I paid for an appraisal on my business that released that collateral back to them. I was blessed and fortunate enough to have this option that not many people have. At the time, this was my only option unless I chose to put my home up for collateral.

There is this concept termed "clustering" with businesses. This is the reason a home-depot is located across the street from Lowes and Walmart is located across the street from target and so on. The idea is that of you give consumers a lot of options in a particular area then they will stick around and spend more money. It works for chains but this concept is no different for rural small towns. If we had more businesses open and available then we would have better chances of keeping our local traffic, increasing the traffic that comes into our towns, and over all increasing the tax dollars that will also support things in our small town such as first responders, schools, and the people within it. We need to break down some of those barriers so that people with dreams can hear more than the word "impossible" and we can continue to grow, thrive, and help small communities like the one I live in.

Indiana Farm Bureau®

Advocating for Agriculture

Statement from Indiana Farm Bureau

Testimony presented by Kendell Culp
Vice President, Indiana Farm Bureau; Board of Directors, American Soybean Association; State Representative, Indiana's 16th District

United States House of Representatives
Committee on Small Business

Hearing on Rural Entrepreneurship: Examining the Challenges and State of Rural Small Businesses

Washington, D.C.

July 26, 2023

Chairman Williams, Ranking Member Velázquez, and members of the Committee, good morning and thank you for the opportunity to be here today to discuss the challenges our rural communities and their small businesses face. My name is Kendell Culp and I testify in front of you today as the Vice President of Indiana Farm Bureau. In addition to this role, I serve on the American Soybean Association Board of Directors and have the honor of representing my rural community and Indiana's 16th District as a State Representative.

I live and farm in Rensselaer, Indiana, a rural community of just over six thousand residents at the heart of Jasper County. I farm with my father, my wife Tammy, and my son Brandon. We raise corn, soybeans, beef cattle, and hogs. We also operate Culp Family Farms meat sales and catering service. I've also served on the Jasper County Drainage Board, the Jasper County Economic Development Board, and was elected to serve as a Jasper County Commissioner. I believe I can give a unique perspective on the challenges rural communities are facing through the experience I've gained while serving in these roles.

Key Challenges for rural communities and their small business

1. Planning for the future
   The 2020 Census showed just how dire the situation is in rural America. Across the country, rural communities have seen a decline in population while urban communities and their suburbs have seen growth. According to the 2020 Census, 53% of Indiana's counties lost population. This matches the national average and shows that the decline in population in our rural communities is a problem that must be addressed before we lose rural communities.

2. Access to reliable broadband
   In order to attract small businesses, rural communities need access to reliable broadband. Today, internet access is a must for small businesses, and without a reliable connection they will miss out on the opportunities needed to survive and grow. Additionally, without reliable broadband our rural communities lose access to necessary resources like health care, government services, and education. Current and future generations of rural Americans will be left behind their fellow citizens if they are without affordable, high-speed broadband service that enables them to connect with local small business, health care, educational services, and government agencies. We are pleased to see Congress investing in broadband expansion in rural areas, most recently through the Bipartisan Infrastructure Law of 2021 which will provide Indiana with over $800 million for broadband funding.

3. Attracting and maintaining a strong workforce
   I'm sure this comes as no surprise to this Committee, but workforce challenges are at the forefront of every industry, every community, and every business, big or small. Coupled with a declining population in rural areas, rural workforce issues are compounded, and our small business owners are feeling the brunt of the problem. Jobs can't get filled, shops and restaurants are forced to reduce hours of operation, and small businesses that are so important to rural America are closing for good. We've seen this in Rensselaer, with our local restaurants reducing hours and even going out of business. We must not only retain the workforce we have, but also focus on attracting new workers to live and work in our communities. Fortunately, Indiana and Jasper County have taken several steps to attract and retain our workforce.

