

**EMPOWERING WOMEN ENTREPRENEURS:  
UNDERSTANDING SUCCESS,  
ADDRESSING PERSISTENT CHALLENGES,  
AND IDENTIFYING NEW OPPORTUNITIES**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP**  
**UNITED STATES SENATE**  
**ONE HUNDRED THIRTEENTH CONGRESS**  
SECOND SESSION

—————  
JULY 23, 2014  
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COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED THIRTEENTH CONGRESS

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**WEDNESDAY, JULY 23, 2014**

UNITED STATES SENATE,  
COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP,  
*Washington, DC.*

The Committee met, pursuant to notice, at 1:45 p.m., in Room 216, Hart Senate Office Building, Hon. Maria Cantwell, Chairwoman of the Committee, presiding.

Present: Senators Cantwell, Cardin, Shaheen, Hagan, Risch, and Fischer.

**OPENING STATEMENT OF HON. MARIA CANTWELL,  
CHAIRWOMAN, AND A U.S. SENATOR FROM WASHINGTON**

Chairwoman CANTWELL. The U.S. Senate Committee on Small Business and Entrepreneurship will come to order.

Today we are having a hearing on empowering women entrepreneurs and understanding the successes and addressing the challenges of identifying new opportunities.

I want to welcome everyone who is here in the audience today for this very important hearing and look forward to hearing from our tremendous panelists.

Just 26 years ago in 1988 Congress enacted landmark legislation that established as the law of the land a woman's ability to establish business credit without requiring a signature of a male relative.

Today our Committee is releasing a report, 21st-Century Barriers to Women Entrepreneurship Helping Women Break the Entrepreneur Glass Ceiling.

It is also important that we make policy recommendations based on this report because our report shows that even 26 years after the Women's Business Ownership Act significant barriers still exist for women entrepreneurs.

The report finds that women entrepreneurs still face challenges raising capital for their business in the right amounts at the right time, face challenges of getting relevant business training and counseling and face challenges in getting equal access to compete for federal contracts.

As Congress, particularly this Committee, looks for ways to help entrepreneurs strengthen our economy, we want to make sure that women are enabled to play a very important role.

The National Women's Business Center reports that there are more than 7.8 million women-owned firms. In addition to providing work for the individual employers, they employ more than 7.6 million additional people and generate 1.2 trillion in total revenues.

Between 1977 and 2013, the number of women-owned businesses in the United States grew by 59 percent but women-owned businesses still face real barriers and only make up about 30 percent of small businesses in the United States.

So, our Committee report shows the following things. One, women small business owners face challenges getting access to capital. The Urban Institute reports that only 4 percent of the total dollar value of conventional small business loans go to women entrepreneurs.

Women are forced to rely on personal credit, loans from family and friends, high credit card rates instead of getting traditional bank lending. Just a tiny fraction use business loans from the federal, state, or local government or government guaranteed business loans.

I am sure we will hear from the Small Business Administrator about this issue.

I want to point out an additional study that was done by the Harvard Business School that tested the effect of gender in entrepreneurial pitches.

The study set up an investor to hear a pitch from a male and female voice accompanying the picture. The content of the pitch was exactly the same. The only difference was the gender in delivering it.

The study found, quote, a strong gender gap in how the pitches were received. Investors chose the pitch by men 68 percent of the time. The men used the exact same words. It was just a matter of who was delivering them.

So, we want to make sure we flatten any barriers.

Second, women-owned businesses still face challenges in getting loans in the right size and the right amount of business counseling. Women-owned businesses secured more than 50 percent of our microloans that we make which are \$50,000 and under, and we have had great success from our colleague Senator Levin in supporting an intermediate loan program.

The bottom line is we need financial——

[Pause.]

That was a dramatic pause for this statement.

[Laughter.]

Okay. Are you ready for it?

We need financial products that are tailored to meet the needs of women entrepreneurs of the 21st-century. Women-owned businesses need to have more access to credit. The small business microloans program is helpful and the intermediary loan program which is designed to help in the gap between \$50- and \$200,000 has proven to be very beneficial.

The report acknowledges the success of this SBA intermediary loan program and the work that was done in the Small Business

Job Act. We want to take that from a pilot program to a permanent program.

The third point of the report, the Committee finds that women entrepreneurs face challenges in getting relevant business training counseling. Although the Women's Business Centers, which are well represented here today, were created by the women's Business Act of 1988 to specialize in counseling and training for women-owned businesses, they have not been reauthorized since the 1990s and funding has been flat since the 1990s, something that we have to change.

Fourth, the Committee report shows that women business owners still face challenges in getting equal access to federal contracts. The U.S. government has never met its modest goal of awarding 5 percent of federal contracts to women-owned businesses. If they did, women-owned businesses would have access to market opportunities up to an additional \$4 billion annually. So, the report proposes changing the federal law to give women-owned businesses the opportunity to sole-source federal contracts.

I want to thank all of my colleagues for being here today to listen to these witnesses and to hear from women entrepreneurs about the report and about these proposals.

Now, I would like to turn to my colleague, Ranking Member Risch for his opening statement and thank him for being here today and helping with this session.

**OPENING STATEMENT OF HON. JAMES E. RISCH, RANKING  
MEMBER, A U.S. SENATOR FROM IDAHO**

Senator RISCH. Well, thank you very much, Madam Chairman.

As you and I have agreed and a number of times, issues facing small business, the small business community is not a partisan matter. It is bipartisan. It is nonpartisan, and we are doing our best to pull the wagon together to see that we resolve issues that wind up being barriers for small businesses and.

I want to thank you, Madam Chairman, for holding this hearing and we want to always and continually examine any barriers there are to loaning to women. Any gender bias has no place whatsoever in the lending process.

As far as your remarks and observations regarding the training for women, we have in Boise, Idaho, a Women's Business Center ably led by Shari Herrera, who is here with us today, and these are the kinds of things that are very helpful for women businesses around the country.

So, with that, I want to welcome the Administrator, Ms. Contreras-Sweet. We are delighted to have you. The small business community certainly is at a great advantage when the President appointed you to be the Administrator.

So, we are glad to have you with us today and with that, Madam Chairman, I am anxious to hear the witnesses.

Chairwoman CANTWELL. Thank you very much.

I want to give my colleagues Senator Hagan and Senator Cardin and Senator Fischer any chance they want to make an opening statement.

**OPENING STATEMENT OF HON. KAY R. HAGAN, A U.S.  
SENATOR FROM NORTH CAROLINA**

Senator HAGAN. Thank you, Chairman Cantwell.

This is obviously a very important hearing just by seeing the number of people here today and hearing the number of women and their very, very interesting backgrounds and stories. So one, thank you very much for holding this hearing.

To really highlight the obstacles that our female entrepreneurs face when trying to access Small Business Administration financing and to come before Federal Government contracts, this is incredibly important.

Thank you also for the excellent report that details ways to address this problem. I also want to thank our SBA Administrator for being here.

I do want to recognize Ms. Briles Johnson, who is with us today. She is the Director of the Women's Business Center of North Carolina. Recently the SBA honored the Women's Business Center in my State as a Women's Business Center of Excellence for 2014. I want to congratulate Ms. Johnson.

Thank you.  
[Applause.]

And for the Women's Business Center for receiving this well-deserved recognition, the counseling, the training, and the resource that our centers provide. They have a long track record of helping women-owned businesses to grow and create jobs.

Thank you, Chairman Cantwell, for holding this important hearing and I look forward to the testimony from all of today's witnesses.

Chairwoman CANTWELL. Thank you. Thank you very much.  
Senator Cardin.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, A U.S.  
SENATOR FROM MARYLAND**

Senator CARDIN. Madam Chair, let me thank you and, Madam Administrator, thank you for being here and we thank you for your leadership on behalf of the small business community.

We use this room when we have a very important hearing. It is the largest hearing room in the United States Senate, and I think it is appropriate that this hearing today is dealing with small business and opportunity for women in small business.

So, it is appropriate that you are here and it is appropriate that the subject is being taken up by our Chair and thank you very much for arranging this.

I want to welcome the Marylanders who are here. I know there are a lot in the room.

[Applause.]

This is an enthusiastic group.

First and foremost, this subject of opportunity for women-owned businesses is about the values of America, what we believe in. We believe in equal opportunity for all citizens. Therefore, we know about historical discriminations, about women being able to compete, held down by a lot of bias in our community and opportunities.

It was right for us to set up programs and to provide the tools necessary so that women did have a fair opportunity. I appreciate very much the report by our Chair that was released today because that shows we have made some progress but not enough progress, that there is still a road that we need to travel.

The second thing we do this for is our country. When women have full opportunity, our country does much better and our economy grows and we all benefit from it. So, it is in our economic interests.

There may have been a day where the United States could say we did not have to operate on all cylinders and we still could compete, but we know globally today that we have to be at our best.

Therefore, it is critically important that we have your creativity and innovation that comes out of small businesses so that we can answer the challenges of today's marketplace.

So, I think this is an extremely important hearing and I thank the Chair for convening it and I really do look forward to the witnesses to help us chart a future for tomorrow that will be brighter than today and help all of our women.

Thank you.

[Applause.]

Chairwoman CANTWELL. Thank you very much.

Senator Fisher.

I wanted to say I am so enthusiastic with everybody being here. Anyway.

Senator Fischer.

**OPENING STATEMENT OF HON. DEB FISCHER, A U.S. SENATOR  
FROM NEBRASKA**

Senator FISCHER. Thank you. I would appreciate applause as well.

[Applause.]

Thank you, thank you very much.

Thank you, Chairwoman Cantwell, and Ranking Member Risch and thank you, Madam Administrator, for being here.

This is a very exciting time for our country. This is a very exciting hearing that we are having today because it is going to give us an opportunity so we can focus on those pressing issues that female entrepreneurs face.

You know, if America is going to achieve a robust and a very full recovery, American businesswomen will be the ones playing an important role in that.

I introduced recently a microfinance bill which I think will help not just women entrepreneurs but all Americans in helping small businesses to grow and to be able to work with our Small Business Administration in strengthening our economy.

I would like to thank all the witnesses for joining us today and I look forward to hearing you share your expertise with this Committee.

Thank you, Madam Chair.

Chairwoman CANTWELL. Thank you very much.

[Applause.]

So, not to cut anybody else off from applause recognizing that hearing decorum is to refrain, but you guys have done such a good

job. So hopefully that has expressed your enthusiasm; and if we could just go through the rest of the hearing as a normal process without outburst will be great.

Ms. CONTRERAS-SWEET. Oh, darn.

[Laughter.]

Chairwoman CANTWELL. And then at the end of all of it, we can cheer as loud as we want. How about that?

So anyway, I want to thank the Administrator for being here today. She will be our first witness. And as a former businesswoman herself and banker, she is going to talk about the importance of the SBA and women in small business. After that we will follow with two different panels.

But again, Administrator Contreras-Sweet, we thank you so much for joining us.

**STATEMENT OF HON. MARIA CONTRERAS-SWEET, ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC**

Ms. CONTRERAS-SWEET. Thank you, Chairwoman Cantwell and Ranking Member Risch, Ms. Fisher, Mrs. Hagan, and Mr. Cardin. It is so nice to see you once again. I want to thank you all again for helping me get through the confirmation process. I am now approaching or I have just exceeded my 100th day but there is so much more to get done.

I thank you for the opportunity to testify today about the SBA's work to empower women entrepreneurs. We all know that one in three of the jobs are created in America by the small business community. Small business has employed one half of the private workforce.

Women-owned businesses in that are growing at an unprecedented rate. More than one in four U.S. companies is old or led by a woman and these firms employ more than 7.8 million Americans.

While those statistics are an indication of progress, women still do not have equal access to economic opportunity. Senator Cantwell, as your report demonstrates and my life experiences informs me, there is still so much work to be done.

Women remain underrepresented in the C-suite. Women have difficulty accessing capital and they faced barriers in winning contracts. It is critical that everyone in this room and across the Nation commit to clearing these obstacles to enable our country to reach its very full potential.

Twenty-six years ago Congress passed the Women's Business Act. It was a watershed achievement because it allowed women to get business credit without the signature of a male partner or a relative.

I experienced that discrimination personally. So, this is very personal to me. Congress recognized that women are builders, building businesses, building jobs. Now, it is up to us to ensure that the next generation of women can build their entrepreneurial dreams.

We all have a shared responsibility to champion diversity and workplace flexibility to help women succeed. We must give women the choice to be what their skills and hearts desire, be it a homemaker who stays home with the kids or a homemaker who owns

the construction company that is building the next residential development.

The SBA is deeply committed to fostering economic opportunity for women. Through our work in the area of accessing capital, counseling, and contracting opportunities, we can do much work.

Since 2009, SBA lending from women-owned businesses has gone up 31 percent across our three lending platforms. That is the 7(a), 504, and microloans. In America, gender should never impact whether you can get a loan; only your creditworthiness should.

