

THE SBA OFFICE OF INTERNATIONAL TRADE
AND THE STEP PROGRAM AS KEY TOOLS
FOR RECOVERY AND EXPANSION

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TAX, AND CAPITAL ACCESS
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None.	
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None.	

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TUESDAY, JULY 19, 2022

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON ECONOMIC GROWTH,
TAX, AND CAPITAL ACCESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building and via Zoom, Hon. Sharice Davids [chairwoman of the Subcommittee] presiding.

Present: Representatives Davids, Newman, Bourdeaux, Andy Kim, Meuser, Garbarino, Young Kim, Van Duyne, and Donalds.

Chairwoman DAVIDS. Good morning. I call this hearing to order.

Without objection, the Chair is authorized to declare a recess at any time.

I would like to begin by noting some important requirements. Standing House and Committee rules will continue to apply during hybrid proceedings. All Members are reminded that they are expected to adhere to these rules, including decorum.

House regulations require Members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Also, please remember to remain muted until you are recognized to minimize background noise.

In the event a Member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available Member of the same party and I will recognize that Member at the next appropriate time slot provided that they have returned to the proceeding.

American entrepreneurs are nearly always looking to expand their businesses. Whether it is hiring new workers, offering new products, or opening new locations, small business owners always have an eye on growth. In recent years, increased globalization and digital adoption have led many small businesses to expand their offerings to international markets.

Approximately 166,384 small businesses in the United States currently export, accounting for about 26 percent of all U.S. exports, and \$341 billion in export sales.

However, small business exporters represent only 3 percent of the total U.S. small employer firms. With 96 percent of all consumers, and two-thirds of the world's purchasing power residing

beyond U.S. borders, increased exporting has the potential to boost the small business economy.

Recognizing this, the Small Business Administration created the Office of International Trade in 2010. OIT works in cooperation with other federal agencies and public and private sector groups to encourage small business exports and provide small business export assistance.

Small firms are often discouraged from selling their products overseas due to the complex exporting process, the capital required to fill foreign orders, and expertise necessary to follow international rules and regulations.

These unique challenges spurred Congress to create a 3-year state trade and export promotion pilot grant initiative in 2010. In 2015, Congress authorized the program through 2020 and renamed it the State Trade Expansion Program, otherwise known as STEP. STEP provides small firms with the knowledge and support they need to expand into new markets and export their products abroad.

The program awards matching funds to states and territories for participation in trade missions, international marketing efforts, workshops, export tradeshow exhibits, and other promotional activities. Over the years, these initiatives have helped thousands of small businesses overcome the barriers that stop many firms from participating in the international marketplace. In fiscal year 2021, SBA supported \$832 million in export sales from STEP and assisted over 3,400 small businesses.

Last Congress, the House passed H.R. 6133, the STEP Improvement Act of 2020, which would have reauthorized STEP for 4 fiscal years, increased grant spending flexibility, and made a range of additional improvements. The Committee plans to introduce similar legislation this Congress.

As we prepare for STEP reauthorization, we must look closely at what is working well in the program and identify areas for improvement. Improving operations and efficiency within STEP will help American entrepreneurs break into exporting and boost the overall economy.

I look forward to hearing from our witnesses about their experience with STEP and the actions Congress and SBA can take to ensure the program helps as many small businesses as possible.

I would now like to yield to the Ranking Member, Mr. Meuser, for his opening statement.

Mr. MEUSER. Thank you, Chairwoman Davids, very much. And thank you certainly to all of our witnesses for attending with us, both live and on video.

Small businesses are job creators, innovators, and drivers of the United States' economy. They also export high quality products which showcase American manufacturing, agriculture, and energy across the globe. According to the SBA, small businesses comprise 96 percent of all exporters in the U.S. In my home state of Pennsylvania, the U.S. Census Bureau found that over 88 percent of the state's exporters are small firms which resulted in \$12.5 billion in exported products in 2019.

The SBA's Office of International Trade assists small businesses in export promotion activities through management and training programs and the State Trade Expansion Program grants the

STEP grants. The STEP program partners with states and territories to increase the number of small businesses that export, increase the value of exports by small businesses, and it creates a number of small businesses exploring significant new trade opportunities.

Many states use STEP awards to facilitate foreign trade missions and tradeshow exhibits, or provide consulting, marketing, and website services. Pennsylvania has received several STEP awards since the program's inception and has effectively used the STEP funds for its financial assistance plan, the Global Access program (GAP), which GAP is designed to be flexible and allow companies to use STEP funds to their best advantage.

It has resulted in quite a numerous number of success stories. Gilson-Snow, for example, a premium snowboard and ski design and manufacturing company located just outside of my district in Winfield, Pennsylvania, was started by a middle school science teacher and his class. The company was awarded GAP funds for digital marketing on Facebook and Instagram, which resulted in sales totaling nearly \$20,000 during the campaign and increased brand awareness in Australia and New Zealand markets.

Another example is Pepro, LLC, out of Oil City, Pennsylvania. Pepro, LLC, is a veteran-owned small businesses that specializes in mobile and remote communication shelters which ensures communications are not interrupted during emergencies or natural disasters. They used GAP funding to cover costs associated with attending the International Wireless Communications Expo in Las Vegas. Their president, Kelly Lander, stated GAP funding has been a great benefit to us. Our biggest sales effort for international business is the IWCE Trade Show. GAP funding pays for our booth space, which is our largest expense. This funding was especially helpful during 2021 in dealing with challenges related to COVID. So clearly, a great return on investment in this program.

Small businesses face many barriers to exporting, including limited capacity, resources, access to capital. Unfortunately, the pandemic created additional challenges and resulted in many canceled trade shows, missions, and travel, which hindered the ability of STEP awardees to conduct activities.

Further, economic headwinds very much caused, many would argue, by the Biden administration policies, have hindered small business operations, including exporting. A recent survey from Goldman Sachs, 10,000 small businesses found that 80 percent of small businesses say broader economic trends, such as inflation, supply chain issues, and workforce challenges, are having a negative impact on their business.

Last week, inflation soared to nearly a 41-year-record high as prices skyrocket month after month, it is not surprising that the Job Creators Network polling found that 72 percent of small businesses did not believe that the Biden administration policies were doing enough to combat inflation.

This is a top problem for small business owners. Small businesses in my district tell me every day that inflation is forcing them to raise prices, modify operations, and is hindering their ability to plan for the future, and certainly to invest in inventory and other capital investments.

I appreciate very much the Chairwoman for calling this important hearing on the STEP program today, and I look forward to working together to increase small business exports and empowering innovators with the tools they need to reach new markets. However, if we truly want to help small business, we must reduce regulations that slow domestic production. We must make our small businesses and large businesses in the U.S. the most competitive in the world. We need to adamantly oppose any tax increases and make the 2017 tax cuts permanent which will have great positive effect and predictability for small businesses. And we also need to end much of the excessive spending that has attributed to soaring inflation.

So, I will end by just being clear. Continued reckless inflationary spending in Washington, increase in taxes and regulations will not support small businesses in their efforts to expand and export.

I yield back, Madam Chairwoman.

Chairwoman DAVIDS. Thank you. The gentleman yields back.

I would like to take a moment to explain how this hearing will proceed. Each witness is going to have 5 minutes to provide a statement, and each Committee Member will have 5 minutes for questions.

Please ensure that your microphone is on when you begin speaking so that everyone can hear you, and make sure that you return to mute when you are finished.

With that, I would like to introduce our witness.

Our first witness is Ms. Mary Waters. Since 2015, Ms. Waters has served as Deputy Commissioner for International Trade for the Georgia Department of Economic Development. Under her leadership, Georgia rejoined STEP after a multiyear absence and her work has helped Georgia become a top 10 exporting state for the first time in 2020. Ms. Waters is also currently serving as president of the State International Development Organization, Inc. (SITO), the premier U.S. organization dedicated to supporting state international trade agencies and state development programs. Welcome, Ms. Waters.

