

Big Government and Small Business: The Effect of Federal Policy on Job Creation

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[Elisabeth Meinecke](#)

Posted: Apr 30, 2011 12:01 AM

The Poor Are Not Poor Because the Rich Are Rich

At a recent stop by the Small Business Administration's Jobs Act tour in Washington, D.C., small business owners seemed divided about the effects federal policy is having on their companies.

"Government is getting too big," said attendee Pennie Drinkard, president of Advanced Visions Systems Inc., an engineering and technical services company. "Giving more jobs to the government, government employees, instead of contracting things out, makes it very difficult for small businesses, because the government continues to expand. We lose people because they go to work for the government because it's secure. ... That's hurtful when the government continues to hire people and expand. That's hurtful for small business."

Drinkard said she's sat on a line of credit that's 100 percent guaranteed by the government for some time but has not used it because she feels it's too risky. One key component of the SBA program is helping facilitate loans by lenders to small businesses and providing a government guarantee on those loans. However, with the U.S. government getting dangerously close to defaulting on its own debt ceiling limit, the question remains whether that would create uncertainty with government-guaranteed loans. A spokesman for PNC Bank said that the bank does foresee a strong partnership with small businesses regardless of the U.S. decision on the debt limit, although that is no indication on whether the partnership will or will not happen through government-backed loans.

SBA administrator Karen Mills, has said, however, that small business owners have not been expressing that concern to her over the agency's thirteen-city tour (D.C. is the ninth stop).

"I'm not hearing that – I am hearing from small business owners that they want government to be paying attention to the economy and those things that create jobs, and they want to make sure that we keep our fiscal house in order, that we tighten our belts...and then at the same time, we remember how to support them in cost-effective ways," Mills said. "Small business owners right now are experiencing a good amount of momentum from recovery. Two years ago, they were worried. They need[ed] a loan to stay in business. But right now, they are saying, "I need a loan, I need a government contract – I need something to help me because I'm going to take this next order and hire some new people."

Mills said that's why last year's Jobs Act is so important. It provided increased lending support and included 17 tax cuts for small businesses, although it also contained a \$30 billion small business lending fund "bailout" that gave money to banks with incentives to increase small business lending.

Karen Yoho, who attended the SBA event in D.C., said her husband is interested in her taking more ownership of his small business, Yoho Electrical Services, because there are more advantages for women-owned businesses. SBA, in fact, has recently authorized the Women-Owned Small Business Federal Contract program to permit contracting officers to "set aside certain federal contracts" for eligible women-owned small businesses.

As of yet, her husband's company has not done any government work, because they have been turned off by the paperwork, although there's the assurance the money is there. The company has been in business for five years. Previously, her husband worked for his father, also a business owner.

Drinkard said her business had yet to benefit from the Small Business Jobs Act, but that was part of the reason she was in attendance at the tour stop in D.C. The tour is aimed at letting small business owners know what tools are available to them through the Small Business Jobs Act, and it's also a chance to receive feedback and suggestions for improvements. The SBA provides services to small businesses that usually fall under three categories: capital, contracting, and counseling.

Yoho, who dropped to being part-time schoolteacher so that she can spend more time with her husband's business, said she's okay with, although not excited about, the president's plan that would increase taxes on those making over \$250,000, which probably encompasses small businesses, although she said she doesn't think Republicans get it when it right now when it comes to small businesses.

James Geehan, a program manager at L.A. Systems, said it probably would be a concern for the company if there were an increase in taxes on income over \$250,000 that would hit small businesses.

"As a worker, it's not my concern, but I don't think my boss/owner would be happy about that," said Geehan, who has been with the company, founded in 1982, for 15 years. "It's hard to eek out a profit when you don't have huge amounts of income coming in."

Geehan said the business has been able to weather the economic storm pretty well thanks to long-term contracts, but they are concerned about the future, when the contracts start to fall to the side. He does believe the debt ceiling needs to be raised, but just to give enough room to pass legislation to start eliminating the debt.

He also said he's been encouraged with what he's been hearing regarding the Jobs Act, provided the rhetoric is followed through with actions.

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