Last month, I announced an effort to simplify and streamline SBA underwriting to attract more lending partners and broaden access to capital for women. No excuses for the financial institutions.

Effective this month, SBA's new credit scoring model is going to be helping us provide more equitable access to capital. Our Office of Women's Business Ownership helps entrepreneurs start and grow their business and compete in global markets. We oversee a network of more than 100 Women's Business Centers nationwide, many of them represented here today. These centers provide valuable, insightful management and technical assistance, especially to the socially and economically disadvantaged.

Our WBCs are doing extraordinary work. Since 2009, more than two million women have received assistance through these centers and SBA. Those who receive our assistance are more likely to start a business and successfully secure financing critical to growth.

We are opening doors to more women entrepreneurs to compete for federal and commercial contracts. We are aggressively promoting in the women-owned small business contract program through our ChallengeHER events.

I saw this program in action in Boise, and, Senator Risch, thank you for being such a wonderful and gracious host. It was rewarding to see how some of Idaho businesswomen have grown their companies through this program.

Nationally, women entrepreneurs still receive less than 5 percent of federal contracts, however. So, I am accelerating a study of industries in which women-owned businesses are underrepresented in federal contracting. Women entrepreneurs are now considered underrepresented in only 83 of 260 industries. Our study will examine whether this number should be adjusted.

I urge Congress to approve sole-source contracting authority for women-owned businesses which would put them at parity with HUBZone and service-disabled veteran-owned businesses. When we empower women entrepreneurs, we are also lifting millions of workers that they employ.

In June, I participated in a White House summit that brought together women leaders and workers from across the country. It was inspiring to hear their commitment to offer innovative benefits and flexible workplaces to attract and retain the best possible talent to their companies.

Our workplace policies must be adaptive to the reality that both parents in a majority of American households are now working. More than 40 percent of mothers are now the sole or the primary breadwinner in their household, but many cannot access flexible hours, paid leave, job sharing, and other worker-friendly policies,

allowing them only one other choice, to start their own business. We must build business ownership.

When women are able to ascend to leadership positions, they can apply their experiences to support all business owners, not just women. We need more women in the boardroom and in private equity making investment decisions that drive business growth.

We need more women in banking to help entrepreneurs access capital and financial counseling in order to build business ownership and more jobs, and we need more women as senior procurement executives in the contracting space to help the government meet and maybe even exceed its small business targets.

I have seen how diversity begets diversity. There is no substitute for having a seat at the table. As the SBA Administrator, I want the letters now for SBA to stand for smart, bold, and accessible.

We must use smart systems to remain current and be responsive with technological advances. We must be bold and allow for new markets for small businesses to be promoted, and we have to be accessible, inclusive to all.

I am passionate about using all of the tools of my office to help America realize the benefits of women's intellectual capital, insight and ingenuity. Again, SBA will now stand for smart, bold, and accessible.

Fifty years ago was the passage of the Civil Rights Act. Martin Luther King said, what is it, what is the value of being able to sit at an integrated counter if you cannot buy the hamburger.

With the SBA now, we can not only buy the hamburger. We are helping women buy the restaurant

[Applause.]

Thank you so much for holding this August group together so that we can continue to learn and continue to be responsive at the SBA. Thank you for allowing me to share my views, and I am happy to answer any questions you have.

[The prepared statement of Ms. Contreras-Sweet follows:]



**TESTIMONY of**

**MARIA CONTRERAS-SWEET  
Administrator, U.S. Small Business Administration**

**BEFORE THE**

**Senate Committee on Small Business and Entrepreneurship  
July 23, 2014**

Chairwoman Cantwell, Ranking Member Risch, and Members of the Committee, thank you for the opportunity to testify today about the SBA's work to support our women entrepreneurs.

An under-reported story in America is the growing power of women leading our economic comeback. A few years ago, for the first time in history, there were more women in the workforce than men. At the same time, women-owned businesses are growing at an unprecedented rate. More than 1 in 4 U.S. companies is owned or led by a woman, and these firms employ more than 7.8 million Americans.

Senator Cantwell: I understand you're releasing a report today with more details about the state of women's business ownership, and I look forward to reading it.

I'd like to use my time to report on the SBA's work to support women entrepreneurs in the areas of capital, counseling and contracts. Then, I will offer a few comments on our shared responsibility to champion diversity and workplace flexibility to help a new generation of women-owned businesses succeed.

The SBA works with our lending partners to guarantee loans on reasonable terms to women entrepreneurs who cannot obtain capital from conventional lenders. According to the Urban Institute, women entrepreneurs are 3 to 5 times more likely to receive SBA-backed financing than conventional loans.

Since 2009, SBA lending to women-owned businesses has gone up 31 percent across our three lending portfolios: 7(a), 504, and microloans. We've supported nearly 58,000 loans totaling more than \$17.2 billion to women entrepreneurs.

In America, gender should never impact whether you can get a small business loan; only creditworthiness should. Last month, I announced an effort to simplify and streamline SBA underwriting to attract more lending partners and broaden access to capital for women. Effective this month, SBA's new credit scoring model will help us provide more equitable access to capital to women entrepreneurs.

The SBA is also focused on ensuring women have access to high-quality business counseling. Our Office of Women's Business Ownership helps entrepreneurs start and grow their business and compete in global markets. We oversee a network of more than 100 Women's Business Centers nationwide. These Centers provide management and technical assistance – especially to women entrepreneurs who are socially and economically disadvantaged. Since 2009, more than 2 million women have received assistance through SBA and our resource partners. Those who receive our assistance are more likely to start a business and successfully obtain financing critical to growth.

We have a special responsibility to our women veterans. I recently expanded our Boots to Business program, so we're now providing entrepreneurship training to transitioning service women, as well as to current female vets who want to apply their military leadership skills to their dream of business ownership.

Finally, we're opening doors for more women entrepreneurs to compete for federal and commercial contracts. We're aggressively promoting the Women-Owned Small Business Contract Program through our ChallengeHer partnership with WIPP and American Express OPEN. I saw this program in action in Boise, and Senator Risch was a wonderful host. It was rewarding to hear how some of Idaho's most impressive businesswomen have grown their companies through this program.

Nationally, women entrepreneurs still receive less than 5 percent of federal contracts. We are in the planning stages of initiating an SBA study concerning the industries in which women-owned businesses are under-represented in federal contracting. Women are currently considered under-represented in 83 of 260 industries. Our study will examine whether this number should be expanded.

I also encourage this Committee to approve sole-source contracting authority for women-owned businesses, which would give the program parity with the HUBZone and Service Disabled Veteran-Owned small businesses.

In closing today, it's important to note that when we help women entrepreneurs, we're also helping the millions of workers they employ. In June, I attended a White House summit that brought together women small business leaders and workers from across the country. It was inspiring to hear their commitment to offer benefits like health care and flexible workplaces to attract the best possible talent to their companies.

Our workplace policies must adapt to the fact that both parents in a majority of American households are now working. More than 40 percent of mothers are now the sole or primary breadwinner in their household. But many cannot access flexible hours, paid leave, job sharing, and other worker-friendly policies.

This matters, because when women are under-represented in the boardroom, companies do not reflect the sensibilities of half of the population. This is bad for business. When women are able to ascend to leadership positions, they can apply their experiences to support a new generation of women business owners.

We need more women in private equity, making investment decisions that drive business growth. We need more women in banking to help entrepreneurs access capital and financial counseling. And we need more women as senior procurement executives in the contracting space to help the federal government meet and exceed its targets for women-owned small businesses.

As a former community banker and a private equity entrepreneur, I have seen how diversity begets diversity. There is no substitute for a seat at the table.

As SBA Administrator, I am passionate about using all of the tools of my office to drive progress for a dynamic new generation of women and the businesses they own.

Thank you for allowing me to share my views, and I will be happy to answer any questions you may have.



### **Biography of Maria Contreras-Sweet**

Maria Contreras-Sweet became the 24<sup>th</sup> Administrator of the U.S. Small Business Administration and a member of President Obama's Cabinet on April 7, 2014.

Contreras-Sweet is a successful entrepreneur, business executive, and state cabinet official. Throughout her career in the public and private sector, she has been a champion of diversity, access to capital and equal opportunity for all Americans.



Prior to her arrival in Washington, Contreras-Sweet founded ProAmérica Bank, the first Latino-formed commercial bank in California in more than 35 years. As the bank's executive chairwoman, she focused on providing access to capital and counseling to small- and mid-size businesses in Los Angeles. She previously started Fortius Holdings, LLC, a venture capital firm that invested in small businesses.

Contreras-Sweet was the first Latina to hold a state cabinet post in California. As Secretary of Business, Transportation and Housing Agency, she managed 13 departments, including Caltrans, the California Highway Patrol, the Department of Motor Vehicles and the Department of Financial Institutions. She managed a \$14 billion budget and a workforce of more than 42,000 employees during her five-year tenure. She led in the creation of the state's Department of Managed Health Care and its Office of Patient Advocate and in the implementation of a \$2.1 billion housing bond that stimulated the state's economy. During California's energy crisis, she chaired the finance committee of the state's electrical power grid, CA-ISO, helping to stabilize the state's volatile energy market.

Contreras-Sweet entered the private sector as the director of public affairs for Westinghouse's 7-Up / RC Bottling Company. She rose to vice president and later became an equity partner in the company.

Contreras-Sweet was a founding director of The California Endowment, a multi-billion dollar philanthropic health foundation. She was appointed by the United States Senate to serve on the Federal Glass Ceiling Commission, created to help break down barriers between women and the executive suite. In 1989, Contreras-Sweet founded Hispanas Organized for Political Equality (HOPE), a nonprofit, nonpartisan advocacy organization dedicated to encouraging Latinas to engage more fully in the democratic process.

Born in Guadalajara, Mexico, Contreras-Sweet is a first-generation immigrant who came to America at age 5 with her mother and five siblings. She is married to Ray Sweet, and they have three children and a granddaughter.

Chairwoman CANTWELL. Thank you, Administrator Sweet, and thank you for your testimony.

I want to start with talking about the senior contracting positions within the government. One thing I very much appreciate is that the President has elevated your position to a cabinet level position. So, do you get to look your peers in the eyes and say why have you not met this 5 percent goal?

What do you think it takes, obviously we are going to pursue a sole-source contract position, but you could outline a few things. If you could expound on how you think that the senior contracting officials could help this process.

Ms. CONTRERAS-SWEET. One is just, thank you for pointing out that the President elevated this position so I now get to sit at the table across from DOD and DOE and every other department and we have collegial conversations about this.

But what I want to tell you is again from the top when the President says that this is a priority, it heralds all the way through the agency.

So today my buying officers at key buying activity centers are waging, you know, their voice and speaking out loudly, very ardently. We have challenged, we have already challenged many instances where we think that the opportunity could have gone to a small business.

We need to continue to make certain that our business counseling centers, when I talk about smarter systems, Senator, I also think that it is important for us to make sure that the counseling programs are systematized so that women can understand how to go about the process.

The other point that I am really delighted to see is that the President passed prompt pay in 15 days because so many times women would say I want to get the work but once I get the work I cannot afford EBITDA, the cash flow.

So, with the 15-day program, we are now able to get more women into the pipeline. Just last week we announced a concomitant program called the Supplier Pay Program where we now have challenge the private sector to match the goals that we have in government. I was pleased to say that already 28 corporations have signed up to follow the government lead.

Chairwoman CANTWELL. So, you think it is just getting the right people in these positions who are knowledgeable that we need to meet this goal?

Ms. CONTRERAS-SWEET. I think it is the counseling so that women know how to navigate through the labyrinth of government. I think it is the access to capital and that is why we have zeroed out fees for loans under \$150,000 through the Community Advantage Program.

It is why we put in the total SCORE program that allows us for loans under \$350,000 to expedite and streamline the process for which to get capital and I think it is again getting the word out about contracting opportunities.

I am delighted to see Barbara Corcoran here because I think she can help brand and expand the knowledge and awareness about these opportunities. So many women do not have a rich uncle that

can open the door. SBA has got to be their Uncle Sam who is going to open that door.

Chairwoman CANTWELL. Tell me about your view on why those microloans at \$50,000 are so important. I am almost asking you now to put your banker hat back on for a second.

Do you have a viewpoint about why both the intermediate and the \$50,000 loan is such a critical thing to women's businesses?

Ms. CONTRERAS-SWEET. When you are starting a business, you just want to begin to build your plan, to hire up your work team. Even when I started my own bank, you know, I did not need the \$50 million on day one. I needed to get there incrementally.

So just to begin to seed your plan and get your materials together, you need that first small loan. Large institutions, I can share with you as a banker, when I would give my lenders a goal of say \$15 million a year, their interest was in putting out three \$5 million loans.