Our second witness is Mr. William Spear. Mr. Spear is the manager of the New Jersey Office of Export Promotion and director of New Jersey STEP, both of which are part of the New Jersey Department of State. He has worked for the state for more than 23 years and graduated with an Associate of Applied Science degree from Union County College and a Bachelor of Science in Business Administration from St. Elizabeth University. Welcome, Mr. Spear. I got tongue tied because I have an associate degree, too. Got excited about it.

Our third witness is Mr. Luther Took. Mr. Took is the CEO of Pyramid Foods, LLC. Mr. Took's company produces Pitmaster LT's barbeque sauces and rubs which he has perfected over the course of 3 decades. Mr. Took is a proud U.S. Army veteran and Kansas City barbeque pitmaster. Mr. Took utilized STEP to export his products which since 2020 have been available in the U.S., Canada, Europe, and the Middle East. Welcome, Mr. Took.

I will now yield to the Ranking Member, Mr. Meuser, to introduce our final witness.

Mr. MEUSER. Thank you, Madam Chairwoman.

Our next witness is Mr. Devan Walding. Mr. Walding is the vice president of Sales at RADIUS Corporation, which is located in my district in Kutztown, Pennsylvania. He is responsible for the company's international growth strategy, including opening new markets and increasing brand awareness and revenue. RADIUS Corporation was founded in 1983 and is a second generation, family-owned and woman-led company. RADIUS Corporation manufactures sustainable oral healthcare products here in the United States, including toothbrushes, toothpaste, floss, and even pet care products. Through Pennsylvania's export program, the company received three STEP-funded global access program awards in recent years to help offset the costs of their initiatives in Italy, Russia, and Germany. RADIUS has received countless awards for their innovation and contributions to export promotion. In 2015, they received the Governor's Export Impact Award, and in 2016, they received the President's "E" Award which is the highest recognition an American company can receive for making a significant contribution to the expansion of United States exports. Most recently, the SBA announced RADIUS Corporation as the Eastern Pennsylvania Export of the Year for 2020. They have also received awards from Martha Stewart, AskaDentist.com, Baby Maternity Magazine, Family Choice, and many others for their design, sustainability, and high quality products. It is a great honor to represent small businesses like RADIUS Corporation who are driving innovation, manufacturing high-quality American made products, and making the world a better place.

Mr. Walding, I would like to welcome you to the Subcommittee today. We all look forward to hearing more about ways we can support small businesses in their export ventures. And thank you to all the witnesses for joining us. And I yield back.

Chairwoman DAVIDS. Thank you. The gentleman yields back.

Again, thank you all for being here. And I will start off by recognizing Ms. Waters for 5 minutes.

STATEMENTS OF MARY WATERS, DEPUTY COMMISSIONER, INTERNATIONAL TRADE, GEORGIA DEPARTMENT OF ECONOMIC DEVELOPMENT; WILLIAM E. SPEAR, MANAGER, OFFICE OF EXPORT PROMOTION, THE STATE OF NEW JERSEY BUSINESS ACTION CENTER OF THE NEW JERSEY DEPARTMENT OF STATE; LUTHER L. TOOKS, CHIEF EXECUTIVE OFFICER, PYRAMID FOODS, LLC; DEVAN WALDING, VICE PRESIDENT OF SALES, RADIUS CORPORATION

STATEMENT OF MARY WATERS

Ms. WATERS. Thank you very much, Chairwoman Davids, Ranking Member Meuser, and Members of the Subcommittee, thank you for the opportunity to testify this morning. Representative Bourdeaux, it is a pleasure to see you online this morning as well. Good to be here from Georgia.

In my role as the deputy commissioner for International Trade with the Georgia Department of Economic Development, I oversee the state's international trade program and lead a global team focused on helping Georgia companies grow through exporting. More than 80 percent of the exporters that we serve are businesses with

fewer than 100 employees. I am also the current president of the State International Development Organizations, or SIDO, a non-partisan organization comprised of state international trade offices.

I want to thank the Committee for your commitment to small business exporters and to the State Trade Expansion Program. STEP is a valuable resource for our businesses in Georgia, and a key program in our agency's ongoing efforts to help companies increase their exports.

Exporting is an important avenue of growth for small businesses and for the U.S. economy as a whole. Diversification of sales helps businesses mitigate risk, become more resilient, and globally competitive.

In Georgia, total trade with the world exceeded \$166 billion last year, and that includes more than \$42 billion in exports. However, of the more than one million small businesses in Georgia, the U.S. Department of Commerce estimates that fewer than 11,000 Georgia companies exported in 2019.

The mission of SIDO's member states is to help small businesses begin exporting and expand to new markets. STEP is a vital component of our shared mission and provides companies with the confidence and support to start the export process.

I would like to provide a brief overview of STEP in Georgia. Georgia was an early participant in the STEP program in 2011 and 2012, but we stepped away in 2013 after our application was denied. Due to the financial impact of the pandemic on our small businesses, we wanted to expand our trade services to include financial assistance awards, and we applied for a STEP grant in 2020. Georgia was fortunate to receive \$162,488 in STEP 9 base year funding and the response from our small businesses has really been tremendous. To date, STEP funds have assisted 124 small businesses, including 23 new-to-export firms and exporters have already reported more than \$1.69 million in sales for a return on investment of 10.4-to-1 during the initial grant performance period.

We use STEP funds to help companies participate in trade shows, travel to meet new customers in foreign markets, participate in U.S. commercial service programs, and other approved activities. And I would like to highlight a couple of great success stories. Take for example a minority-owned agribusiness company using \$1,725 in STEP funds to travel to a trade show in the Middle East. As a result of participation, this company reported more than half a million in export sales to three new markets.

A woman-owned business in Georgia's booming fintech industry used \$6,000 in STEP funds to participate in two trade shows during 2021. As a result, the company has expanded sales of more than \$100,000 to five European markets. Or take for example, a minority-owned, new-to-export firm using STEP funds to travel to a trade event in South Africa that is now negotiating potential contracts with two new customers.

These are just a few examples of how STEP helps our local businesses compete in the global economy. And it is important to note that small business export success is a shared mission with our federal partners. STEP serves as a nexus program that connects state and federal trade agencies to develop a more coordinated assistance plan for exporters.

At SIDO, we are committed to working closely with the SBA and Congress to continue to strengthen the STEP program. Reauthorization is critical to supporting greater U.S. exports in the years to come.

And before I conclude, I want to provide a few recommendations on how we can continue to strengthen the program. More details are included in my written testimony.

First, measure ROI by long-term outcomes and by taking all components of the trade process into account. Achieving an export sale, especially for new-to-export firms, involves several steps and can take years depending on the industry. In determining ROI, it is very difficult to separate one component from the other because all are part of the reason for a company's success.

Second, reducing the administrative burden. This includes the application process, the quarterly reporting requirements, as well as the A-STEP system.

And third, increasing funding to \$30 million or more. Increased funding will allow grantees to support more trade activities and increase the value of financial awards direct to small businesses, which achieves the primary objectives of STEP.

I want to thank the Committee again for your support and leadership, as well as SBA's Office of International Trade, for their partnership. We strongly support the reauthorization and full funding of the STEP grant program and look forward to working together on that process.

Thank you again. I look forward to your questions

Chairwoman DAVIDS. Thank you.

Mr. Spear, you are now recognized for 5 minutes.

Mr. Spear, I believe you might be muted.

No, we still cannot hear you.

Okay, Mr. Spear, we will come back to you after. The technical team will help you.

Mr. Took, you are recognized for 5 minutes.

STATEMENT OF LUTHER L. TOOKS

Mr. TOOKS. Can you hear me?

Chairwoman DAVIDS. We can.

Mr. TOOKS. Oh, okay. Thank you. Thanks for allowing me the opportunity to serve as a witness and it is my pleasure to visit with you virtually, Congresswoman.

My name is Luther Took, and I am the owner and CEO of Pyramid Foods, a small company based in Shawnee, Kansas. And we have been in operation since 2016.

