



STATEMENT FOR THE RECORD
BEFORE THE U.S. HOUSE COMMITTEE ON THE BUDGET ON
“WHY CONGRESS NEEDS TO ABOLISH THE DEBT LIMIT”
FEBRUARY 16, 2022
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Thank you, Chairman Yarmuth, Ranking Member Smith and other members of the committee.

My name is LaJuanna Russell; I'm the founder and president of Business Management Associates, Inc. (BMA), a business process and human capital management firm with approximately 60 employees. I'm also the Chair of the Board of Directors and a member of the Small Business Council for Small Business Majority, a national small business organization that empowers America's entrepreneurs to build a thriving and equitable economy.

I am pleased to offer testimony today about why Congress should eliminate the U.S. debt limit to mitigate financial risks and uncertainty for the small business community. This is an important proposal that will better serve American entrepreneurs like me who are still trying to recover from the damaging effects of the COVID-19 pandemic. Removing the federal debt limit on U.S. spending to prevent an economic fallout is not only a crucial move to reduce uncertainty and risk in our financial markets, but also vital to supporting small businesses.

The United States is home to 32.5 million small businesses and they employ 61.2 million people, accounting for nearly half of all American employees.¹ Our impact on the economy is vital to the success of our country, so it's important to consider how small businesses are impacted by the uncertainty and risk that surrounds the debt limit.

As a small business owner with more than 20 years of experience, I understand firsthand the importance of reliability and having the support of government agencies in times of crises. For example, during the 2019 government shutdown, the longest government shutdown in American history, my business lost thousands of dollars over the course of 35 days. My employees had questions; I had questions. And while the shutdown was definitive and we anticipated it before it happened, it is still minor compared to what could happen if our government were to default on its debt. This is a risk that small businesses simply can't afford right now.

As you well know, the last two years have brought a level of unimaginable uncertainty to our economy, with small businesses taking the brunt of the economic recession. BMA initially didn't feel a significant impact in 2020, but as days turned into weeks and weeks into months, we slowly realized that COVID-19 wasn't just a temporary crisis. Over time, it became clear that our government wasn't fiscally prepared to withstand the irreparable effects of the pandemic, and my small business began to experience accounting and processing delays, which meant that we either weren't going to get paid or our contracts were on hold indefinitely. My experience is just one example of why we must mitigate risk and prevent uncertainty to better support small businesses.

Indeed, a recent Small Business Majority survey found that small businesses are still facing challenges in maintaining their operations.² More than 1 in 4 of the surveyed stated that they may not survive the

¹ <https://advocacy.sba.gov/2021/08/30/2021-small-business-profiles-for-the-states-the-district-of-columbia-and-the-u-s/>

² <https://smallbusinessmajority.org/our-research/small-businesses-views-on-vaccine-mandates-supply-chain-disruptions-and-build-back-better>

next six months without additional funding or market changes, while 37% said their business is on the decline compared to the previous month. We're at a crucial time in our economic recovery, and small businesses can't afford to face additional financial uncertainty.

Elected officials must minimize financial uncertainty for small businesses, and all Americans alike—and eliminating the debt limit can help to accomplish just that. Over the years, lawmakers from both sides of the aisle have used the argument of raising the debt ceiling to justify political infighting and block vital measures for the good of the people. Every time our government gets closer to defaulting on our debt, a uncertainty ensues and our very livelihoods are threatened. And I'm not just talking about small businesses; large corporations are also affected by this ongoing dilemma that undermines our stance in the global markets. Imagine if the United States, a global leader, were unable to pay its own debt and make right on fiscal promises that are crucial to keeping our country running.

What's more, defaulting on our debt limit will have severe consequences on small businesses' access to capital, which is challenging for entrepreneurs even under normal circumstances. It would mean higher interest rates for all small business loans, including loans from the U.S. Small Business Administration, which carry low interest rates. Personal and small business credit cards would carry higher interest rates, thus making it harder for anyone to pay their debts, accruing interest rapidly over time. And the stock market would be in jeopardy as well, impacting larger businesses and the economy overall. Payments to contractors, like me, would also be delayed, which undermines our ability to pay our employees promptly. It could also create a precedent where banks deny us lines of credit because our primary source of revenue comes from the government, a potentially riskier entity if the government were to ever default on its debt.

Eliminating the debt limit doesn't mean that we, as a nation, can't be fiscally responsible. Congress's job is to take a closer look at our budget, analyze how we are prioritizing certain expenditures, and how we can get back to supporting small businesses, which are the backbone of the American economy. Continuing to enforce the debt limit only serves to put our economy and our small businesses at risk of failing.

We have an opportunity today to help stabilize the economy. Chairman Yarmuth and Congressman Boyle's proposal to eliminate the debt limit is one that can largely address and reduce financial uncertainty for businesses of all sizes. I urge you to refrain from using the debt limit as a political tactic to undermine each other's political priorities. Small businesses have been pushed to their breaking point in the last few years due to the COVID-19 pandemic, and we can no longer bear the financial uncertainty of constant debt limit negotiations.

Thank you for the opportunity to comment on this important issue for the small business community.