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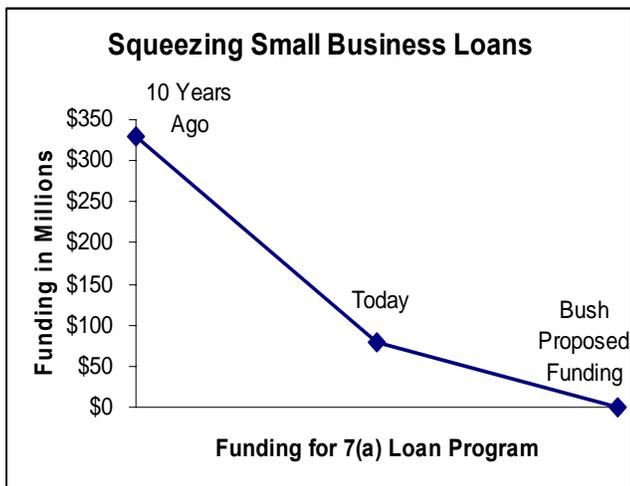
Small Business & the Middle Class Squeeze

► **Summary:** America's small businesses are key to preserving a strong middle class. Yet rising health care costs and increasing interest rates are putting a squeeze on small business growth. To make matters worse, President Bush and congressional Republicans have proposed eliminating loan programs that give entrepreneurs access to capital.

Small businesses are a critical engine in our economy. The 23 million small businesses across the United States create three out of every four new jobs here. According to the most recent data available, about 14 percent of American households own a business. In 1997 – the most recent year for which the Census Bureau has data – nearly three-quarters of home-based American small businesses had revenues of \$25,000 or less per year.

Yet today's economy is squeezing many small business owners. For example, firms with between three and 199 workers saw their healthcare premiums rise by an average of 15.5 percent last year, compared with the already high 13 percent increase among larger employers, according to the Kaiser Family Foundation.

Moreover, as interest rates rise, entrepreneurs and small business owners are paying more for capital to start or expand their businesses.



Despite the increasing pressures small businesses face in our changing economy, the **Bush Administration and Republicans in Congress have proposed cutting programs that support small business**, including the 7(a) program, the Small Business Administration's largest loan program, to pay for multi-million dollar tax breaks for big business. Eliminating the 7(a) program could have a devastating impact on middle class families. In 2000, SBA-backed loans helped more than 3,200 Hispanic businesses get up and running. Voting against the Administration, a bipartisan majority led by Democratic Leader Nancy Pelosi in the House of Representatives voted just this week to restore funding for this key program. The Bush budget also proposed to cut funding for rural small business grants by 16 percent. Last year, this program provided grants to 515

small businesses in all 50 states. While the highly partisan National Federation of Independent Businesses often lobbies against Democrats, many business owners may not realize that Republican policies are working against them.

Small businesses and middle class families need tax relief to help keep jobs in the U.S., like a 50 percent tax credit for small businesses to help defray their health care costs. They need ready access to loans and streamlined regulations to reduce the cost and hassles of paperwork. And they need sound fiscal policy, since record deficits put upward pressure on interest rates and raise the cost of capital for small businesses.

There's a lot Congress could do for small businesses, but right now they are just getting the squeeze.

Each week, the **Middle Class Squeeze** looks at different aspects of how Bush Administration and congressional policies are failing the middle class. For more information, please call 202-225-2095 or visit www.house.gov/georgemiller.

Feeling squeezed? Send us an email about it: middleclasssqueeze@mail.house.gov