As you said earlier, our core business is in the co-packing and distribution of Pitmaster LT's BBQ sauces and rubs and seasonings.

We began communicating with Lu Chang and the Kansas Department of Commerce in 2018, shortly after becoming interested in exploring the exportation of our products. I reached out to Lu and he scheduled an introductory meeting with me in his office. And during that meeting, he gave me a comprehensive overview of the STEP grant program and how it could be used as a resource to help us succeed in exporting our products.

We decided in 2018 to embark on a mission to export of products to Canada, and through the STEP program, more specifically, the KITMAP grant program, we were able to get assistance to a grant to get our labels redesigned, reformatted, and get our labels translated in Canadian French, as well as English. And have our marketing brochures also interpreted into Canadian French. And that allowed us to begin exporting to Canada in 2019.

We decided in 2021 to embark on another mission to export of BBQ products to Mexico. And again, working with Lu, it was determined that the STEP KITMAP program once again would offer the grant assistance we needed to successfully get our products exported to Mexico.

We consequently did apply and received a grant to help get our marketing brochure and labels again translated into Spanish this time. And in addition, we were able to get our labels properly formatted to meet the requirements for sale in Mexico. And that as a big challenge.

But as a result of that assistance, in both instances, we were able to distribute our products into Mexico and Canada our sales are increasing from year to year.

We would not have been successful without the education and the financial support we received through the Kansas Department of Commerce and the STEP program. And we are grateful for those two opportunities.

Chairwoman DAVIDS. Thank you, Mr. Took. And we will come back to you, well, I know I will because we have to talk about BBQ. Mr. Spear?

STATEMENT OF WILLIAM E. SPEAR

Mr. SPEAR. Yes, thank you so much.

Chairwoman DAVIDS. Oh, there we go.

Mr. SPEAR. How is that?

Chairwoman DAVIDS. All right. You are recognized for 5 minutes.

Mr. SPEAR. Thank you, Chairwoman Davids, Ranking Member Meuser, and to all the Members of the Subcommittee, for having the opportunity to testify before you today. And Chairman, compliments on your associate degree. It works a big deal here in New Jersey.

Further, allow me to specifically acknowledge Congressman Andy Kim of the Third Congressional District of New Jersey and his work on the Subcommittee. And also, thank you, Subcommittee for your continued support of small exporters and of the STEP program. It is a pleasure to share the importance of both of those here in New Jersey.

My name is William Spear. I am the manager of the Office of Export Promotion and the director of the State Trade Expansion Program. Our office and the program are in the New Jersey Business Action Center under the leadership of Executive Director Melanie Willoughby. We are housed in the New Jersey Department of State, led by Secretary of State Tahesha Way. And on behalf of Governor Phil Murphy, whose administration encourages New Jersey-based businesses to export globally, we are pleased to highlight how your efforts strengthen our commitment.

I would like to start with three numbers which I will come back to. Those numbers are 4.6 million, 185 million, and 527.

But now about the state:

We are the fourth smallest state in the country. However, we have the ninth largest gross domestic product. In 2021, New Jersey exports were \$49.4 billion, up 30 percent. As a result of that, we are the 10th largest exporting state.

Small companies and small businesses in New Jersey make up the majority of exporters.

We are sixth in the number of small and medium sized exporters.

We are seventh in the amount of exports from those companies, and we are fifth in the percentage of small and medium sized exporters.

And please note, those data are from the U.S. Census Bureau and the U.S. Bureau of Economic Analysis.

Given the significant presence of small businesses in New Jersey, which SBA reports makes up 99.6 percent of all business in our state, any resource program or assets that support those businesses are important.

SBA's STEP program established its importance with our office a long time ago. We see the value of the STEP program every day. We watch it assist small exporting companies to increase and diversify their revenues, pay higher wages, and create and retain jobs.

However, New Jersey has not always had the type of success that we are being asked to talk about today. In the first years of our participation, we had a very, very steep learning curve as a granting entity. We were a great exporter but we were learning what it meant to be a granting entity.

We built our program on two core principles: Be stewards of the federal money, and to treat the money as if it was your state's. Both of those were instilled by the early SBA STEP leadership. From the beginning, we looked to support the best small companies we could find. As a result, the program now begins to reflect those activities.

And now I would like to come back to those numbers I first shared.

From 2017 to 2022, the State of New Jersey has received \$4.6 million of SBA awards.

\$185 million of actual export sales of U.S.-made goods and services have directly resulted from companies receiving those awards.

Five hundred twenty-seven New Jersey jobs have directly come from either being created or retained by those STEP awards.

And given that we still have two grant programs open, those numbers are subject to increase, of which we are very, very pleased.

However, the numbers are really only a bit of a secondary point with regards to the measurement. The real measurement is in the companies themselves and these three quotes:

"NJ STEP is an excellent program that has allowed us to meet with foreign food buyers." And that is from a socially and economically disadvantaged, new-to-export firm.

“The NJ STEP provided strong support for our firm’s export activity and helped to increase international sales.” That from a woman-owned exporting firm.

And, “Without NJ STEP, our firm would not be in business today. Support from the program helped to create international marketing material, paid for booths, and helped market our brands. We create jobs from STEP.” And that is from a socially and economically disadvantaged, woman-owned, new-to-export firm.

We have many other things that we could talk about, but allow me to close with a confirmation of our partnership with SBA to continue to grow the program for the benefit of all of its stakeholders.

Thank you so much, Madam Chairman.

Chairwoman DAVIDS. Thank you, Mr. Spear.

Mr. Walding, you are now recognized for 5 minutes.

STATEMENT OF DEVAN WALDING

Mr. WALDING. Good morning. And thank you to the Subcommittee for allowing me to testify today.

So first of all, I will put a little bit more detailed introduction on RADIUS, the organization.

So RADIUS is a second generation, family-run oral care manufacturer based in Kutztown, Pennsylvania. For over 39, almost 40 years, we have been trusted to make ecofriendly, natural, and innovative oral care products for the whole family, including toothbrushes, toothpaste, floss, and travel accessories. And actually, if you have never seen our products, they are pretty unique inasmuch as there was a part back in the early ‘80s was an ergonomically right-handed toothbrush. Specifically now, with our landfill biodegradable samples, vegetable brush bristles, replaceable toothbrush head technology, and certified organic toothpaste, we continue to redefine what should be the conventional oral care offering even now for your pets.

We are proud to be supporting sustainable U.S. jobs in addition to being a certified WBENC, (Women’s Business Enterprise National Council) Member and WOSB (Women-Owned Small Business).

As earlier mentioned, we are proud to be the recipient of the President’s “E” Award for exports in 2016, recognizing our significant contribution to the expansion of U.S. exports. We currently have 30 staff Members and have exported to as many as 40 different countries. As much as 25 percent of our business at any given time can be directly attributed to international sales, and we were also the two-time recipients of the PPP loans, the first in 2020 and the second in 2021.

Just a little bit about myself. So, my name is Devan Walding, and I am the VP of Sales here at RADIUS. I have three citizenships, including being American, Canadian, and Australian. I have lived, worked, and studied in all three countries. The majority of my career has been working in international sales, including time spent as a contributor in Australia for an American firm.

In 2021, I took over global sales responsibilities at RADIUS, and I am currently, albeit at a different college during pandemic for my MBA at the University of Wisconsin, and I am proud to work for

a family-run, Made in America business located in Kutztown, Pennsylvania.

Specific about the STEP program. So, to be clear, RADIUS is a small company with limited resources. And we also have a very unique value proposition in terms of what we offer in our oral care portfolio products. Selling our product requires effort and time be it domestically or internationally. We are not simply a “me too” product where somebody can just pick it up and resell it. We are constantly pursuing international expansion opportunities to be able to fit via both digital and physical formats, online and in person. We engage with both state and federal resources, including the Pennsylvania Department of Community and Economic Development in addition to the U.S. Commercial Service. These assets continue to prove invaluable as we seek expertise and expert opinion where we cannot always afford it ourselves. This access and support allow us to compete in an increasingly competitive global marketplace while also promoting Made in the USA product and providing quality local jobs.