When I said to them, you are going to get to the \$15 million by \$50,000 increments, they were loath to do it because of the underwriting, the technical assistance, the servicing of the loan. It takes just as much effort to do a \$50,000 loan and in some instances the paperwork is not as defensible, as reliable as audited financials of a larger institution.

So, for asset quality reasons and others, banks are reluctant. That is why I think the technical smart systems that we are putting in place will be more effective.

And so, women want that initial seed capital to just begin and they want it at competitive rates. That is why with SBA, so that is one point.

Another point is that the reason we are having so much success with now the microloans, 40 percent of our loans are going to women so already we see the trajectory, the upstream in that program; and it is because we have technical assistance in those programs.

We need to make certain that our counseling centers continue to provide technical assistance all the way up the ladder of the credit pipeline.

Chairwoman CANTWELL. Thank you.

Senator Risch.

Senator RISCH. Thank you, Madam Chairman.

Administrator, thank you for the passion and the enthusiasm you bring to the job.

Madam Chairwoman, we have a lot of witnesses to get to and I will have some questions but I will submit them for the record and so I will yield back my time.

Thank you so much for being with us today.

Ms. CONTRERAS-SWEET. Thank you.

Chairwoman CANTWELL. Thank you.

Senator Cardin.

Senator CARDIN. I will try to follow Senator Risch's model of brevity but I do want to ask you a question as it relates to the tools that are available.

You mentioned the microloan program and 40 percent you just said go to women. We have the Women's Business Centers which have been in existence now for some 25 years. You mentioned sole-

source as an area to increase opportunities for women-owned businesses.

Could you just tell us what you think the most important tools that you have currently under the SBA that could be strengthened that could help improve the numbers in regards to loans and into contracts and startups for women-owned businesses?

Ms. CONTRERAS-SWEET. I think, depending on the stage of, you know, whether it is a small-cap, mid-cap, large-cap business, depending on the stage, there are different solutions for them.

But the common denominator, Senator, is that I do not think that the public is fully aware of the fullness of the SBA programs that you have all created here.

So not only do we have an answer at every intersection of capital need, we also have, for example, when you go to bid for a contract, Mr. Senator, often times what they need is a surety bond. They need a performance bid or a bid or performance bond. The SBA also has that.

Sometimes women do not have enough to collateralize the loan. The SBA has private equity through our SBIC programs, and sometimes women want to invent something and the SBA has the SBIR program and the STTR which is the small business transferred technology with the colleges and universities.

But it does not matter how many times I say that. I need for all of you. I need for everybody in the room to elevate the conversation and to help get the word out because I think that if more of us knew, more of us would be partaking, and America would win.

Senator CARDIN. Well, I agree with you. This Committee was responsible for increasing the limits on the surety bonds and the SBIR program was reauthorized. There are a lot of tools that we have dealt with and we have done it to help small businesses.

But we want to make sure women get their attention in regard to each of these programs, and I think your testimony here today indicates that the range of tools that are available can help various women-owned businesses but they need to know about it and they need to engage early.

You do provide technical assistance through the Women's Business Centers. Do you have enough resources there?

Ms. CONTRERAS-SWEET. I am always happy to take more so I will never argue but I want to tell you one thing about the SBA and that is the return on investment.

Taxpayers can be proud about the value that they are getting out of the SBA. When you consider that our brand product, the 7(a), is at zero subsidy and when we note that the 504 which is the second in demand is tapering down in terms of subsidy, I am heartened that these programs are paying for themselves increasingly so and providing the great return on investment.

Senator CARDIN. Thank you.

Thank you, Madam Chair.

Chairwoman CANTWELL. Thank you.

Senator FISHER.

Senator FISCHER. Thank you, Madam Chair.

Thank you again, Madam Administrator. It is so good to see you and I do appreciate your enthusiasm that you have for your job.

Recently the Women's Chamber of Commerce released a report that states that almost half of the firms that have self-certified in the women-owned small business contracting program were found to be fraudulent. I find that very concerning.

I want to make sure that we are out there helping the people who these programs are designed to help. Have you seen that report and what would be your response to that?

Ms. CONTRERAS-SWEET. As a businesswoman, I take fraud and abuse, waste and abuse very, very seriously. So, any time I see anything like that it is disconcerting.

But what I can tell you is that the women business owners themselves are engaged. There is self-policing involved, and the numbers, Senator, that we see, when you think about the millions and millions of transactions that are taking place and the de minimis number that that report indicates, I can assure you that the system is not broken.

Senator FISCHER. Thank you. Also at your confirmation hearing I asked about a time line for the confirmation, the nomination, of a deputy director. Where is that process headed now?

Ms. CONTRERAS-SWEET. Thank you. And I shared with you that I wanted a certain skill set, and I still feel that that is true.

It is one thing to talk about the policies, and I am grateful for the good programs that you put in place. It is another thing to execute them.

And so, I think it is important that I have a team partner that is able to execute and operationalize the programs and even below the line metrics. I am very much about performance management and accountability.

So, in that regard I am delighted to tell you that I have been interviewing and I am heartened by those outcomes.

Senator FISCHER. Oh, wonderful. I look forward to meeting the person who is going to be your partner in that. Also in my introductory comments, I mentioned a microfinance, a microloan bill that I introduced called the Access Act.

It deals with raising that threshold from \$50,000 up to \$100,000 for the small businesses so people can access that. I think it would help more and be more realistic in meeting operational expenses, business expenses that small business people face and that the SBA can certainly help with.

Have you had a chance to look at that wonderful bill that is out there and maybe give an opinion on it? Do you think that that limit really should be raised, \$50,000 for operational expenses, and to get a big business going or a small business going, that is kind of tough, do you not think?

Ms. CONTRERAS-SWEET. Thank you, Senator. I am always happy to have more tools and so I am always, you know, encouraged by your interest in providing us more tools.

And as I said, this Committee can take as much ownership as anybody over the bounty, over the programs that we have at the SBA. Our work team is ready, and I think they have already engaged in working with you to access the opportunities and will continue to do so to make certain it is complementary and not cannibalizing to any of the products that we have in place.

Senator FISCHER. Great. Appreciate that. Thank you so much.

Thank you, Madam Chairman.

Chairwoman CANTWELL. Well, Administrator Sweet, thank you so much for your testimony and your hard work.

Oh, my colleague, Senator Shaheen is here. Do you have a question? Sorry.

Senator SHAHEEN. That is okay, Chairman Cantwell. Thank you.

Sorry to miss your testimony, Administrator Sweet. But I understand that you completed your first hundred days as Administrators so thank you very much for taking on this task, and clearly we have a lot of support in this audience with all of these women-owned business owners and supporters of the work of the Small Business Administration.

I understand that you recently stated your support for providing sole-source authority for a women-owned small business contracting program.

I wonder, obviously this is something that I think is long overdue. I have legislation that would address this. I wonder if you could talk a little bit about how you think this might help us meet our 5 percent of contracts to women-owned small businesses, the goal that SBA and we have for providing business to women-owned small businesses.

Ms. CONTRERAS-SWEET. Thank you for your leadership. I thought it was terrific to see you introduce that legislation. So, thank you for doing that.

It is important. If I can just take you down to the granular. When a buying officer is at a buying activity center and they conduct some research and find that there is a woman that is uniquely qualified to do that work, this would allow them to go and get that woman and get her on the job to fulfill that contract immediately without having to go through an arduous process and, you know, having the paperwork to complete that and go through a competitive process.

And so, it is another important tool and it just puts women on par with the veteran-owned programs and our HUBZone programs. So women deserve parity in that regard.

Senator SHAHEEN. Well, thank you. Hopefully we can move that legislation as part of the Chairwoman's package for women-owned businesses.

Thank you. That is all.

Ms. CONTRERAS-SWEET. I just wanted to say, Chairwoman, I know you were about to turn my mic off, I just wanted to say that I am heartened by your leadership.

I know that you and I began at the same time; and although I have completed my hundredth day, I know that you have too, and it has just been an incredible process and journey to have worked with you and your leadership and that you are holding this hearing to serve half of America's workforce.

Remember Warren Buffett said that the reason he is so successful is he has only had to compete with half of America's intellect; and so, you are leveling the playing field and all of the Committee is for women. Thank you for that ardent leadership.

Chairwoman CANTWELL. Thank you. Thank you so much.

[Applause.]

So, we will let the Administrator go on to advocate in all those places and we will call our second panel. We are so excited to have Barbara Corcoran with us today who turned a \$1,000 loan into a \$66 million real estate business and now is investing in startups.

She will be joined by Lori Meeder, a Senior Loan Officer with Northern Initiatives in Michigan and is involved with both the SBA program as well as the intermediary lending program, and she will be able to speak to the importance of SBA's microloan programs in providing capital to women and how important it is this intermediary step.

They will be joined by Veronica Davis from Washington, D.C., who will speak about the SBA microloan program and her ability to acquire capital for small businesses who could not secure loans from traditional institutions.

So, all of these witnesses, we are so glad to have you here, and we are going to start with you, Barbara. Thank you very much for being here, and we so appreciate your testimony.

You just might have to punch the microphone. There is a red button on there so everybody can hear you.

**STATEMENT OF BARBARA CORCORAN, FOUNDER, THE CORCORAN GROUP AND ABC'S SHARK TANK, NEW YORK, NY**

Ms. CORCORAN. I would like to thank the Small Business Committee for having me here and all you guys for being out there. I have never seen a real Senator before.

[Laughter.]

I did prepare some remarks. I usually just talk off the cuff, but you have me intimidated like crazy so I am going to look at my remarks if you do not mind.

You know, when I started my business, I was 23, and I was a waitress, and I got a very, very lucky break. I had a handsome guy walk into my counter and say you are adorable, can I give you a ride home. And of course, he offered me \$1,000 to start a brokerage business simply on the basis that he said you have got a great personality. I bet you would be great in real estate sales to which I replied I have tried everything else why not, you know.

If not for that \$1,000 that he loaned me and he took 51 percent of the ownership of the business from day one which he was entitled to, it was all his cash and I had no other option. I was very happy to take the money.

If not for the \$1,000, I would have never had a lucky break. I do not know if I would have stayed a waitress my whole life. I enjoyed the job. I would not have minded that honestly, but I do not think I would have had the amazing opportunity that I had no idea what was going to happen.

So, I had that lucky break of 1,000 bucks, and that was my first lesson in learning how important it was to get your hands on some cash because a door swung open for me, and I had another option in life.

When I got to New York City to open my little shop in a sub-leased space, I found that every competitor in town, huge companies, owned by sons of men who had started the huge company a century before, I found it enormously difficult to compete with the men, and I was particularly surprised because 95 percent of all the

women at that time probably a total of maybe a thousand women were the sales people in the business, but the entire business was owned by men. No problem.

But I found it particularly difficult when I tried to build my business because I had no access to capital whereas the men were able to get as much money as they needed to compete with one another.

So, I was kind of left on the sideline watching growth in a very painful way, doing what I could, but it was not so easy. Then thank God how heavens part sometimes, and I ran into a guy at a social event who was a young banker at Citibank who was a mama's boy, and he told me about his mother for a whole hour straight.

I recognized the opportunity and hit him for a loan.

[Laughter.]

Hey, you get what you can, right?

He sold that credit line for me which was a total of \$150,000. Now picture this. I already had almost 250 salespeople working for me. I had three offices. I was a respectful businesswoman. I could not get a credit line, and I was making a profit every month.

But he changed all of that. Gave me the credit line and then the next five years I was able to take 250 people and build them into 1,100 people and take the number one position in my real estate market.

Without that money I would have never, ever been able to even dream about it, never mind do it, and then my final lucky break having money coming in was, of course, someone offered me \$66 million for my business. I took that money and ran like hell.

[Laughter.]

Today I sit in an interesting position on the other side of the fence. I am a shark investor as they call it on a new show, well, five years old, not so new, on ABC called Shark Tank.

And on that show it is so odd for me to sit on the other side of entrepreneurs and be in charge of whether I want to give them money or not. I bend over backwards to give anybody money who seems the least bit capable, and I never worry about creditworthiness.

My eyes are on are they capable. If they are capable, I lend them money all the time, and thank God of the 32 businesses I have lent money to, seven are clear home run hits. The others are losers, but the winners, as they say, make up for the losers.

But an interesting thing happens on that show. I sit with, in most days on the show with four male investors, sometimes now, after Season Two, thank God, I have a second female on the panel, Lori Greiner, and it is interesting to always see a female or male come on to the set.

I automatically know when a woman is standing on that set that she has got only a 50 percent shot at getting any money from those guys. Why? Good reasons. They all want to buy businesses. Nobody has an ulterior motive at all, but the way it goes is when they start pitching a female, they are cute. They always pick out pretty girls. They are well endowed. They always picked out a well endowed woman. So, I am not sure the men are even paying attention to the numbers or those numbers.

