

June 18th, 2018

To the members of the Small Business Committee and other interested parties:

Thank you for your interest in our region. I believe this inquiry is very timely. Western Kentucky has been slow to grow over the years. Many of the region's larger employers have reduced jobs and some plants have ceased operations altogether. There has been a fear for what that will mean to our region for years.

However, there is a mounting enthusiasm and excitement for the creativity that has swelled to relevance in Paducah and surrounding areas through small business growth in recent years. It is momentum that can forever change the landscape of our local economies and have a lasting impact on our region...or it can be abused and squandered through lip service of support and accompanied cash grabs.

I really don't even know if I'm supposed to be celebrating the "wins" in our region, or pointing out where help may be needed. What I want to see is a booming economy with small businesses opening and flourishing, increasing the draw to the area for visitors and residents alike.

Over the past 5 and a half years, my wife and I have worked on a project that really depicts what makes small business success so difficult, and that those "supporting" are often times the ones who are guaranteeing limitations on levels of success and achievement (Lenders and Government).

I refuse to accept "no" for an answer even after hearing it continuously for years, and "give up" is not in my nature. We took a building that was deemed a liability of no use and slated for demolition, and put it back to its former grandeur. With that, we saw the opportunity to better showcase and promote some creative people and their businesses in higher visibility that might help them, us, and the attractiveness of our community. We have been celebrated locally and regionally, and featured in publications across the state and country. Our Economic Development group won an international award due to this small business undertaking. We have been awarded state preservation awards. We, and the tenants in The Coke Plant, employ many talented folks and are involved in countless collaborative activities with area businesses and non-profits. Why was something this appreciated not easy to achieve? Answer: Imposed limitations by people doing a job that aren't empowered to do anything "risky", which really translates to anything—"new, creative, innovative, or a change creator". The only risky thing that I see here is if they would have imposed enough of their fear and small thinking onto our project to change the outcome to one of failure.

There have been some helpful contributors throughout this process (thank you to partners and supporters), no doubt, but understand that it took everything we had to get it to go (not just financially). This was an absolute gut-wrenching sacrifice that our family had to endure. Why? There were far more challenges than necessary to make this celebrated thing come to fruition. Why? Why is the climb so steep to get a small business around all the naysayers and powers-that-be that control one's ability to get open and operating successfully? Why is the immediate tax burden so high? Are governing bodies so short-sighted that they want to grab all they can right out of the gate rather than foster prosperity for the business so that it can yield many magnitudes greater reward down the road than the cash grab up front (followed by yet another vacant storefront and then their questioning as to why)?

The Affordable Care Act impacts restaurant owners in a way that I do not believe was intended. Obamacare was set up to waive small businesses from penalty. Well, the criteria is confusing and no one is an expert on the subject except the insurance companies (maybe). Seeking advice on if you need more insurance from an insurance company is like going onto a car lot and asking if it is time to buy a new car. All businesses owned by someone pool together for the Obamacare calculation and restaurants are very personnel heavy. It is not difficult to get to 50 full time equivalents as a restaurateur and be penalized heavily by the government. Does that make you a big business? I certainly do not believe so. Does this discourage hiring, expanding, opening/owning additional businesses? I certainly believe so.

We have earned federal historic tax credits through the extensive costs of proper historic preservation. The tax credits are appreciated and significant and would be very beneficial in assisting with cost reduction of startup, but, unlike the KY state historic tax credits, the federal tax credits are not refundable and can only be used against passive income. We have active income that applying this credit towards would benefit our situation greatly, but it appears it only applies toward passive income. This is after consultation with accountants and experts on historic preservation at the state and federal levels. Despite the belief by some that it is intended to and can be used on active income, we have reached no such definitive path to applying these credits in any manner, despite some exhaustive effort. If these tax credits had immediate value to our situation, we would already be undertaking preservation of another historic building we own. As it stands, it is not currently financially feasible.

We applied for an SBA loan, during this process, for one of our businesses in The Coke Plant and after all the extensive red tape of the application and the obligatory begging process, they said "yes" for 7 months then said "no". All that time wasting runaround did was increase the challenge and decrease the time available to achieving a baseline of success to avoid foreclosure, bankruptcy, and making the naysayers right. And it wasn't easy. It should have been, but I'm okay that it wasn't. I was determined to never quit and I knew we would make it work. I'm not sure that everyone would have...I can say with all likelihood that very, very few would have.

This celebrated landmark that has become a blueprint for growth in other communities and brought good things to our community, should not have been able to happen. It is not necessarily because I'm good at anything. It is because I don't know when to quit and I believed in what we were doing. But, people who are conditioned to quit during tremendous adversity, have zero chance...hence high small business failure rates, foreclosure rates, bankruptcy rates...and then the subsequent tightened lending principles mandated by the federal government come as a result of the failures of "under capitalized" businesses. It's kind of cyclical...if governments would lower the take from the business owner in the first place, fewer would be operating short of funds. There would be more happy stories and fewer bankruptcies, and less need for all the mandated red tape that slows growth to a crawl when approaching lenders. We told everyone what was going to happen in this building 5 and a half years ago. They thought we were crazy, but we did it, despite the unnecessary roadblocks. There is no reason it should have taken over 5 years to get to this point. There are likely many, many more success stories that were stopped short, due to all the wrong reasons.