- Workforce Development Investment. The Indiana Legislature passed legislation for more workforce development dollars to schools to promote skilled workforce training and allow it to count for school credit. This allows the next generation to train in a profession of their choice and transition directly into the workforce once they've graduated. These are skilled, high paying jobs that often turn into the small businesses that are staples in our towns. As our population ages and our workforce retires, we must ensure we have enough skilled workers to provide the necessary services we all need in the years to come.
- Childcare. Like several counties in Indiana, Jasper County was a childcare desert, and young families were forced to travel more than forty-five minutes away if they needed childcare services. Fortunately, our community has a young family that is passionate about this issue and was willing to go to great lengths to find a solution. With the help of the city government, county government, and local businesses, Appleseed Childhood Education opened its doors earlier this year accommodating over 70 seats for children in the community. Appleseed serves as the model for how a community can pool resources to tackle an issue that will serve their community in the long run.
- Other Quality of Life Amenities. Finally, we must focus on quality-of-life amenities. Along with access to reliable broadband and childcare services, communities must focus on other quality-of-life amenities services in their community. Does the community have a quality school system? Does it have access to healthcare and emergency services? Is there enough housing to match the workforce demand and your planned growth? Does it have the road, water and utility infrastructure necessary to accommodate the residents? All these questions must be addressed to attract and retain the workforce that our communities need.

Rural Development in the 2023 Farm Bill

The rural development title of the farm bill has been included since 1973 and helps rural communities fund broadband investment, improve rural healthcare, and build community and economic development programs, water and wastewater treatment systems, and assistance for rural businesses. The farm bill impacts the well-being of all Americans and while it is not a fix to all the challenges our rural communities are facing, rural development programs are an important tool in the toolbox for communities to use as they plan. I encourage Congress to pass a bipartisan 2023 farm bill on time so that we do not lose access to the programs we depend on.

What can the federal government do?

I consistently hear about the need to simplify the federal grant process. Whether it's a local farmer, a small business owner, or a passionate parent that wants to open a childcare facility, the message is the same. Grant and loan applications are too burdensome for the average small business owner and the process is often too time consuming to make it worth the trouble. Even worse, too often those that could use these grants and loans the most may not even know these resources exist or where to look for assistance.

We must also ensure that the dollars allocated for rural communities are going to serve the communities they were intended to serve. This is not unique to federal government. The Indiana legislature will pass large bills that allocate tax dollars to important services and programs but fail to

ensure the dollars are allocated appropriately. We must all do a better job of ensuring the legislation we pass are serving the communities in need.

Conclusion

Thank you for the opportunity to testify today. Rural communities are the backbone of this nation and open discussions like this will allow us to find solutions to the challenges they face. I greatly appreciate your time and the important work you do as representatives in Congress. I truly love living and working in my rural community and it is my greatest honor to represent my District every day. I look forward to answering your questions and discussing some of the challenges our communities, and their small business, are facing.

Chairman Williams, Ranking Member Gluesenkamp-Perez, I am delighted to stand before you today and share my story. My name is Josh Phillips, and I am the owner and President of Spawn Fly Fish, a thriving fly shop located in Ilwaco, Washington. This quaint town over 2000 miles away embodies the essence of rural America, where challenges are plentiful. However, my company has committed to not only achieving success in our own community but also inspiring success in rural communities nationwide, despite the obstacles we face.

Having grown up visiting Ilwaco my entire life and moving there full time several years ago, I have personally witnessed the struggles endured by its community. Limited housing, scarce job opportunities, and the subsequent talent drain from rural areas are all too familiar to us. Driven to make a difference, I embarked on a journey to bring a growing e-commerce business to Ilwaco, showcasing the power of hard work and determination.

While our venture focuses on fly fishing, it is our unwavering passion for community that has garnered recognition and success in rural America. Recognizing the need for stability in rural communities, I seized the opportunity to create a foundation of support and empowerment using the tools at hand. Spawn Fly Fish was born out of a deep commitment to providing exceptional products and fostering a sense of community among fly fishing enthusiasts.

To ensure the success of our business, we made a commitment to rural America by building a thriving community around our brand through a brick-and-mortar storefront. We understand the significance of supporting local economies and generating job opportunities within our community. By sourcing materials locally and collaborating with other small businesses in the area, we not only bolster the regional economy but also forge strong relationships that contribute to the overall growth and vitality of rural America.

In addition to our dedication to the local community, we are also advocates for environmental sustainability. Recognizing the delicate balance of ecosystems and the importance of preserving the natural resources that enable outdoor recreation, Spawn Fly Fish is dedicated to preservation. We donate a percentage of profits to conservation groups and aim to create lifelong stewards of the environment.