And what happens is men cannot relate to the products women pitch. They go, you know, I really know nothing about fashion. I

really know nothing about children's bicycles. I really know nothing about all the same things that women always know about.

And so, only 50 percent of the women at the rate leave that set with money compared to double that number with all the best intent in a modern day show when anything goes.

And so, I guess my point here is that I never, ever thought that women had a bad rap or ever felt disadvantaged ever in my life. I always wore my skirts higher than the guys and wore bright red suits to be noticed like a girl, and I had no shame.

But what I am saying is my life experience both building my business and now as an investor, angel investor on and off the set of Shark Tank, I can tell you that women have only half the shot at best in any situation getting their hands on the cash.

As talented as anybody could possibly be in whatever they are pursuing their dream in life, I am telling you that you need the cash to do it.

So, if there is anything that you could do to make the Vaseline on that, you know, road of getting the money to the girls a little bit easier, they deserve it, not because they deserve anything more than the next guy but because it really is doubly hard to get cash. It is as simple as the reality of living or at least so far the life that I have lived, and that is it.

Thank you for listening.

[The prepared statement of Ms. Corcoran follows:]

**Testimony of Barbara Corcoran  
Before the Senate Committee on Small Business & Entrepreneurship**

**July 23, 2014**

Though the rate of women in entrepreneurship has risen in the past few years, the startup game remains vastly male dominated. Women led companies have received only 7% of all venture capital funding in the United States. A new study led by Harvard Business School found that both regular people and experienced angel investors are more likely to be swayed by a man's business pitch, especially an attractive man's, compared with the exact same pitch by a woman. In one test, men were 60% more likely to be awarded funding than women.

In a second experiment, 521 people (47% female) watched two entrepreneurial pitch videos that showed images related to the company being pitched but not the entrepreneurs behind it. A voice-over described the details of the pitch. In one version, one video was narrated by a man and the other by a woman. In the other, the scripts were the same but the roles were switched: The video that had been narrated by a man was narrated by a woman and vice versa. Though the content was exactly the same, 68% of the participants elected to fund the venture pitched by the man's voice and only 32% chose to fund the one pitched by a woman.

The researchers hypothesize that their findings are due to something called "lack of fit," a term coined by NYU psychologist Madeline Heilman to describe the way gender stereotypes influence evaluation in the workplace. "When we imagine an entrepreneur, people seem to imagine a man," the study's leader explains. "So when you see a female pitching an entrepreneurial venture, there's this lack of fit between what you imagine and what you're seeing." This makes the woman's pitch less persuasive.

This study highlights the fact that it'll take a lot more than 'leaning in' to fix the entrepreneurial gender gap.\*

When I started my business I was working as a waitress and had the good fortune to meet a man who offered to loan me \$1000 to start a real estate venture. If not for that loan, I would not have been able to get money from anywhere and my dream would have remained just that – a dream. But because of my access to capital I was able to build a business that employed over 1,000 people for 25 years – contributing back into the economy. Each dollar of that loan I turned into 1 job for 1 person for the next 25 years. Not a bad return for a young working girl who happened to have a lucky break.

In New York City each of my giant competitors who owned the real estate market at that time were men in suits whose fathers and grandfathers had started their companies. They had easy access to whatever capital they needed as they continued to grow and compete with each other. As a woman, it took me a cash-stretched, cash-short 12 long years before I could get my first line of credit to help me grow my business. Fortunately a self-professed “mama’s boy” from Citibank gave me the money I needed to compete like a man, and I eventually took the #1 position in my marketplace and later sold my company for \$66 million – making me rich!

Today I’m an investor on ABC’s *Shark Tank*, a TV reality show that invests in small businesses started by young men and women in America. They, too, have big dreams but don’t have access to capital, and of the 26 businesses I’ve invested in 8 are hugely successful and collectively have created 160 jobs.

As an entrepreneur, getting your hands on the cash you need to hire help, build offices and buy trucks is absolutely essential to taking something small and turning it into something big. Building a successful business takes more than talent and hard work – it takes cash.

(\*Source: Shaunacy Ferro for FastCoDesign.com)



**BARBARA CORCORAN**

*"Shark" on ABC's "Shark Tank"*

Barbara Corcoran's credits include straight D's in high school and college and 20 jobs by the time she turned 23. It was her next job that would make her one of the most successful entrepreneurs in the country: She borrowed \$1,000 and quit her job as a waitress to start a tiny real estate company in New York City. Over the next 25 years Barbara would parlay that \$1,000 loan into a \$5 billion real estate business building the largest and best known brand in the business.

Corcoran is the author of the best seller Shark Tales, how I turned \$1000 into a billion dollar business!

Corcoran is a motivational and inspirational speaker and is the real estate contributor for "The Today Show" on NBC and is a frequent contributor to every major network.

Barbara's new syndicate, Barbara corcoran venture partners allows would-be angels to invest alongside her on Angel list.

- Read Barbara's book [Shark Tales](#)
- Invest with Barbara on [AngelList](#)
- Follow Barbara on [Twitter](#)
- Find Barbara on [Facebook](#)
- Connect with Barbara on [LinkedIn](#)
- View Barbara on [Instagram](#)

**PERSONAL INFORMATION**

HOMETOWN ..... Edgewater, NY  
BIRTHDATE ..... March 10

Chairwoman CANTWELL. Thank you very much and you can see that not only is she talented, she is good at timing too because that was five minutes precisely off the top of your head.

Ms. CORCORAN. Oh, it felt longer.

Chairwoman CANTWELL. Thank you. Thank you so much.

[Applause.]

Next we are going to be joined by Lori Meeder, and I have to step away to vote in another Committee for a few minutes. I am going to ask my colleague, Senator Cardin, to take over, but I will be back for questions.

So, Senator Cardin, thank you.

Lori, go ahead.

**STATEMENT OF LORI MEEDER, SENIOR LOAN OFFICER,  
NORTHERN INITIATIVES, MARQUETTE, MI**

Ms. MEEDER. Okay. Thank you, Chairwoman Cantwell, Ranking Member Risch, and Members of the Senate Committee on Small Business and Entrepreneurship, for the opportunity to testify in this hearing on "Empowering Women Entrepreneurs."

I appreciate the chance to discuss the work we do at Northern Initiatives, which is greatly enhanced by SBA programs, to finance, support, and strengthen women entrepreneurs and other start up and growing businesses.

I am Lori Meeder, a Senior Lender with Northern Initiatives. We are a non-profit Community Development Financial Institution, created in 1992. We provide business lending, investing, and technical assistance to businesses throughout northern rural Michigan.

I spent much of my career in commercial banking so I have a good perspective from both sides of lending, both conventional and alternative.

Launching and growing small businesses is essential to the health of our rural communities. Since we have launched its small business lending program in 1994, we have made over 750 loans totaling nearly \$40 million, half of which were microloans through the SBA microloan program. Of our total loans, roughly a third have been to startups, 40 percent to women-owned businesses, and a third to manufacturers.

As an SBA microlender, since 1994 we have borrowed \$3.7 million from the SBA through the intermediary program and lent out \$6.1 million. Our average loan over all of our programs is only \$46,000. So, we are truly a microlender. We currently have 55 SBA microloans in our portfolio right now totaling \$1.2 million.

We truly are a microlender. A large loan for us is a half a million dollars. Anything above that, we utilize the USDA B&I program.

We are thrilled with the community advantage 7(a) program that we have utilized significantly since its inception.

The SBA is a key partner and the SBA tools to allow us to reach and serve viable businesses that are really outside of the economic mainstream. There is a significant need for lenders like us to have the various SBA programs that really can be sewn together to create and help launch businesses.

The type of lending that we do is very vital to our rural communities. Everyone is not bankable. That is always going to be the case. Some lack cash, some do not have sufficient network to pledge

collateral, some have had bankruptcies, and in rural communities it could be an unexpected illness that created medical expenses. It could be poor credit perhaps associated with a job loss, and many others just simply lack experience.

Our role is to assess character, verifying the conditions that created the blemishes that they have and figure out how to help them accomplish their business growth.

One of the things I am very proud of is our relationships that we have with our bankers. They understand what we do very well, and we work together on projects. They know what we can do and what we cannot do.

We started, we have helped many businesses start that have then graduated to conventional banking. To me that is a real home run.

I shared many stories in my written testimony about some examples, but I would just want to share one with you. Utilizing the microloan program, we helped Juli and Jody Sauve start Right Away Cleaning and Restoration in Alpena, Michigan. They had worked in the industry for many years.

The business they worked for was purchased by a larger company out of the area and within 12 months abruptly closed. They suddenly found themselves without jobs. They knew they could create a business that was successful if given the opportunity but were challenged with credit issues and personal finances due to the loss of the jobs.

We partnered with a local bank and another nonprofit and together we came up, we used a \$30,000 microloan and together we put a financing package together of \$100,000. We helped them get QuickBooks training. We understand that it is critical for these small businesses to understand their financial reporting, how to read their financials, how to manage that.

So that is a big piece of the technical assistance that we like to supply. We also help create Web sites, and we teach our clients how to use e-commerce practices to overcome the distance to market.

We are in rural America, the seasonality and the isolation associated with doing business in rural America. We support the microloan program changes in the Women's Small Business Owner Act. I also want to voice strong support for Senator Levin's SBA Intermediary Lending Program Act and ILP provisions included in Senator Cantwell's bill.

This is such an important financing tool to enable small businesses. It really is a great natural stepping stone to the SBA microloan program. We have been able to take microloan clients and put them in this product as they are growing.

Our tagline is prosperity. That is our business. As we think about the state of women-owned businesses in our service area, these programs and tools are important to building a new generation of entrepreneurs. These tools will continue to positively impact women in search of opportunity and prosperity.

Every day I am amazed by the passion of my small business clients. Every day I am humbled by the work that they do to make their businesses succeed.

Thank you very much for allowing me to share my perspective.

[The prepared statement of Ms. Meeder follows:]

Testimony, Lori Meeder, Senior Loan Officer Northern Initiatives, Marquette, Michigan

United States Senate

Committee on Small Business and Entrepreneurship

*Empowering Women Entrepreneurs: Understanding Successes, Addressing Persistent Challenges, and Identifying New Opportunities*

July 23, 2014

Thank you Chairman Cantwell, Ranking Member Risch, Senator Levin and Members of the Senate Committee on Small Business and Entrepreneurship, for the opportunity to testify in this hearing on “Empowering Women Entrepreneurs.” I appreciate this chance to discuss the work we do at Northern Initiatives, which is greatly helped by SBA tools, to finance, support and strengthen women entrepreneurs and other start up and growing businesses.

I am Lori Meeder a Senior Loan Officer with Northern Initiatives, a 501©3 non-profit Community Development Financial Institution, created in 1992, that provides business lending, investing and technical assistance to communities and businesses throughout rural Northern Michigan. We serve 46 rural Northern Michigan counties and the five counties that border Michigan in Wisconsin. Like many rural areas, our service area is experiencing a transition from extractive industries to small businesses. These new and growing businesses are capitalizing on market trends in support of “fresh, natural, local and authentic” products and services. To illustrate this shift, according to the Edward Lowe Foundations, [YourEconomy.org](http://YourEconomy.org) website, in 2013 our 51 county area was home to 76,746 establishments that employ between 1 and 9 persons. Contrast that with establishments that employ over 500 which numbered 60. Launching and growing small businesses is essential to the health of our rural communities. Since Northern Initiatives launched its small business lending program in 1994, we have made over 750 loans totaling nearly \$44 million. Of those loans around one third have been made to start-ups, forty percent to women owned businesses, and one third to manufacturers. Our borrowers have created 1,405 jobs and retained 1,627. The best is yet to come as we just surpassed \$20M in assets, and will have our 4<sup>th</sup> consecutive record year in loans closed.

The SBA is a critical partner and SBA tools allow us to reach and serve viable businesses that are outside of the economic mainstream. A need for groups like us is to have programs that can be knitted together to help a business launch and grow. The SBA programs help us to achieve that and in my testimony you will hear some examples.

Northern Initiatives has been an SBA Intermediary Micro lender since 1994 and over half of our loans, 408, have been Microloans. The SBA Intermediary Lending Pilot (ILP) was added to our efforts in 2012, through an affiliated non profit corporation, UP Business Capital, and it has

supported businesses that needed larger support for their start-ups and also growing businesses with greater borrowing needs than the SBA Micro loan program limits. Along with larger start-ups or start-ups in need of a longer term loan, it has also been used to support a business that grew beyond the limits of microloan and was still not bank ready. Through the ILP Northern Initiatives has made 10 loans and we have currently deployed \$922,000 of the \$1M loan. We were certified as a Community Advantage lender in 2012 and have made 12 loans with two more closing in short order.