The STEP program has enabled us, RADIUS, to participate and compete in channels that we would otherwise struggle, or simply not be able to afford. The sheer availability of these grants allows us to start a dialogue around what opportunities would provide the best return on investment for our brand, and ultimately Made in American products. Finding the funds to participate in many of these initiatives is often a roadblock that limits our ability to participate, thus keeping us off the global stage and constricting potential new sales.

While tracking the material impact of these investments can sometimes take years to confirm, our ability to invest in sales programs, through the flexibility of the STEP program, keeps us agile enough to remain competitive. Most recently, the Cosmoprof Trade Show in Bologna, Italy, had over 220,000 attendees with 144 countries of origin. We received inquiries from 13 separate countries. The impact of show attendance cannot be understated. We sell a physical product and the ability to showcase RADIUS, in person, could be the material difference between security new business and not.

Trade shows, among many other STEP approved programs accelerates our go-to-market strategies, increases our product visibility, and adds credibility to our brand. We have been called the best oral care company you have never heard of and we are committed to changing that with the assistance of the STEP program. Thank you.

Chairwoman DAVIDS. Thank you, Mr. Walding. And thank you to all of our witnesses. We appreciate you taking the time and sharing your experiences with us.

So I am going to begin by recognizing myself for 5 minutes. I always think it is funny when I recognize myself. I do not know why.

So I often say that entrepreneurship is baked into the DNA of the Kansas Third Congressional District, and I say that because it is true. But BBQ is definitely the lifeblood of Kansas City and our community is extremely proud of the small businesses that produce our world famous cuisine from sauces to dry rub and everything in between resulting in slow smoked perfection as we call it. Which

is why I am so thrilled to have Mr. Tookes of Pyramid Foods here today with us to speak about his experience in entering the STEP program from Shawnee, Kansas. And through exporting, Mr. Tookes and Pyramid foods are able to spread the love of a good dry rub and sweet Kansas City BBQ sauce far and wide. Exporting presents certain an incredible opportunity for small businesses to expand their customer base and increase sales, but the processes that these businesses have to go through to become an exporter are certainly complex and can be intimidating, which we heard a bit about already.

But Mr. Tookes, I am curious, if you could share with us what interested you in exporting your products? And what were some of the immediate challenges that you faced? And also curious how you got connected with the STEP program there in Kansas to help you navigate that process.

Mr. TOOKES. Okay. I am sorry. It took me a second to unmute myself.

Chairwoman DAVIDS. No problem. Go ahead.

Mr. TOOKES. I got interested in exporting our products through having met with some representatives from the World Trade Center Food Export Association in a couple of meetings and got invited to participate in some foreign trade missions. And during that process, I had the opportunity to present our products to buyers from all over the world, really. And it was out of those meetings I learned exporting was a tough business. I mean, it is tough enough trying to sell your products in the U.S. but trying to sell to foreign markets is a lot more challenging in that you have got pricing to deal with and you have got regulations to get your products out of the U.S. and into these countries. Just a lot of regulations to deal with. But fortunately, there are organizations around to help you get through—the World Trade Center, Kansas Department of Commerce, and Food Export Association. And so what I just had to do was meet with Lu Chang representing the Kansas Department of Commerce to help me navigate through getting our products properly packaged, labeled, to meet the requirements of a couple of countries to start out with. Canada, what we learned in the early stages of exportation, was it was just that we start out—because they imported a lot more American made products than anybody else. And that is where we started out. And so what we learned in the process was that you needed someone to help navigate through all of the regulations. And so, we found someone to help with that. And then helped get our labels translated into both English, well, they were already in English, but to be dual labeled, to be translated into Canadian French, which we learned was different than French in France. We went through all the design work and then we had to make sure that the ingredients were properly formatted. Then we had to make sure that our marketing materials that we had to share with our business distributors were able to use those materials for their customers. Well, the STEP program was great for help with that because we were able to apply for grants to help with the translation, label redesigns, and the printing of the labels. Without that, we would have never got—

Chairwoman DAVIDS. Thank you, Mr. Tooks. Thanks, so much. My time has actually expired. But I look forward to talking to you more. I will come visit you when we are all back in the district.

With that, I will turn to the Ranking Member. I will yield to the Ranking Member for 5 minutes.

Mr. MEUSER. Thank you, Madam Chairwoman. And thank you, Mr. Tooks, for your testimony. And Madam Chairwoman, I certainly hope that we can get some of that great BBQ perhaps exported here. I will not misstate exactly how you folks express yourself when it comes to your very special BBQ, but I will help you eat it. So hopefully, Mr. Tooks can oblige.

Thank you all for your testimony. I am going to Mr. Walding since he is from the great Commonwealth of Pennsylvania and in my district. Mr. Walding, excellent to hear about your company, your growth, being based there as a rural manufacturer is really special, so congratulations.

Now, could you elaborate a little bit more on how the awards of our STEP program, and in Pennsylvania known as the GAP awards have specifically helped you reach new foreign and international markets?

Mr. WALDING. Yeah. Thanks for the opportunity to speak again. And I apologize if I was not coming in clear earlier.

So, our products are consumable, all right, and certainly, oral care over the past decade especially has become increasingly competitive. And so as we establish ourselves, you know, we have got a lot of equity here in the U.S., but sometimes our ability to translate those in America, that sustainable premium characteristics that certainly set us apart and really make us, you know, what should be the conventional oral care offering in some international marketplace can be tough. And so specifically, in going to trade shows or trade missions and participating in these types of events, it does allow us not only to in one single, let's call it 2 or 3 days, what would take probably months and months of these types of interactions, right, on Zoom or on Microsoft Teams or digitally or email, you can achieve in a matter of 5 or 10 minutes. You know, there is just such a material impact. I mean, I am not selling, I am not a SAS. I do not sell a service. I sell a product. And so we need to export that to these destinations. We often go through distribution. There is a lot, similar to Mr. Tooks, there is a lot that goes on between when we make that toothbrush in Pennsylvania to when it arrives in country and then goes to distribution and then hits that retail shelf. So these types of foreign trade missions are absolutely critical to not only the participation and awareness of our brand security new potential business but also to getting material feedback on whether or not those market are, in fact, where we should be spending our time, be it the RADIUS time or the assets that we have allocated towards that. So making sure that we can confidently use what materials and resources we have is equally as important as the context that use just to make sure that we are as effective using the tools, the limited tools that we have.

Mr. MEUSER. Great. Thanks. Yeah. I do have some experience in international sales and entering new markets so I can understand the challenges, and I am glad that this STEP program pro-

vides at least the catalyst and some resources to help you be successful.

Let's just talk about competitiveness as a whole quickly. The price index inflation is at a 41-year high. How has this impacted your export strategy and operations? And as well, small business optimism has declined for a number of months now. Expectations for better business conditions are really at an all-time low since the early 1980s. Given the current inflation levels and small business climate, how will tax increases, so I am going to ask you about that as well, tax increases affect your operations, affect your margins, affect your ability to be very competitive and the number of people that you continue to hire?

Mr. WALDING. Great questions. And I think somebody, I apologize, who mentioned it earlier, but predictability is a big one for us as a small manufacturer and trying to keep steady, consistent jobs in rural Pennsylvania. And we delivered a price increase earlier this year, the most significant in decades throughout this organization as we have tried to keep our products competitive and our pricing relatively static. And we no longer could afford to remain in business if we did not do that. And when there are premium product or more of a commoditized product, I think we all feel the same pressure on our margins and our ability to sustain ourselves in the long term. And so specifically things like, and given the inflationary environment, we are making adjustments ourselves, certainly, but with the best interest for keeping us and our longevity front and center. Certainly any tax reform or increase to us would certainly be of material impact to sustaining ourselves and our profitability.

