

Statement for the Record

Before the Senate Committee on Small Business and Entrepreneurship

Hearing Entitled:

“Examining Access to Capital and Other Headwinds to Entrepreneurship”

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I would like to start by thanking Chairman Vitter, Senator Fischer, and the other members of the Committee for inviting me to testify today.

The only job I’ve had in my adult life is that of entrepreneur. I started my first company, a brand and sales strategy firm, while I was a senior in college at the University of Nebraska. Much to the bemusement of my father, I believed I could do what I thought my bosses at my college jobs did. How hard could it be, right?

So, I confidently waded in.

Ten years later I sold that business. In the process I learned every lesson the hard way. I rounded my first year’s taxes to the closest dollar; hired too fast; fired too slow; and spent my twenties getting a sound education in what doesn’t work. Startup humbled me. But, I made it. And making it takes grit.

I’ve read many of the written testimonies you’ve received as part of hearings like this. You have better data than do I, and smarter people than me who can get you more.

What I missed while reading other reports is what I consider the heart of entrepreneurship. The profit and loss statement every small business owner obsesses over has been for me, the ultimate teacher of accountability and initiative. Our country sorely needs more of both.

Eli and Lisa Santana own a restaurant here in Lincoln, called Pancho Villa. It happens to be my recommendation if you’re looking for a local spot after this hearing. The husband and wife team are parents of four. They moved away from their home Arizona to raise their family in a place they felt would be safer, and perhaps less competitive than their previous stop. It’s my favorite place to eat, and I think their story exemplifies the importance of entrepreneurship.

Many nights in years past my wife and I would stop by for dinner and chat with their kids, all of whom have spent countless nights in the restaurant helping, and probably annoying their parents. But things have changed for the Santana family. Lisa has been sick. She’s had four heart surgeries in the past year. She can’t work like she once did – some days she can’t even get out of bed. With no family in the region, in a country that often marginalizes their heritage, in a

second language, in a non-descript location, in a tired strip mall in North Lincoln Eli and Lisa battle on.

Lately, Eli's taken up the slack. We'd never spent much time with him in previous trips. Now, he's running the business, waiting tables, cooking, cleaning and more. He's doing what it takes. Eli and Lisa are accountable for themselves and their family. And their incentive is the dream our country promises the world. They are accountable to their vendors, debtors, employees and customers. Their incentive is the hope that one day they can bottle their green salsa, or open a second location.

In my estimation Eli and Lisa are why entrepreneurship matters. They're why news of business formation declines is so scary. For them, a great restaurant is a moon shot. In them the American Dream is alive and well.

I believe Eli, Lisa, and entrepreneurs everywhere need less intervention and more celebration from our government. Small businesses, especially growth businesses are your most important customers. The entrepreneurs that start them are the most important catalysts to every part of our economy; local, regional and national.

My newest startup is a growth company called Powderhook. We're working to get more people outdoors more often. The mission of our organization is "access for all," which means to me that regardless of who you are, what you look like, how much money you have, or where you live, you should be able to enjoy a day in the outdoors. The biggest problems in our industry are lack of access, perception of lack of opportunity, and lack of knowledge. As we sprint headlong at these problems, I find it interesting to compare our work in the outdoor space to the challenges facing entrepreneurship.

I'm an idea person. As one kind person said during an award presentation a few weeks ago, "I'm a thinker and a doer."

Here is what I believe our government can do to address the headwinds facing entrepreneurship:

Lack of Access to Capital

This committee has seen the data. If you live in the right place and start the right kind of business, access to capital may not be one of the biggest challenges. But, for the people who live outside of the right hubs, for the Main Street businesses, access to capital has never been tougher. Tech startups aren't going to make-up for the decline in formations. That's going to come from Main Street. Here's a bold new idea to fix this problem:

IDEA: Create micro-regional (county level) growth funds. Make investors or Limited Partners in the fund out of people who might elect to receive tax relief in the form of an investment in their local fund. I would target the tax "relief" at entrepreneurs – the catalysts – in the form of

something like a decrease in FICA match for private companies. These economic development funds may directly invest in companies, or could be used to offset bank risk at the local level.

IDEA: Increase offsets to local banks offered via the Small Business Administration (SBA). As collateral, lock entrepreneurs into a higher income tax bracket until the loans are paid back. In short, use future tax liabilities to guarantee current loans.

IDEA: Increase bank competition by auctioning one new bank charter per year for every 1,000,000 people in each state. Prevent individuals with ownership stakes in current charters from participating in the auction directly, or by proxy through a shell company.

IDEA: Repatriation: Provide tax amnesty for domestic companies willing to invest their foreign-held cash into minority interests in domestic ventures.

Perception of Lack of Opportunity

The American Dream is as alive as Eli and Lisa Santana. But, it's become more intimidating to start a business. I've started four and in my 14 years of doing so I can tell you it's gone from something I felt I could do in an evening to something I'm afraid to do without the council of a good attorney.

And that's just getting the paperwork done. Walmart has crippled Main St. initiative. Amazon crushes online retail, leaving only micro niches in its wake. And, our culture has become "too good" to start businesses like roofing, plumbing, or welding.

Banking has become more regulated than ever. We hear news of business lawsuits, adding to the fear of liability.

IDEA: Make startup "quotas" for GSA, making our government a likely customer of our new companies.

IDEA: Make a HUD-like classification for SIC codes that lag tax revenue per capita versus like cities. Publish and promote the data, shining a bright light on opportunity.

IDEA: Open Source (minus personal information) our tax data, enabling companies to do the previous idea for you.

IDEA: Pour resources into Data.gov, and increase the demands for openness in all branches of government.

Lack of Knowledge

I can't say it better than Mike Rowe, "we need to train people for jobs that actually exist." I'll add this, "eliminate jobs that shouldn't exist and train them for jobs that grow our economy."

IDEA: Simplify the tax code, immensely. Provide an incentive for CPAs to cross train into a list of targeted occupations, such as engineering.

IDEA: If you're not going to make the tax code immensely simple, make MOOC (Massive Open Online Course) expenses tax deductible.

IDEA: Hold colleges and universities accountable by lowering their federal funding (if any) based on their job placement performance. Or, open census and tax information could empower a private company to do this without the need for a federal program.

In conclusion, I would offer that most business owners I know would tell you they want less government encumbrance. When considering a new program, I would consistently ask whether or not a private company or NGO with the right resources might be a better solution. I believe our federal government can work best for its people by focusing on delivering excellence in the things no one else can do. For the things only our federal government can do, I believe you can help the most by making open data a way of life, by simplifying our taxes, by lowering the tax burden on businesses, and by more actively working to shift responsibility away from the federal level and back to individuals, local governments, and the private sector.

“You can do anything, but not everything.” – David Allen, Author of “Getting Things Done”