I am here today to speak on behalf of the effectiveness of the SBA Microloan program and the proposed changes, and urge the permanent extension of the SBA ILP Program.

The type of lending that we do is vital to our rural communities. Everyone is not bankable. Some lack cash, some do not have sufficient net worth to offer collateral, some have had bankruptcies (and in rural communities they are often related to unexpected medical costs), some have had credit problems (perhaps associated with a spouse having lost a job), and many others simply lack experience. Assessing character and verifying the conditions that created the blemishes is what we do, and in so doing we help communities to bring into their markets many who would simply be left out.

Some recent examples of how this has worked:

Jill Hegedus, who worked in the hospitality industry, had an opportunity to purchase a small motel in East Jordan, Michigan, across from Lake Charlevoix, that had been vacant for some time. She invested much of her own money to purchase the motel and much of her own sweat equity to renovate the building and needed our help in completing the project. Because it was real estate and she needed a longer amortization, a \$40,000 ILP loan was our solution to help her achieve her dream. She turned a vacant, run down motel that was an eye sore on the main route through town, into a beautiful place for people to stay and enjoy the area.

Another \$70,000 ILP loan was to Victoria and Chad Conklin. Victoria had dreamed of owning her own bakery and café. Both had worked in the hospitality industry for over 10 years. They wanted to move back to Harbor Springs in northern Michigan and open a café. Because of the size they needed, the ILP program was again the perfect solution. We worked with them for over a year while they worked on their business plan, saved some money and arranged their move back to Michigan. During that time, her father died in a car accident which put their plans on hold. When she was ready, with the grace she found from her dad, and with the help and encouragement of her mother, they opened Sam's Graces Café and Bakery. Using locally sourced ingredients (produce, eggs, cheese) they make the most amazing artisan breads, wood fired pizza, and specialty sandwiches. They have a very loyal following and now sell their bread products to other local restaurants.

Utilizing the micro loan program, we helped Juli and Jody Sauve start Right Away Cleaning and Restoration in Alpena, Michigan. They both had worked in the industry for many years. The

company they worked for was purchased by a larger company out of the area and within 12 months abruptly closed the local facility. They knew they could build a successful business if given the opportunity, but were challenged with credit issues and personal finances due to the loss of their jobs. Working closely with a business counselor from the SBDC, we partnered with the local bank and another non-profit lender in the area and we all were able to do \$30,000 of the financing. We helped with technical assistance to get them Quick Books training and build a website. They still meet monthly with the SBDC and the business has been very successful, experiencing growth beyond their projections.

Another example of a micro loan is Robin Berry, owner of Fresh Water Gallery in Boyne City, Michigan. She has a beautiful art gallery that features artists from all over Michigan. During the fall and winter months, they have a concert series and bring in musicians from all over the world to perform in the intimate setting of their gallery. They had to rent sound systems that were not always reliable and not up to par with the caliber of musicians that they attracted so we were able to help them borrow \$5,221 to purchase their own sound system. We also helped with technical assistance to help her better understand sound financial management and reporting.

Another example is Chantal Lefebvre, owner of Water Fire Vineyards, a small production winery, featuring premium artisanal European style wines, underserved varietals in the region. Their vineyard and small production facility is located in Kewadin, Michigan near Torch Lake, Michigan. They moved to the area for the quality of life and after several years of research found their property and began the vineyard. Chantal immersed herself in learning everything she could about the craft, systematically gaining experience working for different vineyards, wine production facilities and tasting rooms to understand all facets of the grape growing and wine making. Our micro loan for \$36,000 helped her finalize her production capacity. We have helped her extensively with marketing and sales strategy, product branding and financial reporting and management.

Finally, an example in the Northern Initiatives portfolio of a business growing between programs is Shephard's Maple, a maple syrup producing company in the eastern Upper Peninsula. This company began with a microloan and in its growth graduated to an ILP loan.

A critical element of what we do to support businesses is to assist them with technical assistance. We help our borrowers to learn how to set up their accounting system and read and use their financial statements. We help borrowers to create web sites and learn to use e-commerce practices helping them to overcome the distance from markets, seasonality and isolation that they might regularly experience. Businesses that grow add jobs, and so for us it is not enough to help start businesses we want to use technical assistance to position them to grow.

A high percentage of our loans come to us due to our close partnership with the banks of our region. We have had over 40 banks refer customers to us. It is not unusual for a bank to take the loan back as a much stronger credit for having worked with Northern Initiatives.

We support the Microloan Program changes proposed in the *Women's Small Business Ownership Act of 2014* because they will allow us to respond more effectively to the needs of our borrowers and enable us to take advantage of technology and other tools that help us support and grow businesses. It's important to remember that when the SBA Microloan Program was authorized in 1991 microlending was considered an international development tool and there was significant skepticism about the ability to develop a sustainable program focused on domestic microlending. And now some 23 years later we have a seasoned and growing field on microlending organizations and a program at SBA that has been quite successful. The changes being proposed in the *Women's Small Business Ownership Act of 2014* will allow us to continue building on that success.

I also want to voice strong support for Senator Levin's SBA Intermediary Lending Program Act of the 2014 and the ILP provisions included in Senator Cantwell's bill that will make an important new financing tool available to small businesses in underserved communities. The ILP pilot has been success and again demonstrated the ability on nontraditional, mission driven lenders to reach and serve businesses that while viable are not able to secure conventional financing. The ILP tool allows us to expand our partnership with the SBA and with banks and lenders in our community to build strong local businesses, create jobs, develop the financial literacy of our borrowers who will eventually enter the economic mainstream as bankable ventures.

Our tag line at Northern Initiatives is "Prosperity. That's Our Business". As we think about the state of women owned businesses in our service area, these programs and tools are important to building a new group of entrepreneurs. Over 30% of our counties did not have a percentage reported in the 2007 Census measure of women owned firms as the sample size was too small and only two counties had a higher percentage for women than their respective State average. The SBA programs and tools are making a difference for women and hundreds of other people who are in search of opportunity and prosperity.

Thank you for allowing me to share my perspective with the Committee.



# NORTHERN INITIATIVES

Prosperity. That's Our Business

## Lori Meeder

Lori Meeder is senior lender at Northern Initiatives. Lori serves 17 counties of the 51 county service area and worked primarily in the Lower Peninsula of Michigan. Prior to joining Northern Initiatives, Lori started the Entrepreneurial Division of Northern Lakes Economic Alliance, a private non-profit economic development organization serving a four county region in Northern Michigan. Her focus was growing and cultivating entrepreneurship within communities. The majority of her career was spent in commercial banking, working in various positions – including commercial lending and small business banking management for a regional bank. She has a BBA and MBA with a major in finance and a minor in Economics from Grand Valley State University. She has been married to Heath for 32 years and they have two grown children.

Senator CARDIN [presiding]. Ms. Meeder, thank you very much for your testimony.

Mr. Davis.

**STATEMENT OF VERONICA O. DAVIS, P.E., PARTNER AND PRINCIPAL PLANNING MANAGER, NSPIREGREEN, LLC, WASHINGTON, DC**

Ms. DAVIS. Good afternoon, Chair Cantwell, Ranking Member Risch, and Members of the Committee. My name is Veronica O. Davis. I am the co-owner of Nspiregreen, LLC, a small environmental engineering and urban planning consulting firm located in the District of Columbia. We are a 100 percent women-owned, minority-owned small business.

Nspiregreen was an idea formed over twelve years ago, created out of the collision of the minds of two young, idealistic graduate students. Fast forward to 2009.

Despite the fact that we had great paying, stable jobs in a challenged economy, my business partner, Chancee Lundy, and I decided it was the time to jump out the window and start a business.

We stepped out on faith to devote ourselves full-time to bringing our vision of “facilitating the empowerment and transformation of every community on the planet” to fruition.

As we approach our five-year anniversary, the lights are still on, and we employ three people: two engineers and one urban planner, all women.

I am here today to share that the road was not easy. Despite having great credit and personal savings, we were denied credit. In fact, Nspiregreen was one of 8,000 small businesses whose loan applications are denied every day in the United States.

To put it simply, the banks did not see our vision nor did we have the collateral that they required. Not letting that stop us, we financed our business through personal savings, credit cards, liquidating retirement accounts, and some assistance from family and friends.

However, after two years, the money was running dry. We were struggling to pay bills, dodging calls from creditors, and eating rice and butter for dinner, literally.

During this time, we met the wonderful people at the Washington Area Community Investment Fund, WACIF, located here in the District of Columbia, which is a member of the Association for Enterprise Opportunity.

Despite our challenged financial position, they saw our vision was clear and our faith was unshakable. They gave us a \$25,000 microloan and a line of credit. It was the boost we needed to keep going.

When it was time to expand our staff, they were there to increase our line of credit, even if it meant working over the Christmas holiday to process paper work.

Our business has grown such that we were able to pay back our microloan a year early.

As my story illustrates, the loan we received from WACIF was exactly what we needed at a critical moment for our business and our dream. Unfortunately, many women-owned businesses do not get that boost and are forced to turn off the lights.

When it comes to women accessing capital, the available data paint a stark reality for women-owned businesses and women entrepreneurs seeking their first loan. For example, according to a November 2013 report by Congressional Research Service, women account for just 16 percent of the total number of conventional small business loans, accounting for just 4.4 percent of the total value.

Another statistic comes from the Kauffman Foundation, which found that women seeking first-year financing to get their companies off the ground receive about 80 percent less capital than their male counterparts.

In my view, the microloan program is the most important government-supported capital access program for women-owned businesses. It certainly was for Nspiregreen.

Since its creation, the microloan program has been a lifeline to women, low income, veteran, and minority entrepreneurs seeking to obtain small dollar amount loans for their businesses.

According to that same CRS report, women-owned firms receive more than half the microloans issued in Fiscal Year 2013. For minority-owned firms that number is 43 percent. And it does this efficiently, effectively, and at a low cost to the taxpayer.

With that in mind, I would like to suggest a few changes that the Association for Enterprise Opportunity believes should be made to enhance the program. One, make technical assistance grants more flexible to allow lenders to access the proper use of that grant funding.

Restricting lenders to a rigid formula is both inefficient and forces lenders to adhere to arbitrary guidelines instead of focusing on the needs of the borrower.

Two, program components should be modernized to boost lending and efficiency. The program's interest rate caps and fee structure should be updated and lending requirements streamlined. These would reduce administrative burdens and eliminates unnecessary costs, allowing lenders to increase in efficiency and productivity.

Thank you for inviting me to testify today and share my story to discuss how important the microloan program was for me and the vital role it plays for women entrepreneurs all across the country.

I understand that the Committee under Chairman Cantwell's leadership has been hard at work on these recommendations and are working to include them in legislation. I would be happy to answer any questions the Committee may have at this time. Thank you.

[The prepared statement of Ms. Davis follows:]

**Testimony of Veronica O. Davis  
Partner & Principle Planning Manager  
Nspiregreen LLC  
Washington, DC**

**Before the**

**U.S. Senate Committee on Small Business and  
Entrepreneurship**

***Empowering Women Entrepreneurs:  
Understanding Successes, Addressing Persistent  
Challenges, and Identifying New Opportunities***

**July 23, 2014**

Good afternoon, Chair Cantwell, Ranking Member Risch, and Members of the Committee. My name is Veronica O. Davis. I am the co-owner of Nspiregreen LLC, a small environmental and urban planning consulting firm located in Washington, DC. We are 100% women, and minority-owned small business.

Nspiregreen was an idea formed over twelve years ago and created out of the collision of the minds of two young, idealistic graduate students. In 2002, I met Chancee Lundy at a leadership conference for the National Society of Black Engineers. Within the first twenty minutes of discussing our common interests of engineering and commitment to social justice, we decided that one day we would start a business.

Fast forward to 2009. Despite the fact that we had great paying, stable jobs in a challenged economy, Chancee and I decided it was the time to start a business. We stepped out on faith to devote ourselves full-time to bringing our vision of *"facilitating the empowerment and transformation of every community on the planet" to fruition*. As we approach our five-year anniversary the lights are still on and we employ three people: two civil engineers and one urban planner.

Despite having great credit and personal savings, we were denied credit. In fact, Nspiregreen was one of 8,000 small businesses whose loan applications are denied every day in the United States. To put it simply, banks did not see our vision and nor did we have the collateral that they required.

Not letting that stop us, we financed our business through personal savings, credit cards, liquidating retirement accounts, and some assistance from family and friends. However, after two years the money was running dry. We were struggling to pay bills, dodging calls from creditors, and eating rice and butter for dinner, literally. We were discouraged, but more importantly, determined.

During this time we met the wonderful people at the Washington Area Community Investment Fund (WACIF), which is a member of the Association for Enterprise Opportunity (AEO). Despite our challenged financial position, they saw our vision was clear and our faith was unshakable. They gave us a microloan of \$25,000 and a line of credit. It was the boost we needed to keep going. When it was time to expand our staff, they were there to increase our line of credit, even if it meant working over the Christmas holiday to process paper work. Our business has grown such that we were able to pay back our microloan a year early.