Through our unwavering commitment to our rural community, Spawn Fly Fish has emerged as more than just a thriving business. We have become a beacon of hope, fostering a strong sense of community and inspiring success. Our entrepreneurial spirit exemplifies the resilience and determination that define our great nation, serving as an inspiration for others in rural communities. By demonstrating that success can be achieved outside of urban centers, our small fly shop paves the way for the revitalization of rural economies and the empowerment of local talent.

However, life as a small business owner in a rural community is incredibly challenging. After six years, we are still completely owner-operated without any employees. The lack of available housing makes it difficult for us to attract talented staff, and this housing issue also affects us as owners. To address this, I had to advocate with the city council to allow single-floor occupancy in

the commercial district, enabling one of my partners to move to Ilwaco and help operate our business together.

The obstacles we face go beyond housing. Our financial situation is a constant battle, as rural communities often experience high turnover of businesses and lack local banking options. Securing simple lines of credit and business loans becomes a lengthy and challenging process, forcing us to rely on credit cards for operating expenses.

In addition, essential services such as gas, water, groceries, internet, and health services are all limited and come at a premium cost in rural communities. This further strains our financial resources.

Many rural communities like ours rely on tourism, and many of these communities' tourism opportunities, including ours, involve outdoor recreation. At the forefront of recreation in Ilwaco is fishing. The need for funding and proper management of these fish populations and the watersheds that they live and access to them is vital to our community's survival. Not only are recreational activities like fishing experiencing limitations through shortened seasons, but the places where these actives occur – public lands - is also being restricted. Limited access to public land has becomes more of an obstacle, hindering our ability to fish and recreate in the places we love. When someone visits our community to recreate every single person in this community wins.

Despite all the challenges, we remain committed to the future of rural communities. We understand that if we lose the people who care about these areas, our rural communities will lose their essence and vibrancy. Therefore, we persist in our efforts to overcome these obstacles, seeking solutions and support to ensure the long-term sustainability of our business and the well-being of our community.

In closing, I extend my gratitude to the committee members for your time and consideration. It is an absolute honor to have the opportunity today to share my experience and offer insights into what it takes to build, sustain, and inspire small business success in rural America. I am ready to answer any questions you may have and continue to champion the prosperity of rural communities.

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Chairman Williams
House Committee on Small Business
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Dear Chairman Williams,

Thank you, Chairman Williams, Ranking member Velázquez and all members of the Small Business Committee. It's an honor to sit before you today along-side my fellow witnesses to discuss the challenges rural small business owners face.

In this testimony, I want to share my experiences and thoughts on the current state of rural entrepreneurship and how it pertains to the agriculture industry. Although I will hit on many issues, there are 3 primary areas I will focus on:

1. Challenges for today's small business owners
2. Opportunities that exist
3. Quality of Life for rural America

Background:
In 2010, my wife Janna and I had the opportunity to come to our family farming operation after the passing of my father. At that time, we were 24- and 22-years old farming roughly 1,200 acres around the small town of Lorraine, KS. We took on an aging equipment fleet and had 1 seasonal employee. I worked full time for the National Sorghum Producers and farmed in my free time. That is what it took to make ends meet. Over the course of the next 2 years, we were able to rent more farm ground and I was able to farm full time. Fast forward to today. As I wrap up my 11th year of full-time farming, we now manage roughly 10,000 acres with 6-8 full time employees. Janna, my wife, is co-owner and office manager.

In those 11 years of growth, there were many challenges and success stories. Our businesses growth has been from retiring farmers or relationships built over the years. We own very little ground ourselves, relying on the rental agreements to maintain our farm size and position ourselves for future generations to return to this operation.

Challenges:
There are many Macro and Micro challenges facing today's young farmers. One of the largest challenges facing them is access to capital. Regulations placed on lending institutions make it difficult to access the necessary funding allowing young farmers to plant a crop. With little to no collateral, the ability to borrow is significantly limited. Other resources, such as USDA/FSA loans are great alternatives, but are cumbersome and time consuming. In today's fast changing markets, time is of the essence. Same is the case for rural main street businesses, capital is hard to come by and is very complicated to work through. Most recently, supply chain issues, inflation, regulatory uncertainty and weather have made producing the world's safest and most

