

House Majority Policy Committee hearing on “Barriers to Starting and Growing a Business in Today’s Economy.”

Good morning, my name is Savas Logothetides, I am a lifelong resident of Pottsville, PA where I live with my 3-year-old daughter Cleo. I am a graduate of the University of Pittsburgh with a degree in Political Science. Currently, I own three restaurants, a short-term rental company, and a small business and economic development consulting company. I am also the executive director of the Pottsville Area Development Corporation which is the economic development entity in the city of Pottsville, the county seat in Schuylkill County. Altogether I directly employ or oversee approximately 100 employees. I also sit on various boards including the Schuylkill Chamber of Commerce Executive Committee, Schuylkill Technology Center Advisory Committee, and Pottsville Area School District Comprehensive Planning Committee.

I am uniquely postured to understand the issues and challenges facing the small business community by experiencing them directly through my own entrepreneurial endeavors and through the assistance I provide other business owners through my work with the Development Corporation. I am deeply concerned about the future of small businesses.

Today I would like to specifically talk about the restaurant industry which nationally employs approximately 15.3 million people, which is nearly 10% of the entire United States workforce.

I will present to you my 10-dime theory that represents the basic, fundamental economics in small businesses, but in this case, for today specifically, restaurants. In front of me, I have 9 dimes and ten pennies. This represents each dollar that goes into a small business. 3 dimes go to the cost of goods sold. This includes food, beverages, and anything that we sell. 3 dimes go to labor. This includes payroll, team members, salary, benefits, and payroll taxes. 3 dimes go to operating expenses. This includes legal fees, accounting work, utilities, marketing, supplies, and insurance plus a variety of other things. Traditionally that has left us and the industry with 10 pennies. Every penny and every dime matters to these small businesses.

Inflation and the after-effects of COVID has caused every one of these expenses to rise anywhere from 2-5 pennies. All these costs add to an increase in prices that are ultimately passed on to the consumer. Today, price-sensitive markets especially like ours in rural central PA do not allow goods to be provided at a 30% cost. Labor continues to be more competitive and more expensive. Government subsidies such as payroll protection programs and other government supplements have benefited businesses greatly and I can emphatically tell you these programs kept me in business. However, the problem has become that this money has effectively created a bridge loan where small businesses are paying the highest interest rates possible in the form of inflation and soaring operating costs. These issues are affecting us financially but also, they are crushing our ability to provide customer service as expected by the consumer. Our team members are facing passionately angry guests that are paying for \$77 coffees and \$15 sandwiches. We do not only have to prepare for financial

consequences, but we also have to prepare our team members for the consequences of exorbitant prices as they face the people who keep our businesses alive.

Personally, I left corporate America to create the American dream for myself and for the people I employ to ensure that they have the same opportunity. The effects of inflation and increasing operating costs are seen not only on adults that are heads of households but also on the working youth. I have high school kids working 30-40 hours a week during the summer and 20 or more hours a week during the school year while they play football, while they play in the band, to help their parents pay bills that they can no longer afford to pay on their own. This is the reality of today's America.

Recently, I testified to the House Small Business Committee of Congress in Washington DC. There I met a number of other local small business owners who were facing the same issues- inflation, supply chain management, labor costs, energy costs. One gentleman conveyed to me that the Infrastructure Investment and Jobs Act where will invest \$550 billion dollars into infrastructure over the next 5 years will see 30% less projects than anticipated due to the financial challenges our country currently faces- our tax dollars will go \$165 billion less far than anticipated.

What can we do? Obviously, there is no silver bullet for every sector and every industry. However, every sector and every industry faces some of the same skyrocketing costs in Pennsylvania- gas, oil, electricity, insurance, wages, and costs of goods or materials. In many cases there are specific benchmarks attached to each of these expenses as demonstrated

in my ten dime theory. The answer lies in holding the line for larger companies when looking at pricing. Is that in the form of tax credits, legislation, or subsidies? I am not sure I have that answer but I do know nearly all small businesses are affected by the decisions and price increases we are currently facing from only a dozen or so much larger businesses.

I would like to thank Representative Twardzik for inviting me to speak here today. I would like to thank the House Majority Policy Committee for taking the time to hear the real challenges facing the small business community. It is one thing to experience and mitigate these challenges impacting businesses, it is another thing to be able to speak on these challenges here today and hopefully find resolutions. I place these dimes and pennies in your hands. Please understand that swift action needs to be taken during this time of struggle to address runaway inflation and other challenges addressed today in order to allow small businesses, the backbone of America, to survive.