As my story illustrates, the loan we received from WACIF was exactly what we needed at a critical moment for our business and our dream. Unfortunately, many women-owned business do not get that boost and are forced to turn off the lights.

Research shows that when it comes to women accessing capital, the available data paint a stark reality for women-owned businesses and women entrepreneurs seeking their first loan.

For example, according to a November 2013 report by Congressional Research Service (CRS), women account for just 16% of the total number of conventional small business loans – accounting for just 4.4% of the total dollar value of all conventional small business loans. Another telling statistic comes from the Kauffman Foundation, which found that women seeking first-year financing to get their companies off the ground receive about 80% less capital than their male counterparts. It is evident that women continue to face significant barriers when it comes to obtaining the capital they need to start and grow businesses.

This is why programs like the Microloan Program are so important, especially to women and minorities. According to that same CRS report, women-owned or women-controlled firms received more than half (56.3%) of all Microloans issued in FY2013. For minority-owned or minority-controlled firms, that number is 43%. And it does this efficiently, effectively, and at a low cost to the taxpayer. According to the Small Business Administration (SBA), the Microloan Program supported more than \$51 million in loans to entrepreneurs in FY2013, with a default rate that is typically below 3% annually.

In my view, the Microloan Program is among the most important government supported capital access programs for women-owned businesses. It certainly was for Nspiregreen.

Since its creation in 1991, the Small Business Administration's Microloan Program has been a lifeline to women, low-income, veteran, and minority entrepreneurs seeking to obtain small dollar loans for their businesses. The Association for Enterprise Opportunity suggests the following changes be made.

#### Make Technical Assistance (TA) Grant Funds More Flexible

The pre-loan and post-loan technical assistance (TA) formula should be removed to allow lenders to assess the proper use of TA grant funding. Restricting lenders to a rigid formula is both inefficient and forces lenders to adhere to arbitrary guidelines instead of focusing on the needs of the borrower. Similarly, intermediaries should be permitted to collaborate with third-party TA providers as they see fit, allowing lenders to focus on lending, while enabling them to work with other nonprofit counseling organizations to provide top-notch TA to borrowers.

#### Modify Program Components to Boost Lending and Efficiency

The program's interest rate caps and fee structure make it difficult for some lenders to remain in the program and be sustainable. Both should be updated to allow microlenders to strike the right balance between low rates to borrowers and sufficient spread to cover the cost of operations.

#### Streamline Lender Accounting Requirements to Reduce Administrative Burdens

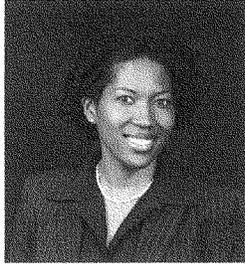
Currently, lenders are required to maintain separate accounts for various parts of their lending operations. Lenders should be able to maintain a single account, which would eliminate unnecessary costs and allow lenders to increase efficiency and productivity.

Allow Data Transparency to Foster Innovation and Increase Program Performance

Microloan program data, including loan performance data (excluding personally identifiable information), should be reported and made publicly available. Doing so would yield many benefits, including the development of stronger performance culture, insight into new products and services, and other innovations.

Thank you for inviting to testify today. I understand that the Committee under Chair Cantwell's leadership has been hard at work reviewing these recommendations and are working to include them in legislation.

I would be happy to answer any questions the Committee may have at this time.



**Veronica O. Davis, P.E.** is the Principal Planning Manager at Nspiregreen LLC, which she co-owns with Chancee Lundy. She is a transportation guru who uses her knowledge to spark progressive social change. She has the perfect blend of both technical and grassroots/community organizing skills. She has over eleven years of relevant experience in both urban planning and civil/environmental engineering. Her current projects include moveDC - the District long-range transportation plan and the North South Corridor Planning study as part of the DC Streetcar program.

As Co-owner and Principal of Nspiregreen, she has taken the reins of business development by establishing key relationships in the District of Columbia and Baltimore regions that led to the company winning its largest government contracts. She is also responsible for the management of the major planning functions such as transportation planning, planned development, policy development, sustainability analysis, and long range planning.

Prior to Nspiregreen, Ms. Davis was an Urban Planner for the City of Alexandria managed the long-range planning of the Alexandria Waterfront, which is a jewel for economic development for the City. Ms. Davis worked for Malcolm Pirnie, Inc. as a project engineer on several projects including economic feasibility analysis, sustainability planning, financial valuation of civil infrastructure, and strategic planning. While at the U.S. Department of Transportation, Ms. Davis was one of the highway engineers on the Inter-County Connector in Maryland. She was also instrumental in multi-stakeholder participation for five transportation air quality conformity determinations.

Ms. Davis has two Masters Degrees (Engineering Management and Regional Planning) from Cornell University, where she specialized in urban infrastructure, land use, and environmental planning. She has a Bachelor of Science in civil engineering from the University of Maryland with a concentration in transportation. She is a member of the American Planning Association, the American Society of Civil Engineers, and the National Society of Black Engineers. She is a registered professional engineer in the District of Columbia, Maryland, Virginia, North Carolina and Georgia.

In July 2012, Ms Davis was named a Champion of Change as a Transportation Innovator by the White House for her professional accomplishments and community advocacy to improve transportation in the District of Columbia.

Senator CARDIN. Ms. Davis, thank you for your testimony.

It is my understanding that Ms. Corcoran needs to leave shortly. So, we are going to ask you one or two questions and then you will be excused and then we will come back to the other two panelists.

I have one question and that is. On Shark Tank, you do not have to go through the type of screening and vetting and all the security that someone who needs a loan needs to go through. You make your gut decisions based upon whether you think this is a worthwhile investment or not.

You indicated that you had successes and you had failures. I think it was like a two to one ratio. I did it quickly. And then you said that the winners very much offset the losses. Did you mean literally that the profits there overcome the losses, or did you mean it from the point of view of feeling good and emotion?

Ms. CORCORAN. Well, feeling good worked for the first two years. [Laughter.]

Only in the last season which was our Fifth Season that we have completed, that we are in our Sixth Season now. Yes, they did exceed my losses; and if you had asked me two years ago if that would have ever happened, I would tell you you are smoking dope. No way. Okay.

But, yes, they did. And more important than that, more importantly than that, or whatever the right English is on that, the jobs that were created on the view that succeeded, the roughly one-third—you are correct on that—have been in excess of 150 jobs. I did not see that one coming either.

But, if I could just add, listening so carefully to what the other women here are saying, I have to say that of my winners most of them went out for funding from a local bank for another food truck if they are in the food truck business or to move offices and get computer equipment, not one was granted a loan no matter where they went.

And the reason for that is they did not have the credit. Just as I did not have the credit when I got my first \$1,000. That is a real issue with these small businesses.

Senator CARDIN. Thank you.

Senator SHAHEEN.

Senator SHAHEEN. Well, thank you all very much for being here. Ms. Corcoran, since you have to leave, let me start with you.

Ms. CORCORAN. I understand now that in Washington if you keep saying you have to leave you get really important, right?

[Laughter.]

Senator SHAHEEN. Well, you get to go first any way.

Ms. CORCORAN. Actually the plane is not important, but I get a ferry that only runs through a certain hour. Forgive me for that.

Senator SHAHEEN. Certainly. I know that on Shark Tank not only do you provide money but you provide assistance to the contestants. Obviously that capital piece is very important. But how important is that technical assistance to people as well?

Ms. CORCORAN. It is interesting. I thought the assistance was more important than the capital, but it is an interesting study in entrepreneurship.

I find my real winners ask my advice. I give my best advice, and then they do exactly as they please. I found that my people that

were not so good in the end always asked my advice, wanted to take careful notes on every piece of it, execute it beautifully and failed.

Not a good report card on me, but I think it just speaks to the spirit of the entrepreneur. They are pretty pigheaded. They always think they are right, and they barrel ahead no matter what you are going to tell them to slow up.

So, I like to think my advice is important. I work every day of the week giving my best advice and putting myself behind them, but I am not sure it is so important anymore.

Senator SHAHEEN. That is very interesting.

Senator CARDIN. I am going to turn it back to our Chair. You are certainly excused to leave. You also get the privilege of being called out and saying that you can leave before the panel is over.

Ms. CORCORAN. But here is my question. Can I take this home with me?

Senator CARDIN. We have very tight budgets here. You might not have heard.

[Laughter.]

Ms. CORCORAN. It is wet. May I take that?

Chairwoman CANTWELL [presiding]. Can I just ask?

Ms. CORCORAN. Of course.

Chairwoman CANTWELL. Did someone follow-up on this issue that you so eloquently pointed out that the men do not relate to products that women pitch? Did someone follow-up on that?

Senator CARDIN. No.

Chairwoman CANTWELL. If I could just get your—what do you think needs to happen on that? Is it get women in front of women who understand those products, is that the solution?

Ms. CORCORAN. Well, obviously if a woman is pitching a product that women buy and understand, not a golf club necessarily but a baby carriage or a household product, a cleaning product, whatever it is, if you have women judging it, you are going to get more enthusiasm just in the same way that Lori Greiner and I on Shark Tank wholeheartedly get what women are talking about.

So that is an asset. But the reality is is that in the angel investment world and the venture capital world it is 92 percent male. And so, how are you going to change that overnight?

There are entirely female angel groups out there that only fund and listen to female-owned businesses. That is a start. But I think it is a long road and women do need that advantage somehow in there, you know.

Chairwoman CANTWELL. Great. Thank you so much.

Ms. CORCORAN. A pleasure and I appreciate it.

Chairwoman CANTWELL. Thank you so much. Okay. We will follow up with questions for Lori and Veronica.

Do you want to start, Senator?

Senator CARDIN. Thank you. Let me thank both of you again. I want to go into a little bit of the microloan and the intermediate loans and how valuable you thought that was.

How many did you take? Did you take more than one of those?

[Laughter.]

Just checking. They check these numbers every night when we leave here.

[Laughter.]

I know that you have to go through what banks go through, what lenders go through in order to make sure that person is credit-worthy.

The numbers are pretty encouraging from the number of women-owned businesses that qualify for microloans, those numbers look pretty encouraging. Is there a reason for that or what do we need to do so that we can get more businesses qualified for these small loans?

We have heard how critical that is to getting started. What can we do to make it easier, recognizing there has to be a business plan, there has to be discipline, but what can we do to make this easier for someone to get a loan?

Ms. MEEDER. I think really it is critical to get the communication out there. In the case of where we are at in northern Michigan, educating the bankers about the programs is huge because that is where these people go first.

And so to make sure that they understand what we can do. The way we look at it, you know, banks are looking at kind of the five Cs of credit, and everything has to be perfect. That is not the case with us.

If they have got an issue with credit or maybe they do just lack experience, we are working with partners all the time to help them build that business plan, build that business model, do the market research, does this make sense?

You know, it is one thing to underwrite a credit, and it is another thing to look at it and say, okay, is it is viable because the last thing that any of us want to do is, you know, put money out there that maybe is not a viable business model.

So, really it is just bringing all the partners together to make sure that we are communicating to our communities, our bankers, our CPAs, our attorneys what we have to offer.

Senator CARDIN. Thank you.

Mr. Davis, let me just quickly. First of all, you started a business in 2009. So, the year you started was not exactly the best economic time to start.

So, you not only had to overcome the obstacles of starting a business but you picked the year that was very challenging. So, congratulations. You must have a very successful operation. But you mentioned technical assistance. What can we do to make technical assistance more available? I think you are absolutely right. That is a critical ingredient to getting started.

Ms. DAVIS. I think that, you know, community-based organizations like the Washington Area Community Investment Fund are great for being able to provide that technical assistance for mainly because, one, they work with smaller businesses, they are based in the community, and many of the employees live in the community.

They understand the business environment that many of us are operating in. I think that technical assistance is key. We meet with them at least quarterly just to go through our financials making sure that we have everything set up correctly, making sure that we are growing our business.

I think it is absolutely critical to have that technical assistance.

Senator CARDIN. That is a good point.

Ms. DAVIS. At the end of the day I am an engineer. I am not an accountant.

Senator CARDIN. And you cannot put someone on staff to deal with these issues.

Ms. DAVIS. Exactly.

Senator CARDIN. You want to do the business not with the bureaucratic issues that we require. Thank you.

Chairwoman CANTWELL. Senator Shaheen.

Senator SHAHEEN. Thank you. I would like to follow up a little bit on that question, Ms. Meeder, but sort of look at it from the other side of, and that is, how do we get banks to provide more support for women-owned businesses?

I appreciate that many of these challenges are about more than just the numbers on the piece of paper, that they are also cultural. And so, are there things that we can do to encourage the traditional banking sector to look more favorably on women-owned businesses in terms of access to credit?