affordable food supply difficult. Inflation continues to wreak havoc on equipment purchasing and borrowing. Daily, we struggle procuring parts for equipment and seed/fertilizer for our crops – regardless of the price. More specifically, equipment costs for the operation were up over 12% from late 2021 to early 2023. Seed costs were up 7% from 2022 to 2023. Fertilizer prices have fluctuated from 25% increases to 70% increases. Although prices were up, commodity prices were higher for the 2022 season as well.
The 2022 growing season was extremely dry. We had 33% of our average rainfall and were unable to raise our average production numbers.
To me, it feels some federal regulations are trying to put family farms out of business, while we should be working together to be the world's gold standard in agriculture.
More challenges rural Americans face, not just business owners are: access to health care, quality education, child care, high speed internet access, quality housing – the list goes on.

Opportunities:
There exist great opportunities for entrepreneurs in rural America. The need for main streets to stay vibrant and cater to the local economy remain. We need local businesses where we can shop and socialize without having to travel out of our local community. With the realization that working remotely is more widely accepted, moving to rural areas has become more attractive. The push and implementation of rural broadband access will allow employees to connect with employers regardless of geographical location.
In agriculture, the average age of a U.S. farmer as of the 2017 census is 57.5. The land is not going anywhere and opportunity for young famers is there. Kansas State University's office of Farm and Ranch Transition is helping to link beginning farmers with retiring farmers. This program allows for mentorship while searching for the next generation to farm. It is a one of a kind program providing young entrepreneurs a chance to follow their dreams.

Quality of Rural Life:
Up to this point, we have been proud to say all our full-time employees are long time members of the local community. The wages we pay stay in the local communities. Their children go to or have gone to the local public schools, they shop local, tax dollars stay local, use local medical services and support many local organizations. They are volunteers in their local 4-H clubs, members of the volunteer fire departments and volunteer their time serving others in their churches. Our closest friends are doctors, nurses, school teachers, engineers, work in the technology sector, veterinarians, bankers, coaches, restaurant owners, neighboring farmers, etc. They have all chosen to live in rural America and are doing their part to make sure it thrives. They are the epidemy of what makes rural communities great.

Our county, Rice County, has a population of roughly 9,400 people as of the July 1, 2022 census estimate and 4 stop lights. We are a rural community and economy. Small businesses, including farmers, are rural entrepreneurs that are the backbone of our community and what allow us to thrive.

Again, thank you for inviting me to share with the committee. I look forward to answering any questions and to be a resource in further policy discussion.

Regards,
Matt Splitter



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

July 25, 2023

THE HONORABLE JAMES MOYLAN
Member of Congress
United States House of Representatives
1628 Longworth House Office Building
Washington, DC 20515

Re: Small Business Concerns

Hafa Adai Congressman Moylan,

We appreciate the opportunity to provide our comments on issues that encumber our local small businesses. Our small businesses have been vital to our communities across the nation, contributing to our economy and supporting a strong local workforce. Guam, in our unique corner of the world, is not exempt from the challenges that small businesses across the nation currently face. Many of these concerns include workforce and supply shortages, government regulatory issues, inflation, and taxes.

Additionally, local small businesses contend with the following challenges:

- The cost of shipping to Guam is very high.
  - This is related to the high cost of fuel and the geographic location of our island. Guam does not have an export industry that supports outbound shipping services.
  - Guam still has limited air freight capacity. The island air arrival and departures are picking up somewhat but are nowhere near the levels it was prior to March 2020.
  - Courier service to Guam is costly as Guam is not considered domestic although it is a territory of the United States. The U.S. Postal Service considers Guam domestic.
- Access to Capitol
  - Most small business owners tap into their personal savings and assets to start their businesses and often don't have the additional means to secure loans. The current high-interest rates are another inhibiting factor.
  - There are limited government programs to support small businesses. The U.S. Small Business Administration should consider assisting Guam's office (which currently has one person) to be accessible for face-to-face meetings, phone calls, and more to determine business capital solutions that best fit each company.
  - Applying for government grants or government bids is time-consuming and burdensome even with the assistance of the local SBDC and PTAC advisors. The federal government assumes that all small businesses have access to fast and efficient wifi networks. There additionally seems to be little flexibility if a company makes a mistake registering their business online or would like to make a change to their online profile.