Mr. MEUSER. Thank you.

I will yield back, Madam Chair, and I look forward to the invitation to lunch.

Chairwoman DAVIDS. Noted.

The gentleman yields back.

The Chair will now recognize Congresswoman Bourdeaux from Georgia for 5 minutes.

Ms. BOURDEAUX. Thank you so much, Chairwoman Davids, for holding today's hearing and thank you, Ranking Member Meuser. I want to also thank our witnesses, and especially Ms. Waters, my fellow Georgian, for joining us today. Sorry I cannot be there in person but I had a scheduling conflict.

But did want to talk with you for a few minutes about international trade in Georgia and how you use the STEP program. In your testimony, you talk about how Georgia participated in STEP 2011 to 2012, then had an application that was denied in 2013, so it was out of the program for a while, and then very pleased to see we are back in it in 2020 and 2021.

So as a state that has seen significant economic growth and benefits from trade, both with and without participate in STEP, can you speak to the benefits of STEP and how it has helped enhance Georgia's small businesses' ability to do business overseas over the past 2 years?

Ms. WATERS. Great, Representative Bourdeaux. Thank you very much for that question. It is a great question. And I will say that Georgia has a very well-established trade program. Our team has

been doing this for the better part of 30 years and for pretty much the entirety of that time we have been focused on small businesses. And so we always viewed the STEP program both in its pilot years and now getting back into it in 2020, we have really seen the ability to lean on STEP as one tool in our overall tool kit of how we on an ongoing basis support our small business exporters through counseling and referral to resources and market entry, market intelligence, introductions to customers. We really look at our services, if you will, in terms of a spectrum of assistance from a brand new new-to-export company that is just starting to get that little flicker really through to the process of connecting with partners in markets and actually achieving those export sales. And so what the STEP program does allow us to do, we really think of it as an additional service that we can provide to companies because that financial piece is so critically important.

I was a trade manager in this team before I went to the private sector, and now I am back sort of running the international trade team for the department. And the common thread is so many small businesses, they do have really cool, really innovative products and that passion is there for their businesses and for their products and technologies, and they just need assistance and they do not necessarily know where to start. And a program like STEP I think for our businesses, small businesses in Georgia, it is one thing to know that you have got a really well structured trade program and resources that are there to assist you as the small business, but knowing that there is that financial backing that you can, if you do your homework and you apply and you say I have been wanting to get to this international trade show for 4 years and I have never had the budget to do it but I know if I make the commitment now I am going to get some percentage of that money back and that frees me up to globalize my website, get my labels translated, do more in the international sphere that really can tip the scales for small businesses and take exporting from a priority in a company's focus to being a top priority and really being able to truly get into the international market. That is the value of STEP for our Georgia companies.

I will say that the pandemic really was the tipping point for us as a state to get back into the program and I want to recognize SBA and the improvements they have made to the program over time. It really is a significantly different program now than it was in 2011 when we started out. But being able as a very adept export development state, to be able to offer direct financial assistance awards to these companies really does make the difference and every dollar that we can get into the hands of those companies does matter because it frees up a dollar that they can then continue to expand their export sales.

Ms. BOURDEAUX. Thank you so much. That was actually really helpful to hear that contrast back and forth.

Unfortunately, I am short on time, but would love to talk with you more just because we have such an international and diverse community in the 7th District. And I know a lot of my immigrant communities have, you know, one foot in this country but one foot in the country that they immigrated from and I think there might

be some interesting opportunities for partnerships with you all for them and to help boost their business.

With that, again, welcome to D.C. Good to have you here, and I yield back the balance of my time.

Chairwoman DAVIDS. Thank you. The gentlewoman yields back.

The Chair will now recognize Congresswoman Young Kim, the Ranking Member on the Subcommittee for Innovation, Entrepreneurship, and Workforce Development for 5 minutes.

Ms. YOUNG KIM. Thank you, Chairwoman Davids. And I would also like to thank my Ranking Member Meuser for holding this hearing. And I want to thank our witnesses, especially Ms. Waters, for joining us in person and other witnesses joining us virtually.

We are here to analyze the work of SBA's Office of International Trade and STEP program. I want to let you know that I am very proud to represent California's 39th Congressional District. I represent the parts of California, Orange and San Bernardino counties and it is home to San Pedro Bay Port Complex. Nearly 25 percent of the nation's total exports pass through the San Pedro Port Complex. So I have seen the supply chain crisis very, very closely at home.

Unfortunately, supply chain crisis and this issue have been exacerbated by workforce and truck driver shortages, burdensome regulations, which California is known for, and warehouse capacity problems. In my home state of California, we have this onerous legislation AB5. That will change the definition of an independent contractor and force truck drivers to comply with onerous licensing requirements and AB5 could only lead to more trucking shortages and to the estimated shortage of 80,000 truck drivers nationally.

To further compound our supply chain and workforce issues, one of the owners of a logistics company in my district told me for every five people they hire, one does not show up. They do not show up for work. Workforce shortages are only adding fuel to the fire of inflation. So to paint a picture of that magnitude of the problem, at the end of May, the federal government's Job Openings and Labor Turnover Survey found that there was a near record of 11.3 million job vacancies across the nation.

I want to ask a question to both you, Ms. Waters, and Mr. Spear. We have heard that STEP reporting requirements are more detailed and burdensome than grants from the Department of Commerce and other agencies. So can you give us an overview of how your office manages STEP programs and the reporting requirements?

Ms. WATERS. I will take a first shot at this. I will say from Georgia's perspective, there is an administrative burden in STEP with respect to the application process as well as quarterly reporting. I think it is worth it because the value is there for the companies and certainly as a state grantee that is again new to the program, we are absolutely willing to make that tradeoff because we know the value is there for small businesses. But I think the most effective way to address administrative burden within the STEP grant is to continue to work together in partnership with SBA Office of International Trade with this Committee, with Congress, to focus in on the core priorities of the program, the core objective of STEP, to get new small businesses into exporting and to help those

exporters get to new markets and to collaboratively focus on concise performance metrics that get to that outcome driven perspective instead of calculating ROI on a quarterly basis and going really into very specific data that to my understanding is not required by Congress on a quarterly basis because that does take time away from when we could be assisting small businesses in the export process.

And with that I yield my time.

Ms. YOUNG KIM. Mr. Spear, as you respond to my same question that I posed to Ms. Waters, can you suggest how we can ensure that program is meeting its performance metrics while also reducing administrative burden?

Mr. SPEAR. Well, yes. Let me give you the short answer. Yes. Many of the points that have been raised today are absolutely significant. However, in New Jersey, we have taken some steps to kind of reduce that burden already. When we query our companies, we simply ask for actual sales and projected sales and actual jobs and projected jobs. So that is the minimum that we can get to get back. I mean, there are other things that we could include that would be indicators, but we have minimized it by minimizing what we ask the companies. We have done that with regard to that. And we have actually found, although we have not had as many experiences with other agencies, we actually did back away from applying for another agency's grant earlier in the year because the burden was actually heavier than what we found at SBA.

Ms. YOUNG KIM. Thank you.

Chairwoman DAVIDS. Sorry, I was like totally thinking about your question. The gentlewoman's time has expired.

The Chair will now recognize Congressman Garbarino for 5 minutes.

Mr. GARBARINO. Thank you, Chairwoman, and thank you to the Ranking Member for having this hearing.

I know, Ms. Waters, you spoke briefly about what you had to deal with and your small businesses with the height of the COVID-19 pandemic. I do not know if you got to say everything you wanted to say regarding how that affected the businesses in your state and the effect on exports.