Ms. MEEDER. Yeah. I am not in commercial banking anymore but working with them there are pockets of bankers that are doing very good things, that are being very good and community banks that are, you know, kind of centered in their community, I think they are doing that.

I think the SBA Director said it best in that the challenge they have is they have a \$15 million bogey to hit every year, and you cannot do that with \$50,000 microloans. It is just difficult.

I do not know the answer to that. But I think again there are pockets. I am not sure how we could, you know, other than us partnering with them to build a business from start to get them a track record so they can go back to their bank. And we have done that many times where we help them start. We help them grow. The bank takes out, and again that is kind of a win for us.

Senator SHAHEEN. You know, in northern New Hampshire we have a Women's Rural Entrepreneurial Network, a program that does microlending. It sounds very similar to what you have in northern Michigan.

As we think about the role that the Small Business Administration could fill in terms of looking at microlending, is there more that you think SBA should be doing around microloans.

Ms. MEEDER. I love the microloan program. Love it. I think some of the things that they are going to tweak this time around are huge. The technical assistance piece, when somebody comes to us, we need to service our business community whether they end up being a loan client or not that is hard to say but there are a lot of people who need technical assistance right up front and we are there to coach them through the process, have you thought about this, are you ready for this. These are things you have to think about.

And so, allowing of that pre and post technical assistance limit I think will make a big difference. I think the technical assistance in such a critical piece. We have now started kind of, we are doing business assessments up front now.

How ready are you for this and this and this? If you are an existing business are you thinking about this, this, and this. So that we and they can kind of developed that, yeah, I have not thought

about putting that kind of system into place. But it is very labor-intensive. As you know, technical assistance and nurturing these people and growing these businesses, it is a lot of really good time and time well spent.

Senator SHAHEEN. Mr. Davis, can you talk a little bit about your experience in trying to obtain financing before you found the microloans program?

Ms. DAVIS. Yes. When we started the business, we absolutely looked great on paper financially. We had a significant amount of personal savings. We had great retirement. We had great credit scores. We both owned homes. You know, we looked great on paper.

And, you know, you would go to the bank and we said, okay, we need a loan for \$50,000. And then they will say, okay, well, you need \$50,000 in collateral, and it has to be liquid collateral. Well, we do not quite have liquid collateral.

So then they say, well, let us give you this loan paperwork, and you can fill out the paperwork. You get mired in death by paperwork, and you never quite get there, and then you get denied.

For us, this was something that was important to us, and we just kept going, and we gave it every ounce that we had, and we are here today. I think it is very important to have more microloans programs, and even with the microloans program it is a much more streamlined process.

It is a lot easier on the paperwork than a conventional loan. For a conventional loan, you have to give everything including your DNA just to get some money.

But I think for the microloans program, it is much more user-friendly, and as someone mentioned earlier business owners do not really have a lot of attention span. We are constantly pulled in different directions, and we really want to be about the business and providing service to our clients, not being mired in paperwork.

Chairwoman CANTWELL. Thank you. We are going to go to the second panel but I wanted to ask about crowdsourcing. I do not know if either of you addressed it in your testimony.

But we had a hearing, a field hearing out in our State, and we saw women entrepreneurs who—the microloans issue, we want to further promote and obviously the internet is a way in which we can further educate people on those opportunities.

But I have seen women who are jumping right into small business. One woman said we are going to create an organic cranberry business because we grow cranberries. Nobody had an organic cranberry juice product in the market, and so she just went online and crowdsourced for the crusher, the presser that was going to make the juice.

So what role do you think that plays in, you know, the internet communicating and crowdsourcing in general.

Ms. DAVIS. I think for women who have product-based companies it is a great way to get started, get the product out there. However, we have to remember there are many of us who are on the professional services side, and it is not quite easy for us to get that level of funding that way.

I think that particularly in this STEM field what we are seeing is that a lot of women engineers are leaving the large engineering companies and starting their own business and mainly because

particularly with the engineering field, you have got to climb the corporate ladder and still get to the glass ceiling.

Women are saying you know what, I will just build my own building, and I think that we are seeing that more and more. I do not know that crowdsourcing would work in that type of an industry.

Chairwoman CANTWELL. Thank you.

Lori.

Ms. MEEDER. We have actually kind of partnered on a couple different projects with crowdsourcing, and one of the things it does especially if it is a consumer-based product, it is a great test market. Right?

I mean really they are going to find out quickly if there is no real interest. So, an example, we helped a new business financing tooling to get their product prototyped.

Then they went to the crowdsourcing and were able to then kind of take it to the next level to then begin, you know, more mass production of it would be an example.

I have got another one now that is a 100-plus year old theater in a little town in northern Michigan that really needs that theater, been in the same family forever, nephew, great grandson of the original owner crowdsourced \$100,000 to fix some of the building.

We are going to come in and help him with reroofing and seeding it. He needed that digitization. So, I think there are ways we can, you know, kind of work together on that. I think it is a really cool thing.

Chairwoman CANTWELL. Great. Great.

Well, thank you both very much for your testimony today. We leave the record open so that the members who were not here can ask questions, and hopefully you can get us answers. Thank you so much for your testimony.

We are now going to go to our next panel which is going to be led by Nely Galán, who is the first Latino president of a television network who built her own media production company. She now invests in the success of young Latinas.

She will be joined by Victoria Wortberg of the Washington Center for Women in Business from Lacey, Washington. We thank her for being here. She is going to talk about the importance to targeted business development services for women to address the unique challenges women face in starting businesses.

And we welcome Susan Sylvester of Absolute Resource Associates in Portsmouth, New Hampshire.

And Lynn Sutton, who is with Advantage Building Contractors from Atlanta, Georgia, who will testify on women small businesses and the challenges they face when competing for federal contracts.

So, welcome all of you. We are so appreciative that you are here.

Ms. GALÁN. You said it correctly.

Chairwoman CANTWELL. All right. Great. Nely, you are on first. Thank you.

**STATEMENT OF NELLY GALÁN, FOUNDER, GALÁN ENTERTAINMENT AND ADELANTE MOVEMENT, MARINA DEL REY, CA**

Ms. GALÁN. Thank you, Chairwoman Cantwell, Ranking Member Risch, and Senator Shaheen. Thank you so much for having me here. I am honored to testify on behalf of Latinas and on behalf of women of color around entrepreneurship.

As an entrepreneur myself. I am an immigrant from Cuba. I came here when I was five years old, and I have started a business in media, which is 20 years old, and I am the first Latina to be president of a network.

My entrepreneurship gene began like many immigrants as a girl in junior high who started to sell Avon in school to help my parents pay for school. Later on when I got into television, I was a station manager, which is a very down business, and I work for a gentleman that owned the station, and I built it up from five employees to two 200 employees for three years.

And one day when I walked into work, my boss said to me, oh, we sold the company, we sold the station and I was so angry at him and I questioned him and I said how could you do this, why did you not tell me it was up for sale? I felt that it was my baby.

And he said these words to me that changed my life. He said, "Young lady, those are my chips; go get your own chips." And I was very upset, but he sparked in me something that maybe my family as immigrants could not do at the time, and I decided to start a business.

Really there was nothing out there for me that told me how to do that, how to go about it. For the first four years of my business, I did not make one penny. You can imagine what that is like for immigrant parents that want you to get married and move on and they are telling you stop this entrepreneurship thing, and I really had a hard time.

But my boss had said to me once in one of our meetings, when I was your age, I started a business and for 10 years I did not make money.

So, thank God I did not give up, and I hung in there. Then in the fourth year I started making some money, and after that I went through the roller coaster ride of entrepreneurship with very little help.

A couple of years ago I go on Celebrity Apprentice with Donald Trump. They asked me. You know, I had been in television for many years, and they said we need a Latina in there.

When I went on as someone who has been behind the scenes building a business for so many years, I did not realize so many Latinas, so many women of color would call me and say how do we do it, how did you do it, we do not know where to get the information still. And even though there are so many organizations out there we still need more information.

So, I decided to do something about it myself. Now that I am in a very different place financially, I thought this is something I should take on. I have always thought the private sector should also help our communities and deal with entrepreneurship.

So, I founded something called the Adelante Movement. Adelante in Spanish means adelante, move forward. I like to say it is adelante, let us get going.

Really the Adelante Movement is a grassroots movement that unites, educates, and supports Latinas in their journey of economic empowerment through digital content, community workshops, events, and meeting other Latinas that have already done it so they learn how to go get their own chips.

Again as someone in the private sector, I am lucky because I was able to fund a lot of this myself, and I was blessed to come across Coca-Cola, who helped me seed this through their 5 by 20 Global Initiative to enable the economic empowerment of five million women by the year 2020.

I just want you to know a little bit about our Latinas. They are the fastest-growing entrepreneurs in America. They control most of their households' budgets, and they are the key decision-makers with regard to their children's education. They are the pillars of our community and will only grow in influence as more and more come of age in each year.

Latina women are expected to become 30 percent of the total female population in this country by 2060. I have been on the road meeting all my Latinas, and I can tell you they are all engaged completely in entrepreneurship and really are looking for more help.

The Adelante Movement is the beginning of that, and again, I believe in a private sector approach and I am willing to put up my own money and go find money from the private sector.

However, I believe the Federal Government must also invest in Latinas' success by crafting policies that support and help to grow women-owned businesses.

As such, it should reauthorize the Women's Business Center Program and authorize sole-source awards to women-owned small businesses to increase the number of women as federal contractors.

These actions would bolster our economy and provide increased opportunities and access for women in general and Latinas in particular. Reauthorizing the Women's Business Center Program, which provides counseling and training services to women business owners, is crucial to our Nation's equitable success.

The WBC Program is the only entrepreneurial education program with specific responsibility to reach out to low income and socially disadvantaged women.

My Latinas need this information. Counseling and training is crucial, and I have seen firsthand what it can do. At Adelante training and workshops, women learn how owning their own businesses can improve not only their life but enrich their community and the lives of their children as well.

Women leave energized, informed, and with the skills and tools necessary to make their dreams a reality. However, as I just said, we can only do so much through Adelante. It takes a government that is committed to the future economic success of its citizens to invest on a larger scale in programs that will incur a positive return on investment.

Increasing the level of investment in the WBC program will ensure that all women regardless of social status or income level have access to the training, mentorship, and capital required to become job creators and influential community members.

If women in general, and Latinas in particular, are given the tools to build their own path, America's best days truly lie ahead, and I say adelante.

[The prepared statement of Ms. Galán follows:]

**TESTIMONY OF NELY GALAN**  
**FOUNDER, THE ADELANTE MOVEMENT**  
**BEFORE THE**  
**U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP**  
**WEDNESDAY, JULY 23, 2014**

**“EMPOWERING WOMEN ENTREPRENEURS: UNDERSTANDING SUCCESSES,  
ADDRESSING PERSISTENT CHALLENGES, AND IDENTIFYING NEW  
OPPORTUNITIES”**

**Welcome:**

Thank you Madame Chair Cantwell, Ranking Member Risch, and members of the Committee. I am honored to testify before you today about the importance of providing more opportunities for women to become entrepreneurs.

My name is Nely Galan and I have been in the media business for over twenty years. I founded my own media company in 1994 and was the first Latina president of a U.S. television network.

I am here today because I am dedicated to advancing the cause of my fellow minority women business owners. I know firsthand the challenges of launching and growing a business, and have made it my mission to give Latinas across the country more opportunities to start and run successful businesses.

Looking back, I have always been an entrepreneur, even at a very young age. I remember selling Avon makeup samples to my classmates and earning a small profit. I made pennies, but my attitude and drive were nonetheless the same. As I grew older, I took that same work ethic to try and carve out a career in television.

You can imagine my surprise when suddenly one day the station that I ran, but did not own, was sold. It was then that my employer said ten words that forever changed my life: “You need to get your own chips, these are mine.”

Out of my anger, I started a new business so that I could “own my own chips.” But nothing could prepare me for how hard it would truly be. I figured everything out on my own because I was not aware of, nor did I have access to, the tools and resources that were available to women business owners. My success has been the product of nothing more than hard work, a lot of luck, and a series of good mentors. In a way, I created my own personal women’s small business center.

Even with all my support, four years passed and I didn't make a penny. Fortunately, I remembered my boss sharing that it took him ten years to make money in his business so, like him, I never gave up. In the fifth year my business finally started making money. I invested that money in real estate, endured two horrible economies and learned to survive through both.

While I didn't panic during the most recent recession because I had financial security, I did recognize that my success was due to a variety of factors including informal mentors and coaches, trainings and seminars, as well as access and support systems. For this reason I now strive to help my Latina sisters through the Adelante Movement, seeded by the Coca-Cola Company's 5 by 20 Global Initiative, to help women gain economic freedom and make better choices for themselves and their children. The Adelante Movement is my gift to my community and our nation.