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- The cost of doing business has risen exponentially.
  - As noted above, workforce shortage, taxes, cost of goods, availability of products, and government regulations all contribute to the cost of doing business. We have additionally seen the rise in the cost of fuel and power over the past few years contribute to the list.

Our island has the added burden of local regulatory issues that the Chamber continues to address with our local government agencies.

Any support from the Committee in addressing the issues that impede the ability of our national and territorial small businesses to provide goods and services, employ our people, and pay their fair share of taxes would be most appreciated. *Si Yu'os Ma'åse.*

Sincerely,

CATHERINE CASTRO
President

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July 26, 2023

Mr. Chairman and Members of the House Committee on Small Business,

Thank you for the opportunity to share this testimony with you. My name is Lisa Smith, and I am the Executive Director of the Washington State Microenterprise Association (WSMA). Since 2004, WSMA has been a leader in strengthening small businesses in Washington state by supporting nonprofit microenterprise development organizations, often referred to as entrepreneurial support organizations (ESOs), that provide quality business services to companies with 5 or fewer employees in every one of the 39 counties in Washington State.

I have been asked to share our insights on the rural small business support ecosystem in Washington and our perspectives on working with federal agencies. I will also share some of the concerns we have learned from our partners and businesses that are impacting rural enterprises with lending, broadband, clean water, labor, and other critical issues.

WSMA Role in the Rural Small Business to Support Ecosystem

WSMA supports nonprofit organizations (ESOs) that provide business training, technical assistance, and microloans to the smallest businesses in WA to help them become stable and grow. WSMA has developed a culture of collaboration among federal, state, regional and local partners to work together by offering technical training programs, grantmaking, and resource coordination. Our organization works with over 120 nonprofit, public, and academic ESO partners that are helping small businesses start, grow, and expand their small enterprises. We have dedicated much of our programming to support rural and other historically marginalized communities through the power of entrepreneurship, to strengthen rural communities.

Rural Small Business Support Ecosystem

One of the most important services WSMA provides rural businesses is resource coordination through Evergreen BizLink. We launched this platform in May of 2022, and we are in the early stages of its development. **Evergreen BizLink**, powered by WSMA, streamlines access to vital business, workforce and financing resources 24/7 at the click of a button. This digital platform bridges the economic divide for many rural, veteran, women, LGBTQ+, Black, Indigenous and People of Color, because business technical assistance is tailored to meet their unique business needs and strengths. The

business owner initiates their search based on where they are located, the stage of their business, their size, their industry, their preferred language, the type of support needed (business planning, technical assistance, tax credits, marketing, financing, etc.) and other factors. The search instantly provides referrals to public, nonprofit and academic partners with whom the entrepreneur can reach to begin building a relationship. The value of this online resource is based on the quality of relationships with the partners on the platform. This effort would not be possible without our collaboration with the WA State Department of Commerce and the Small Business Administration (SBA), WA State Small Business Development Centers (SBDC), Washington Economic Development Association (WEDA), Minority Business Development Agency (MBDA) and Washington Main Street.

Federal Agencies

WSMA continues to develop critically important relationships with representatives from federal agencies, including the Small Business Administration (SBA), United States Department of Agriculture (USDA), the Department of Veteran Affairs (DVA), Economic Development Administration (EDA) and Housing and Urban Development (HUD) to increase awareness among our nonprofit partners about federal programs designed to help support businesses in their network. This has enabled WSMA to help our nonprofit partners understand federal funding opportunities, new regulations, regional economic development strategies, and business resource networks. We work more closely with some agencies than with others, but each of these federal partners has vital programs that assist businesses on the ground in rural and urban communities with loans, export opportunities, grants, technical assistance and more. We are grateful to members of our congressional delegation who have worked with us to strengthen these relationships in our state. WSMA also works together with state agency counterparts, like the Department of Commerce, Department of Veterans Affairs and Economic Development Districts to collaborate on regional and state initiatives and to problem-solve issues that microenterprises are facing in their small rural enterprises.

Critical Issues Facing Small Businesses In Rural Communities

The main issues we see on the ground in rural Washington that affect small businesses concern lending, broadband, clean water, labor, housing, childcare and limited access to business services. We work closely with our partners to help bridge some of these gaps, but there is much work ahead. We are also not experts in these areas and are only sharing our brief perspectives in this limited format as an overview.