Small business success needs to be available to the many, not to the few. It needs to be achieved with reasonable effort and commitment to necessary challenges with limited bureaucratic imposed barriers. It will be good for all!

The Small Business Development Center at Murray State is great. Chris Wooldridge has been very helpful. However, his office and others in the region are underfunded and spread thin, and the Paducah location of the KY Innovation Network was disbanded recently. Also, the focus for most small business services is getting you open, not helping with keeping costs down through services offered once a business is operational. The Forward Paducah initiative through Paducah Economic Development is a great vision and roadmap for this region. I believe EntrePaducah is back in action, getting people with an idea pointed in the right direction. There is a non-profit maker space, Sprocket, where budding entrepreneurs can gain access to some advanced technology and training. Our visitor's bureau is a tremendous asset and promotor of creative offerings in our area. But I think more is needed to raise the level of expected small business growth in this relatively rural region.

What will make small businesses more successful or more small businesses succeed?

Lower costs. Lower payments to governing bodies and fewer mandates...OR...real access to real value provided from those governing bodies.

If someone has a talent and a business is needed to showcase and present their talent for a living, they first need to abandon all focus on their skill—the reason for opening their business—and become a jack of all trades; Accounting, marketing, bookkeeping, legal, HR, hiring, etc. While trying to open the business, attract customers, compete with larger companies, they also must learn how to perform PROFESSIONAL level services that one may have little interest or aptitude for...or...hire an accountant, a bookkeeper, a payroll clerk, an attorney, etc, which would make paying the many tax bills that much more difficult. Obviously this is a known battle that small businesses have to account for, but all this could be outsourced or handled adequately in-house if federal, state, and local governments were not showing up at the ribbon-cutting with palms extended. There will be jobs. There will be increased values when fewer commercial locations are vacant, there will be growth. With growth comes money, but there is no growth when the doors are shuttered due to an inability to keep up with tax burdens, licensing fees, ridiculous (unnecessary) increases in costs of construction/improvement associated with code interpretation (with no means to challenge/question costly opinions of inspectors), etc. If you want people to step out and step up to grow and change areas, let it happen. Aid it if you will, but just allowing more money to stay in the hands of those driving change and starting businesses will allow for more growth to occur.

We have a chance to foster real growth in our region, but asking a professional artist to stop painting to learn tax law and marketing is limiting, no?

One of our small businesses is a brewery. We own a brewery and a restaurant under the same roof. The restaurant sells the beer that is brewed by the brewery. The 3-tier system in Kentucky prevents self-distribution, and therefore prevents direct sale and transfer of the beer 60 feet from one cooler to another. Instead, we are mandated by KY state law to use a distributor and that distributor must transfer our beer over 250 miles to Hebron, KY where it must sit for 24 hours in a bonded cooler before traveling the return trip of 250 miles back to Paducah, KY to the same building where it was brewed and where it was mandated by law to have left the day before. This is not environmentally friendly. This drives up costs for the small business. This potentially diminishes product quality, and it most certainly is an unnecessary inefficiency that is felt by buyer and seller (both of which are me and my wife). This is a state law, but this state law is hurting small businesses, none-the-less.

We did something that was very difficult. Now it's a gem. Now it's the city and state and federal government's cash cow...and that limits our growth and hiring.

Having free or reduced access to bookkeepers, accountants, attorneys, marketing firms, human resources services, hiring agencies...that would be real help to improving success rates of small businesses. Or, better yet, just let small businesses keep more of the money that they are working hard for. Most will be immediately returned to the economy by easing the burdens that restrict growth.

If the cost of doing business is less, more will be able to successfully operate a business while providing an adequate living to their family and those that they employ. Fewer vacant buildings will strengthen real estate markets. More jobs and more offerings and strong economies will attract additional residents and businesses. This is all known. This is all very obvious. Why aren't we doing it?

I mean no disrespect to any individual or specific business or organization. I appreciate the willingness of Mr. Comer and the other members of the Small Business Committee to be inviting feedback in this manner, here today. I know there is some oversimplification of complex issues that might intertwine with commitments to other stakeholders (other than small business owners), but I am hopeful that consideration will be given to the further reduction of burdens placed on the shoulders of the American small business owner. Small businesses don't have lobbyists. We appreciate opportunities, such as these, to voice concerns. Thank you all for your invitation, time, and attention.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. C. Musselman', written in a cursive style.

Edward C. Musselman, small business owner