Ms. WATERS. Thank you for that question. I will say the conversations that we were having with our small businesses as the pandemic was starting, you know, many of our same small businesses were looking at EIDL loans, were looking at PPP financing, and really our grant program started in October of 2020. And when we were able to go back to our exporters and say, you know, we now have this money that we want you to be able to continue to stay focused to the extent possible on export development and international markets. What we absolutely did not want to happen in Georgia was for some of our really great small businesses to lose focus from the importance of international growth. You know, we were asking a lot of our small businesses at a very challenging time and a lot were understandably focused on making payroll and continuing to sustain themselves during the pandemic. But those companies that were really in a position to maintain themselves and sustain, we did not want them to have to step away from international development in any way. And so being able to follow up

with those companies and say, look, for any upgrades that you need to make to your website right now, any kind of new strategy development that you are looking at for international markets, using the pandemic as an opportunity to kind of re-strategize about what exporting will look like in the future, you now have resources through STEP to make some of those changes. We had a lot of companies that were still very eager to be involved in international trade events and a lot of global events went virtual. And so we had companies that were needing to buy really high quality audio and video equipment to be able to participate virtually with global buyers at these new hybrid or virtual trade events.

Mr. GARBARINO. I do not mean to interrupt. I am running out of time. So you would say that the money, the businesses took advantage of this program and they have been successful in using it?

Ms. WATERS. Yes. I think that is true, taking into consideration that there continues to be some postponement and cancellation of events through COVID but by and large companies did take advantage of the opportunities. Yes.

Mr. GARBARINO. Good. Good. All right.

Mr. Spear, would you agree with that? Did you see the same things with your companies in your state?

Mr. SPEAR. That is correct. We actually saw, it was interesting, the newer-to-export companies were much more creative in asking about STEP and how it might embrace their international efforts by internationalizing their websites. So yes, overall, but as a nuance, it was the newer-to-export companies that moved that mark a lot more so than our more experienced exporters.

Mr. GARBARINO. Okay. So, it sounds like in both states one of the activities that was most popular was internationalizing the websites. What else was popular amongst the small businesses? What else did they use their money on?

Mr. SPEAR. For New Jersey, anything that did not require getting into a plane and travel was looked at. So taking your website and using that as the lead entity of your export process, 100 percent. We had a lot of people do that. But also things as mundane as translating a product catalogue into a foreign buyer's language or translating a website. Things like that. There were several U.S. Commercial Service, and U.S. Commercial Service is kind of like the unsung hero in the background. They took many of their long-standing services and virtualized those so that you did not have to have a company travel into country to take advantage of what is easily the best service provider in international business bar none. But their assistance and their entrepreneurialism helped companies take advantage of STEP funds as well.

Mr. GARBARINO. Ms. Waters, anything you want to add about anything else that your businesses were able to use the money on?

Ms. WATERS. No. I would simply echo what Mr. Spear just shared.

Mr. GARBARINO. Okay. I appreciate that. And I have got 8 seconds left, so I yield back. Thank you, Chairwoman.

Chairwoman DAVIDS. Thank you. The gentleman yields back.

The Chair will now recognize Congresswoman Van Duyne, Ranking Member of the Subcommittee for Oversight, Investigations, and Regulations, for 5 minutes.

Ms. VAN DUYNE. Thank you very much, Madam Chair, and to the Ranking Member for holding this hearing today.

Mr. Walding, when you think about all that is going on in the economy right now—labor market issues, 9.1 percent inflation, supply chain slowdowns—would you say that dealing with these has slowed your ability to grow your export business?

Mr. WALDING. I switched audio. Is that okay?

Ms. VAN DUYNE. I can hear you just great. Thank you.

Mr. WALDING. Okay, great. Yeah. So I would say absolutely. We are seeing softening across both domestic and international markets and we are doing our best right now to pivot in terms of what are realistic expectations both in terms of current markets that we currently participate in, but also in terms of where we see growth and where we want to be participating. Right? So metering I think, and we were talking about predictability, just trying to digest what the impact is going to be in 3, 6, 9, 12 months is really kind of where we are as an organization, you know, piecing out what is happening domestically versus what is happening internationally. And I think specifically for us, you know, things like foreign exchange is causing a significant burden as a function of inflation and some other regulatory environments. So, yeah, we are taking major steps to kind of course correct or to get some realistic expectations heading over into the next 6 to 12 months.

Ms. VAN DUYNE. Thank you. And Mr. Walding, one of the things that the congressional Democrats are discussing right now is a massive reconciliation bill that many would think would include a tax hike on small businesses. How do you think that would affect you in the current climate?

Mr. WALDING. I think that any additional cost pressures that small businesses like ours, again, we do not want to lay off. Right? We want to expand. But also, we have got to be cognizant of what we can digest as an organization in terms of sustaining our business over the long term. You know, it is no small feat for any small business to overcome those first couple of years, let alone be kind of innovators and curators going against global giants for almost 40 years. We anticipate and we expect ourselves to be doing the same for the next 40. An increase in taxes is simply just going to burden our ability to remain competitive and where do we pass that cost on. Right? So, I mean, we are either going to feel it on our bottom line having to make some tough calls internally or we pass that on to the consumer. Like I said earlier, we had to do that just by virtue of inflationary environments, making us increasingly less competitive going against, like I said, some major contract manufacturers or international players where we, like I said, we butt up against this every day.

Ms. VAN DUYNE. I appreciate that answer.

I am going to ask this of the whole panel starting with Mr. Walding.

If you had to identify your top three challenges right now, what would they be?

Mr. WALDING. At the moment—

Ms. VAN DUYNE. We have got four witnesses so I am hoping you can just kind of, without having to—

Mr. WALDING. Yeah, sure. The first one for us is going to be I would say foreign exchange is a big one for us at the moment. I would say supply chain would be the second. And to a lesser extent, I would say retaining talent.

Ms. VAN DUYNE. Okay.

And then Ms. Waters?

Ms. WATERS. Thank you. I would say for the companies that we work with, strength of the dollar is a barrier right now. Workforce considerations are very real for our small businesses. And ongoing supply chain disruption and uncertainty about where the next disruption might come from are at the top of our list.

Ms. VAN DUYNE. Thank you.

Mr. Spear?

Mr. SPEAR. Thank you so much. Echoing both of the first two witnesses, what I would add to that is the companies we are looking at right now are really, really, really young and new to exporting. And so at the moment, when we have a conversation about supporting their export activities, they have not fully fleshed out what their own export activities are.

And so if we could have a way to get them further educated and then layer possible financing on top of it, that would move that conversation along really, really quickly.

Ms. VAN DUYNE. So the top three issues that you have got is education of your workforce and financing?

Mr. SPEAR. Actually, more education just on the aspects that there is a market beyond the 21 counties of New Jersey and the United States of America.

Ms. VAN DUYNE. All right. Mr. Took's? Mr. Took's?

Mr. TOOKS. I was on mute right quick.

Ms. VAN DUYNE. There you go.

Mr. TOOKS. Number one, the ingredients cost. We have to source our own ingredients. Our products are made from a manufacturer and they are experiencing costs and ingredients, and I think a lot of it has to do with transportation. But the second thing would be our cost for moving our products here in the U.S. but just as much across the borders of Mexico and Canada.

So increased transportation costs have a direct impact on our ability to grow and it also has a negative effect on making our margin because we cannot pass on all of those costs.

Ms. VAN DUYNE. All right. Thank you very much. I yield back.

Chairwoman DAVIDS. Thank you. The gentlewoman yields back.

Again, thank you all for joining us today. Thank you to our witnesses for taking the time and thank you to our Committee Members.

Expanding into international markets can definitely boost small businesses across the country and grow the American economy. And given these benefits, we have to make sure that it is as easy and manageable as possible for small businesses to be able to sell their products abroad.

We have heard extensively from our witnesses today about the unique challenges that exporting presents for small firms, and by advancing policies that address these concerns we can certainly alleviate some of these obstacles and ensure that American small businesses have a place in the global economy.

I am looking forward to collaborating with my colleagues on the Committee as we reauthorize the STEP program so that we can better serve entrepreneurs.

Without objection, Members have 5 legislative days to submit statements and supporting materials for the record.

And if there is no further business to come before the Committee, without objection, we are adjourned.

[Whereupon, at 11:06 a.m., the subcommittee was adjourned.]