Small Business Lending - Borrowing has not been easy for very small businesses because of lending practices requiring companies to have documents in place to show their capacity to pay back a loan. Financial institutions have established expectations relating to bank statements, business plans, and other documentation which many small and rural businesses may lack. In 2022, SCORE (Service Corps of Retired Executives) cited a report stating that nearly half of the loan requests in rural communities were denied, many due to this lack of documentation. However, in addition to high interest rates and poor credit history and lack of paperwork, rural businesses also face a lack of local

banks in their area from which to seek financing. One innovative strategy of how small communities have been able to innovate is through Local Investment Networks. This initiative is a collaboration of the Association of Washington Cities (AWC), Washington State University (WSU) and WSMA to bring financing opportunities to small rural businesses through local investment. Here is a webinar Keeping Rural On The Radar Webinar: Investing in Small Businesses WSMA hosted in April 2023 featuring Local Investment Networks that are investing in rural businesses. All types of lending is more effective when rural business owners can overcome barriers to accessing financing with business training and support.

Broadband - There is a hard-working owner of a very small business who has to drive 40-60 miles to a local library to use the internet to download orders each day. She then needed to drive back to the library the next morning to send emails updating customers on their purchases. Small rural businesses must be able to get their goods and services to their local markets or sell them online, or both. Without accessible, quality broadband, reaching online markets is not possible. Although Washington has made gains in rural broadband and some new funding has become available to support access, there are significant service gaps in the state. Rural businesses have few options for launching or growing their small business effectively if they lack reliable, quality internet services. WSMA has worked closely with the Washington State Department of Commerce to raise awareness about available broadband. We have far to go before companies can conduct business with local, state, or global markets from wherever they are based.

Clean Water - In Washington state we are fortunate to have abundant clean water for irrigation, manufacturing, transportation, and residential use. However, we also have significant challenges with contaminated pipes as well as stormwater runoff in our urban centers that are impacting clean water. All business owners need clean water to grow their crops, process their food-based products, and other commodities. In rural communities, runoff from farms is impacting our waterways. According to the Washington State Department of Ecology, more than 2,000 polluted waters are listed in areas where agriculture is the primary land use activity. Small businesses in rural areas of WA must have clean water to operate their businesses and also be good stewards of this valuable resource.

Labor - There are labor shortages in Washington, from the fields to small towns and there are a range of labor shortages in rural WA. Farmers and ranchers struggle to find people to harvest and process the food and healthcare facilities are challenged to find trained providers at wages that are competitive enough to retain them. But we also know that because of the explosion of remote work and other trends, new gaps in labor have been widening in the skilled workforce. According to a recent Western Governors University (WGU) study. "...almost 9% of positions in these rural regions seek a candidate with computer science skills but less than 1% of profiles from rural talent list this as a skill." Many rural small businesses simply don't have a large labor pool to draw from and must adapt with employees who are nearby or find creative but often expensive solutions to address their long-term needs. For example, one rural community launched their own transportation service that picks up employees from their homes as far away as 30-50 miles to bring them to work and back home each day.

Housing - One of the challenges with housing in rural communities is that there isn't enough housing stock. The current supply of housing is often too expensive and because of inflation, buildings are too expensive for new construction. It is hard to provide even the most basic functions such as hospitals, schools, or businesses, due to the lack of housing for new employees. USDA has programs for new construction, solar, and other rural based funding and WSMA is working with other partners on the ground to help local construction companies with financing and business technical assistance so they can hire more workers and grow their companies to build homes where they are located. Other partners are working with construction companies to integrate resilient design into their plans to respond to the impacts of the changing climate.

Childcare - Like housing, there are so few childcare slots in rural communities that many parents aren't able to enter the labor force. The childcare spaces that are available cost so much it can cost more than the salary that the job will bring in. One example of a functioning ecosystem is an initiative WSMA funded to support a new childcare center in a very remote community that was a collaboration of a child care technical assistance provider, local school, and an economic development organization. This ESO worked with a local school district to secure a dedicated space in a local school with reduced rent, provided training for a local childcare center to write a business plan, and offered training and technical assistance to get licensed, which in turn opened childcare slots for school district staff and the rural community. This is the kind of innovation that is possible when funding is available to support ESOs to help small businesses start and grow locally.

Access to Business Services - When a business has its financial and operational house in order, it is ready for opportunity. Many rural businesses, however, have received little or no relevant business support because of their location, their size, language barriers, lack of availability, high costs or inadequate resources. During the pandemic, significant barriers to accessing business support services were revealed, especially for rural and historically marginalized entrepreneurs. Businesses that didn't have a business or contingency plan couldn't pivot after the government shutdown. Those entrepreneurs who couldn't produce their financials were not eligible for PPP loans and other funding. These barriers still exist. Furthermore, ESOs received very limited support prior to the pandemic and are still underfunded, even though support has slowly grown in recent years. Many small rural service organizations are doing their best to knit together support for small businesses to reach new markets, access financing and other business resources so they are able to compete and become viable. These types of business services are so important and WSMA is working to be a partner and offer on the ground solutions to increase access for these very small businesses in rural Washington.

What Works

More dedicated investment is needed for microenterprise development because it works. Thanks to funding from the Washington State Legislature in collaboration with the Department of Commerce, WSMA was able to fund $2.3 million in January 2023 to nonprofit organizations that provide business resources, financing, and much more to companies with five or fewer employees. Yet, this funding

only covered 43% of the requested funds. Of the 68 organizations WSMA funded, 26% of the funds went to organizations supporting rural entrepreneurs but more support is deeply needed. Overall, WSMA grant funds this year enabled ESOs to provide top drawer, business training, technical assistance, and financing to over 5,000 businesses throughout Washington. They were able to assist entrepreneurs write a business plan, understand cash flow projections, learn marketing tools, strengthen their operations, access financing and develop other critical business skills so that businesses can thrive.

We are inspired to work with our federal partners and others to build the rural business services ecosystem in Washington state to reach and serve the smallest businesses. As a result, when a company is ready to grow to the next stage, our ESO partners help the business owner make the connection to SBA partners, Small Business Development Centers (SBDCs) and microlenders. As that business grows the SBDCs are there to make connections to the county economic development council, port or regional EDA funded economic development district to help that business expand. We look forward to continuing our support of rural entrepreneurs into the future. The quality and depth of the relationships on the ground matter deeply, and we work very hard to keep these relationships current and relevant.

All of these critical issues impact the success of the small rural businesses in our state. We have provided examples of collaboration among federal and local partners to solve problems on the ground. We've shared innovative strategies that bridge the gap between the business owner and the support they need to grow their business. Rural businesses face an uphill battle to operate their companies, reach new markets and expand and with additional federal investment, so much more could be possible.

Thank you for this opportunity to present this testimony. Please let me know if I can be of service to this committee in your work ahead.

Sincerely,

Lisa Smith

Lisa Smith
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July 21, 2023

Chairman Roger Williams
House Committee on Small Business
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Ranking Member Nydia Velázquez
House Committee on Small Business
2069 Rayburn House Office Building
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Dear Chairman Rogers, Ranking Member Velázquez, and members of the House Committee on Small Business,

Thank you for your commitment to exploring the challenges faced by entrepreneurs and identifying policy solutions to enable small businesses and startups to thrive. I am the founder and CEO of AcreTrader, a Fayetteville, Arkansas-based platform that enables clients to invest in farmland, providing investors with strong returns and farmers with the capital they need to expand their farms. I am grateful for the opportunity to provide feedback in advance of the committee's upcoming hearing on rural entrepreneurship and the challenges faced by rural small businesses.

As a startup founder located in a predominantly rural state that works to support farmers across the country, I understand the barriers rural and rural adjacent startups face. In many respects, rural startups are similar to those located in large cities and in tech hubs—we all need access to capital to fuel our growth, access to talent to develop our product and build out our teams, and access to a strong support network for mentorship and guidance within the startup ecosystem. While we share these common needs, raising capital, building teams and finding support are significantly more challenging for rural founders. Without support from policymakers, the ability of rural entrepreneurs to expand their businesses and serve as job creators is significantly slowed.