APPENDIX



Testimony of Mary Waters
Deputy Commissioner of International Trade
Georgia Department of Economic Development

The Committee on Small Business Subcommittee on Economic Growth, Tax, and Capital

"The SBA Office of International Trade and the STEP Program as Key Tools for Recovery and Expansion"

July 19, 2022
10:00 A.M. EST

Chairwoman Davids, Ranking Member Meuser, and Members of the Subcommittee, thank you for the opportunity to testify before you this morning about the impact of the STEP program on small business exporters.

My name is Mary Waters and I am the Deputy Commissioner for International Trade at the Georgia Department of Economic Development. I oversee the state's International Trade program and lead a global team focused on helping Georgia companies grow by exporting. More than 80 percent of the export clients we serve are small businesses with fewer than 100 employees.

I am also the current president of the State International Development Organizations, or SIDO, a non-partisan organization comprised of state international trade offices.

First, I want to thank the Committee for your commitment to small business exporters and the State Trade Expansion Program – or STEP. As the title of today's hearing makes clear, STEP is a valuable resource for small businesses in Georgia, and a key program in our agency's on-going efforts to help companies grow through the pandemic. In fact, the pandemic's financial impact on local exporters was one of the reasons why Georgia decided to apply for a STEP award in FY 2020 for the first time in several years.

Exporting is an important avenue of growth for small businesses and for the U.S. economy overall. Exporting firms pay on average 18-20 percent higher wages than non-exporters, and diversification of sales helps businesses mitigate risk and become more globally competitive. U.S. exports also support millions of direct and indirect jobs in our states.

In Georgia, total trade with the world exceeded \$166 billion in 2021 and reached 223 countries and territories. This includes over \$42 billion in exports, a new record and an increase of nine percent from 2020. More than 85 percent of the companies that contributed to our state's record exports last year are small and medium sized firms. However, of the more than 1.1 million small businesses in Georgia, only a small fraction of them export to global markets. The U.S. Department of Commerce estimates that just 10,755 Georgia companies exported in 2019.

The mission of SIDO's member states, and the Georgia Department of Economic Development in particular, is to continue to help small businesses begin exporting and expand to new markets. STEP is a vital component of our shared mission. Lack of financing and limited budgets are among the leading reasons why small businesses choose not to export. STEP provides companies the confidence and support to start the export process.

I want to provide a brief overview of STEP in Georgia.



Georgia was an early participant in the STEP program in 2011 and 2012, but stepped away in FY 2013 after its application was denied. Due to the financial impact of the pandemic on small businesses, Georgia wanted to expand its trade services to include financial assistance awards, and applied for a STEP grant in 2020. Georgia was fortunate to receive \$162,488 in 2020 and \$240,000 in 2021 through STEP. We have experienced a steep learning curve in launching the STEP grant during the pandemic, but the response from small businesses has been tremendous. According to our most recent data, those funds assisted 124 small businesses, including 23 new to export firms. To-date, exporters have reported more than \$1.69 million in sales, for a return on investment of 10.4 to 1 during the initial grant performance period.

We use STEP funds to help companies participate in trade shows, travel to meet new customers in foreign markets, optimize their websites for global sales, participate in U.S. Commercial Service programs, and other approved export activities. I want to highlight a couple of great success stories.

1. A minority-owned agribusiness company with products for animal nutrition used \$1,725 in STEP funds to travel to a tradeshow in the Middle East. As a result of participation, the company reported more than \$500,000 in export sales to three markets.
2. A woman-owned business in Georgia's booming FinTech industry used \$6,000 in STEP funds to participate in two tradeshows during 2021. As a result, the company expanded sales of more than \$100,000 to five European markets.
3. A minority-owned new-to-export firm used STEP funding to travel to a trade event in South Africa and is now negotiating potential contracts with two new customers.

These are just a few examples of how STEP helps our local small businesses compete in the global economy. It is also important to note that small business export success is a shared mission with our federal partners. There are more exporters than any single agency can support on its own. Agencies must work together to support existing and aspiring exporters statewide. Georgia has a long-standing collaborative partnership with federal, state and local resources to ensure our exporters receive the assistance they need to succeed in global markets. STEP serves as a nexus program that connects the SBA, U.S. Department of Commerce, our Small Business Development Centers, and other federal trade agencies to develop a more coordinated assistance plan for Georgia companies.

At SIDO, we are committed to working closely with the SBA and Congress on continuing to strengthen the STEP program. Reauthorization of the program is critical to supporting greater U.S. exports in the years ahead. I want to complement the SBA Office of International Trade and the STEP team for their partnership. Georgia's re-engagement with the STEP program reflects the efforts of SBA and state grantees to work together to improve the grant program for the benefit of U.S. small businesses.

Before I conclude, I want to provide a few recommendations on how we can continue to strengthen the program.

- 1) **Measure ROI by the long-term outcomes and by all components of the trade process:** Obtaining an export sale, especially for new-to-export firms, involves several steps and can take years, depending on the industry. Each phase of the export process – export education, market research, identifying buyers, website localization, etc. – plays a role in export success. In determining ROI, it is difficult to separate one component from the other, since all are part of the reason for a company's success. We recommend measuring the ROI by the long-term outcomes and by taking all components of the trade process into consideration. In addition, instead of requesting specific ROI metrics every quarter, which requires extensive administrative work, focus on collecting and analyzing the ROI at the end of the grant reflecting



all components of the trade process. This will allow grantees time to collect the necessary information from businesses and paint a more accurate picture of the real ROI for the STEP year.

- 2) **Reduce the administrative burden:** This includes the application process, the quarterly reporting requirements, and the A-STEP system. The SBA mandates extensive reporting requirements – many of which are not required by Congress – that take a significant amount of time every quarter. This creates an unnecessary cost burden on SBA as well as states – especially smaller states.

Most importantly, this takes away time and resources that states can otherwise use to assist small businesses with their exports and effectively manage the STEP grant – the primary goal of the program.

- 3) **Increase the funding to \$30 million or more:** To make the program effective for both states and businesses, we need to increase the funding to make it worth it. Increased funding will allow grantees to support more trade activities and/or increase the value of financial assistance awards to small businesses, which achieves the primary objectives of STEP to increase the number of small businesses that export and the dollar value of those exports.

I want to thank the Committee again for your support and leadership on this issue. We strongly support the reauthorization and full funding of the STEP grant program and look forward to working with you on that process.

Thank you for the opportunity to appear before you today, and I look forward to your questions.

Testimony of William Spear
Manager, Office of Export Promotion
Director, New Jersey State Trade Expansion Program

The Committee on Small Business Subcommittee on Economic Growth, Tax, and Capital

“The SBA Office of International Trade and the STEP Program as Key Tools for Recovery and Expansion”

July 19, 2022

10:00 A.M. EST

Chairwoman Davids, Ranking Member Meuser, and Members of the Subcommittee, thank you for the opportunity to testify before you.

Further, allow me to specifically acknowledge Congressman Andy Kim of the Third Congressional District of New Jersey and his work on the subcommittee.

Also, thank you to the Committee for its continued support of small exporters and the STEP program. It is a pleasure to share the importance of both in New Jersey.

My name is William Spear. I am the Manager of the New Jersey Office of Export Promotion and Director of the New Jersey State Trade Expansion Program.

Our Office and the Program are in the New Jersey Business Action Center under the leadership of Executive Director Melanie Willoughby. We are housed in the New Jersey Department of State, led by Secretary of State Tahesha Way. On behalf of Governor Phil Murphy, whose administration encourages helping New Jersey-based businesses to export globally, we are pleased to highlight how your efforts strengthen our commitment.

Permit me to start with a few points about the state:

- We are the fourth smallest state in the country.
- However, we have the ninth largest gross domestic product.
- In 2021, New Jersey exports were \$49.4 billion, up 30.0%.
- We are the tenth largest exporting state.