According to the Center on Rural Innovation, less than 1 percent of venture capital is directed to rural startups.[1] And research has shown that institutional investors, like angel investors, are more likely to direct funds to businesses in communities located in areas where they have social ties, furthering the concentration of startups in large metropolitan areas.[2] While many rural founders may rely on personal capital to initially build their companies, this is often out of obligation. And the decline in community banks, on which many rural entrepreneurs rely, only further exacerbates capital access issues.[3] Rural founders need better access to capital, particularly to early stage investment opportunities, so that we can continue to drive our local and regional economies.

Improving the ability of rural founders to access angel investment is critical for rural entrepreneurial growth, because rural startups simply do not have access to the same angel

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[1] *The Power of Capital in Rural Entrepreneurship*, Center on Rural Innovation (Sept. 22, 2020), https://ruralinnovation.us/blog/access-to-capital/.
[2] Tim Sablik, *Growing Rural America Through Startups*, Federal Reserve Bank of Richmond (2022), https://www.richmondfed.org/publications/research/econ_focus/2022/q1_feature_2.
[3] Chad Brooks, *Rural Small Businesses Hurt by Decline of Local Banks* (March 23, 2016), https://www.foxbusiness.com/features/rural-small-businesses-hurt-by-decline-of-local-banks.

networks as many of our urban counterparts. And roadblocks stand in the way—the current definition of an accredited investor is too restrictive, with needlessly high financial thresholds that don't account for cost of living and limit the ability of many Americans, including rural Americans, to become investors and build generational wealth.

Policymakers also do not take enough steps to incentivize angel investment. In Arkansas we have a program through the Arkansas Economic Development Commission called equity investment tax credits to incentivize angel investment in early stage businesses. This program has without a doubt led to AcreTrader raising more funds than we otherwise would have and has helped our growth trajectory and boosted our hiring. We've benefited, our investors have benefitted, and the state of Arkansas has benefitted, because we now have more people on staff paying state income taxes. But there are few incentives for angel investors at the federal level. Policymakers should examine successful state programs and work to implement incentives at the federal level so that more people choose to become angel investors.

Accessing talent is also more challenging as a rural founder. While the cost of living in rural areas is lower, the talent pool is also smaller. But building out a strong tech workforce is transformational for regional economies.[4] Studies show that each tech job leads to the creation of three to five additional jobs.[5] But software engineering talent is in short supply across the U.S. startup ecosystem. This is especially true in rural areas with smaller populations. Our local universities are also not able to produce enough STEM talent to meet the demand. Policymakers should explore all avenues for boosting the availability of STEM talent and examine how to direct more talent to rural communities. According to the Center on Rural Innovation, the most significant barriers to training tech talent are cost and the time commitment.[6] Looking at providing more resources for training to ease these burdens, including more support for STEM education programs in universities that serve rural areas as well as non-degree training programs is one option.

Finally, all entrepreneurs benefit from robust networks of support, including access to incubator and accelerator programs that provide guidance, networking, educational opportunities, and at times financial support to growing startups. Many of these support organizations have a smaller presence in rural communities. While Northwest Arkansas has seen some development with respect to entrepreneurial support organizations like Startup Junkie and Techstars, continued federal support for innovation ecosystems, including incentivizing the establishment of more ESOs, would help to build out rural startup ecosystems and help startups thrive and and remain in their rural communities. As a founder who previously lived in San Francisco and returned home to Arkansas to launch a company, more support within our community to connect entrepreneurs with resources, funding opportunities, and talent is instrumental in bringing entrepreneurs home.

Thank you again for your attention to identifying and surmounting the barriers faced by rural entrepreneurs. Investing in rural entrepreneurship helps to create jobs, boosts local and

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[4] Rebekah Collinsworth, *Rural Communities Unlocking Millions to Support Tech Innovation and Entrepreneurship through Federal Grant Program* (Oct. 14, 2022), https://www.prnewswire.com/news-releases/rural-communities-unlocking-millions-to-support-tech-innovation-and-entrepreneurship-through-federal-grant-program-301649295.html.

[5] *Id.*

[6] *Rural America's Tech Employment Landscape*, Center on Rural Innovation (May 9, 2022), https://ruralinnovation.us/resources/reports/report-rural-americas-tech-employment-landscape/.

regional economies, supports our communities, and increases innovation. I look forward to hearing from policymakers about how the federal government can support rural startup ecosystems and small businesses.

Sincerely,

Carter Malloy
Founder & CEO
AcreTrader

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