Further, New Jersey is ranked:

- Sixth in the number of small and medium sized exporters.
- Seventh in the amount of exports from small and medium sized exporters.
- Fifth in the percentage of small and medium sized exporters.

Please note, the above points are from the U.S. Census Bureau and U.S. Bureau of Economic Analysis.

Given the significant presence of small businesses in New Jersey, which the SBA reports makes up 99.6 percent of all business in the state -- all resources, programs, and assets that support those businesses are important.

SBA's STEP program established its importance with our office a long time ago. We see the value of the STEP program every day. We watch it assist small exporting firms to:

- Increase and diversify revenues.
- Pay higher wages.
- Create and retain jobs.

As examples of participating firms increasing revenues and growing jobs, from January 1 through March 31 in 2022, NJ STEP clients reported more 100 jobs created and retained by their \$6.6 million of exports from NJ STEP-supported activities.

However, New Jersey has not always had the type of success it is currently experiencing. Our first two years in the STEP program were a steep learning curve as a granting entity. Despite that, our management supported our commitment to refine and enhance our processes.

We built the program on two core principles: 1) Be stewards of the federal money and 2) Treat the money as if it were the state's. Both were instilled from working with the program's early SBA leadership.

From the beginning, we looked to support the best small companies in New Jersey. Over time, the program has reflected that mindset.

Summary results of the New Jersey State Trade Expansion Program over the last five performance periods from 2017 through 2022 are as follows:

- \$4.6 million of SBA awards.
- \$185 million of actual export sales of U.S.-made goods and services.
- 527 New Jersey jobs created and retained.

Given we have two open grant programs of which we are still collecting results, the actual export sales and created and retained jobs figures are subject to future increases.

Despite the numerical and statistical achievements, the best measurements of success come from the participating companies. The real evidence of the NJ STEP program's impact may be found in the following quotes:

- "[NJ STEP is an] excellent program that has allowed us to meet with foreign food buyers." – Social and economically disadvantaged, new to export firm.

- “The NJ STEP Funding Award provided strong support our firm’s export activity and helped to increase international sales. It resulted in more jobs and helped to create revenue in our company.” – Woman-owned, experienced market expansion firm.
- “Without the NJ STEP Program, our firm would not be in business today. Support from the program helped to create international marketing material. It has paid for booths for attending and marketing our brand. We create jobs directly and indirectly due to the program.” – Social and economically disadvantaged and woman-owned, new to export firm.

Please note these quotes are only three of the fourteen compiled from a single quarterly report of one program’s results.

The preceding is a modest sample of NJ STEP’s journey. The small exporters that have received the program’s support have sold into countries ranging from Canada to the Czech Republic, from Iceland to India to Israel, and from the United Arab Emirates to the United Kingdom.

Their exports are in industries as different as chocolates, coffee, and dairy animal testing; food and financial services; and operating room products and water purification systems.

Looking forward, NJ STEP is putting an increased focus on new to export firms and companies from small and underserved business communities. We have also increased NJ STEP funds to reach and support those firms.

Permit me to close my testimony by saying the New Jersey State Trade Expansion Program and the Office of Export Promotion look forward to continuing its partnership with the SBA as it continues to refine and enhance its STEP program to meet the needs of its stakeholders.

Thank you for your time and attention.



Pyramid Foods



Maker of Distinguished Kansas City-style BBQ Sauces & Rubs

www.pitmasterlt.com

Date: July 14, 2022

To: Laura Fink and Robert Yavor

Subject: Private Sector Witness Statement

Laura and Robert,

I am the Owner/C.E.O. of Pyramid Foods, LLC based in Shawnee Kansas and we have been in operation since January 2016.

Our core business is in the Co-Packing and distribution of Pitmaster LT's BBQ Sauces and Seasonings/Rubs.

We began communicating with Lu Chang and the Kansas Department of Commerce in 2018, shortly after becoming interested in exploring the exportation of our products.

I reached out to Lu and he scheduled an introductory meeting with me in his office.


During that meeting, he gave me a comprehensive overview of the STEP Grant Program and how it could be used as a resource to help us succeed in exporting our products.

We decided in 2021 to embark on the mission to export our BBQ products to Mexico. Working with Lu, it was determined that the STEP KITMAP offering was the Grant we needed to apply for.

We consequently applied for and received a Grant to help get our marketing brochure and labels translated into Spanish. In addition, we also were able to get our labels properly reformatted and printed to meet the requirements for the sale of our products in Mexico.

As a result of that assistance, we were able to distribute our products into Mexico in 2021 and have increased our sales in 2022!

We would not have been successful without the education and financial support we received through the Kansas Department of Commerce and the STEP Program!


Luther L. Toops, C.E.O.

Pyramid Foods, LLC
P.O. Box 3913
Shawnee, KS 66203
Tel: 913-912-1004
ltoops@pyramidfoods.co



RADIUS Corporation · 40 Willow Street, Kutztown PA 19530 · 610.683.9400 · www.madebyradius.com

RADIUS Introduction:

RADIUS is a second generation, family run oral care manufacturer based in Kutztown, Pennsylvania, USA. For over 39 years we have been trusted to make the most eco-friendly, natural, and innovative oral care products for the whole family including toothbrushes, toothpastes and floss. With our landfill biodegradable handles¹, vegetable-based bristles, replaceable toothbrush head technology and certified USDA organic toothpastes, we continue to redefine what should be the conventional oral care offering, even for your pets. We are proud to be supporting sustainable US jobs in addition to being certified WBENC (Women's Business Enterprise National Council) and a WOSB (Women Owned Small Business).

RADIUS was the proud the be the recipient of the Presidents 'E' Award for exports in 2016, recognizing our significant contribution to the expansion of U.S. Exports. We currently have 30 staff members and have exported to as many as 40 different countries. As much as 25% of our business at any given time can be directly attributed to international sales and we were also two-time recipients of the PPP loans; the first in 2020 and the second in 2021.

Devan Bio:

My name is Devan Walding and I am the VP of Sales here at RADIUS. I have 3 citizenships including USA, Canada and Australia. I have lived, worked and studied in all three countries. The majority of my career has been working in International Sales including time spent as a distributor in Australia for an American company. In 2021 I took over global sales responsibilities at RADIUS. I'm currently studying for my MBA at the University of Wisconsin and am proud to work for a family run, made in America business located in Kutztown, Pennsylvania, USA.

Testimony:

RADIUS is a small company with limited resources, with a unique value proposition. Selling our product requires effort and time. We're constantly pursuing international expansion opportunities via both digital and physical formats, online and in person. We engage with both state and federal resources, including the Pennsylvania Department of Community and Economic Development in addition to the US Commercial Service. These assets continue to prove invaluable as we seek expertise and expert opinion where we cannot afford it ourselves. This access and support allow us to compete in an increasingly competitive global marketplace while also promoting Made in the USA product and providing local jobs.

The STEP Program has enabled RADIUS to participate and compete in channels that we'd otherwise struggle, or simply not be able to afford. The sheer availability of these grants allows for us to start a dialogue around what opportunities would provide the best return on investment for our brand, and ultimately made in America products. Finding the funds to participate in many of these initiatives is often the roadblock that limits our ability to participate, thus keeping us of the global stage and potential sales.

While tracking the material impact of these investments can sometimes take years to confirm, our ability to invest in sales programs, through the flexibility of the STEP program, keeps us agile enough to remain competitive. Most recently, the Cosmoprof Trade Show in Bologna, Italy had over 220,000 attendees with 144 countries of origin. We received inquiries from 13 separate countries. The impact of show attendance cannot be understated. We sell a physical product and the ability to showcase RADIUS, in person, could be the material difference between securing new business and not.

¹ EcoPure® enhances the products end of life when responsibly disposed. Polyolefin materials using EcoPure® have been tested via ASTM D5511 to show a 40.2% biodegradation over 385 days of testing compared to the same polyolefin material without EcoPure® show 3.2% biodegradation over the same testing period. Results shall not be extrapolated past the actual duration of the tests.