Adelante, is a grassroots movement that unites, educates, and supports Latinas in their journey of economic empowerment through content, community, workshops and events so they too can "get their own chips"

Latina mothers are the fastest growing entrepreneurs, control most of their households' budgets, and are the key decision makers with regard to their children's education. They are pillars of our community and will only grow in influence as more and more come of age each year. Latina women are expected to become 30 percent of the total female population in this country by 2060. ("Latina Power Shift Report" from Nielsen, Diverse Intelligence Series, August 20, 2013)

I created Adelante to support this talented and growing demographic through motivation, education, activation, and establishing connections. By partnering with Coca-Cola and other corporate sponsors, we have hosted workshops and events inspiring hundreds of Latinas across the country to pave their own paths. But Adelante is only a small part of what is required to ensure the continued success of dynamic and driven Latinas.

The federal government must also invest in Latinas' success by crafting policies that support and help to grow women-owned businesses. As such, it should reauthorize the Women's Business Center program and authorize sole source awards to women-owned small businesses to increase the number of women as federal contractors. These actions would bolster our economy and provide increased opportunities and access for women in general and Latinas in particular.

Reauthorizing the Women's Business Center (WBC) program, which provides counseling and training services to women business owners, is crucial to our nation's equitable success. The WBC program is the only entrepreneurial education program with specific responsibility to reach out to low-income and socially disadvantaged women.

Counseling and training is crucial and I've seen firsthand what it can do. At Adelante trainings and workshops, women learn how owning their own business can improve not only their life but enrich their community as well. Women leave energized, informed, and with the skills and tools necessary to make their dreams a reality.

However, Adelante can only do so much. It takes a government that is committed to the future economic success of its citizens to invest on a larger scale in programs that will incur a positive return on investment. Increasing the level of investment in the WBC program will ensure that all women, regardless of social status or income level, have access to the training, mentorship, and capital required to become job creators and influential community members.

If women in general and Latinas in particular, are given the tools to build their own path,  
America's best days truly lie ahead.



### Nely Galan Bio

Latina media dynamo and women's empowerment advocate Nely Galán, dubbed the "Tropical Tycoon" by *The New York Times Magazine*, is one of the entertainment industry's savviest firebrand talents. A first generation immigrant and self-made media mogul, Galán was the first Latina president of a U.S. television network (*Telemundo*). She is an Emmy Award-winning producer of over 600 episodes of television in Spanish and English, including the FOX hit reality series "*The Swan*" and is the first Latina to appear on "*Celebrity Apprentice with Donald Trump*" on NBC. She regularly electrifies audiences with her experiences as one of the first Latina producers in Hollywood and her rise to become a successful media and real estate entrepreneur as well as an inspirational speaker and passionate advocate for the empowerment of Latinas everywhere.

**The Adelante Movement (Move Forward!)** founded by Nely Galan, is a grassroots movement that unites and empowers Latinas socially, economically and politically in the U.S. It encourages Latinas to play a leading role in American society, economics and politics and become an integral part of the national conversation, in order to provide their children with the future they deserve, as a rightful part of this country. **The Adelante Movement: Tour** is a series of national empowerment conferences, supported by a digital community, presented by the Coca Cola Company, that inform, mentor and inspire Latinas to take action!

Galan is also the former President of the powerhouse *Telemundo* television network, making her the first Latina network president. She has also owned and operated her own media company since 1994. *Galan Entertainment* has launched 10 groundbreaking television channels in Latin America, and has also produced a staggering 600 episodes of programming that cross all genres Ñ from reality series to sitcoms, telenovelas to talk shows, in both English and Spanish.

*Galán Entertainment* was also responsible for creating and executive producing the smash FOX reality hit "*The Swan*", and as its in-house life coach, Galan wrote the bestselling companion book "*The Swan Curriculum*". "*The Swan*" has aired in

over 70 countries around the world, and was famously spoofed by Tina Fey on "Saturday Night Live".

In addition, she has owned her own real estate development and investment company, *Santa Clara* for fifteen years, which has commercial and residential real estate holdings in multiple states.

Galán appeared on the NBC hit "*The Celebrity Apprentice with Donald Trump*", joining an all-star cast including Gene Simmons, Nadia Comaneci, Marilu Henner and the infamous Omarosa. Galán's appearance on the show, where she raised \$250,000 for her charity *COUNT ME IN*, furthered her reputation as one of the nation's top female moguls. In her role as public speaker, Galán routinely draws rave reviews for her mesmerizing presentations on the Latino market, entrepreneurship and female empowerment.

Galán is also frequently cited for her influential work outside the industry as a board member for *COUNT ME IN* (the leading national non-profit provider for women entrepreneurs), the *Coca Cola Company Advisory Board*, and she is an Emeritus member of *The Smithsonian Board*. She was recently featured in HBO's "*The Latino List*" documentary and national museum show as one of the most influential voices in the Latino community.

As a part of her multi-platform business, Galán has recently launched two web sites targeting women: *msmogul.com* - a forum for female entrepreneurs aimed at providing support and sharing resources, and *thenewyoutv.com* - dedicated to the health, wellness, and beauty issues of women. She has appeared as a guest expert on "*The Today Show*" and "*The Big Idea With Donny Deutsch*".

Galán, the original "*Ms. Mogul*", is also a devoted mom to her 13 year old son and is based in Venice, California. She recently went back to school, where she is completing her Masters/ Doctorate in Clinical and Cultural Psychology.

Chairwoman CANTWELL. Thank you very much for that testimony and we will wait until all the witnesses have given testimony and then we will ask questions.

Ms. Wortberg, thank you very much for being here.

**STATEMENT OF VICTORIA WORTBERG, PROGRAM MANAGER,  
WASHINGTON CENTER FOR WOMEN IN BUSINESS, LACEY, WA**

Ms. WORTBERG. Thank you for inviting me.

Good afternoon, Chair Cantwell and Members of the Committee. My name is Victoria Wortberg. I am the Program Manager of the Washington Center for Women in Business in Lacey, Washington.

I am testifying today on behalf of the Association of Women's Business Centers. Over my career, I have had a chance to serve in a number of leadership and management positions including a multimillion dollar ad agency.

But before I did all of that, I started by purchasing a small graphic design firm for \$40,000 with an SBA loan. I was able to diversify and grow my firm to national prominence with sales of \$13 million.

However, as my firm grew, I struggled with making the move from being a start-up to being a scale up and a growth company. I learned quickly that I needed stronger management skills and financial skills, and this is at a time when I really needed to be positioning my business to move from stage I to stage II. Those skills were essential to me.

In short, I could really have used a women's business program, but none existed at the time. It was this experience, the struggles, the excitement of owning and managing my own business that encouraged me to apply and become the Program Director at the Washington Center for Women in Business. It is an honor to be a part of that program.

Our Women's Business Center was established in Fall 2013. We provide services to 34 of the 39 counties in the State of Washington. And since we opened our doors about six months ago, we have provided over 100 different webinars, workshops, and training events to over 200 clients and provided business coaching to over 150. Seventy-five percent of our clients are women. Their ages vary greatly from 20 somethings to 70 something, and approximately 25 percent are ethnically diverse.

In our community, the WBC, the Small Business Development Center, and SCORE all work cooperatively. We strengthen our economy one business at a time by working together. Our collaboration avoids duplication of services. It also lets our clients enjoy the strong skills that we all bring to the table.

There is a whole network of 106 different Women's Business Centers just like ours that come to work every day to meet the needs of women entrepreneurs in every state across this country. I am very pleased to share some wonderful statistics about the success of the WBC program based on information from the SBA.

In Fiscal Year 2013, WBCs counseled and trained nearly 134,000 entrepreneurs creating 640 new businesses. We do this at a very low cost. On average, each Women's Business Center serves about 1,300 entrepreneurs at a cost of approximately \$137 per entrepreneur.

Women's Business Centers also have a history of outperforming program goals, and last year the WBC program exceeded our performance goal by 34 percent.

When Congress established the Women's Business Center Program in 1988, it did it as a part of landmark legislation, H.R. 5050. The Congress felt that women faced discrimination and mandated that services provided by the centers include socially and economically disadvantaged women. In fact, the WBC program is the only SBA resource partner that is actually required to serve this population.

Chair Cantwell, we understand that under your leadership, the Committee has been working to reauthorize and update the WBC program; and on behalf of all of the women in the room, thank you. We are here to show our support.

We urge you to consider including the following recommendations. One, the total amount of the grant available to qualified WBCs is now \$150,000 a year. Adjusted for inflation, according to the Bureau of Labor Statistics, that amount in 2014 would now be \$301,648. The AWBC believes that a reasonable allowable grant level should be \$250,000 per center. We suggest increasing the program's funding authorization to \$26.75 million.

Two, we recommend Congress direct the SBA to promulgate a single, comprehensive set of rules that govern the program so that it can be administered efficiently and effectively.

Three, Women's Business Centers must match the federal grant with private contributions; and as any nonprofit executive will testify, raising money is difficult enough during the best of times but in an economic downturn the challenges are far greater.

We recommend the Congress put in place a waiver for those lean years but limit it to no more than two consecutive years.

We also recommend that center directors be given the ability to fundraise for the nonfederal match without restriction. It is time to modernize the program and think bigger. Women deserve better, and the program that serves them needs to move from being just big enough to make an impact but really too small to reach our potential.

On behalf of the newly revitalized Association for Women's Business Centers and the Association of Women's Business Centers we stand ready to work with the Committee to bring the program into the 21st century.

From one business owner to another, I want to thank you very, very much. I am happy to answer any questions. Thank you.

[The prepared statement of Ms. Wortberg follows:]



**Testimony of**

**Victoria Wortberg, Program Manager  
Washington Center for Women in Business,  
Lacey, Washington**

**on behalf of**

**The Association of Women's Business Centers**

**before the**

**U.S. Senate Committee on Small Business and  
Entrepreneurship**

***Empowering Women Entrepreneurs:  
Understanding Successes, Addressing Persistent  
Challenges, and Identifying New Opportunities***

**July 23, 2014**

Good afternoon, Chair Cantwell, Ranking Member Risch, and Members of the Committee. My name is Victoria Wortberg. I am the Program Manager of the Washington Center for Women in Business located in Lacey, Washington. I am testifying today on behalf of the Association of Women's Business Centers (AWBC).

Over my career, I have served as a national corporate director of marketing, run multi-state nonprofits, and consulted extensively on creating high performance organizations. I also owned and managed an east coast advertising agency for a decade. But before I did all of that, I started by purchasing a small graphic design firm for \$40,000. I secured a Small Business Administration (SBA) loan to expand and diversify. I grew my firm to national prominence with annual sales of \$13 million dollars.

However as my firm grew, I struggled with making the move from being a start-up company to a growth company. I needed stronger management and finance skills. As I learned, there is a big difference between what I was taught in MBA finance classes and reading financials for strategic growth decisions in the real world. As my business expanded I felt more isolated, without a support network or experts to turn to, at a time when I could have been positioning my company for a move from a Stage 1 business to Stage 2.

Had a Women's Business Center with services like those that our Center provides existed, I would have found it very useful.

#### **Washington Center for Women in Business**

It was this experience, the struggles and excitement of owning and managing my own business that inspired me to apply for the Program Director position at the Women's Business Center (WBC).

Our Women's Business Center was established in Fall 2013. Our two person staff – just a colleague and myself – provides services to clients in 34 of Washington State's 39 counties. We are fortunate to have many partners in the communities we serve, as well as robust remote offerings via webinars, Skype and other technology-supported tools.

Since we opened our doors, we have provided over 100 different webinars, workshops and online training classes. We have coached nearly 150 clients and provided training to over 200. Seventy-five percent of our clients are women, approximately 25% are ethnically diverse, and their ages vary greatly from 20 to 70 year olds. The women we have worked with are owners of construction firms, cosmetic manufacturers, real estate firms, professional services, health care companies, technology firms, and landscape designers.

In our community, the WBC, Small Business Development Center (SBDC), and SCORE all work cooperatively to strengthen our economy one business at a time.

Our collaboration helps avoid duplication of services, while letting all clients enjoy the strong skills that each organization brings to the table.

At our WBC we also work in partnership with many other amazing organizations across the state such as Chambers of Commerce, educational institutions, Economic Development Corporations (EDCs) and libraries. The federal investment our WBC receives is leveraged many times over through our community partnerships, including those with the SBDC. This creates tremendous synergy, cooperation, and ultimately better assistance for business owners, who are then more successful in contributing to the economy.

### **The Effectiveness of the Women's Business Center Program**

At Washington Center for Women in Business, we strive to provide the women that come to us with the skills, training, knowledge, and tools they need to be successful. But we are not the only ones. There is a whole national network of WBCs like ours that come to work everyday to meet and work with women entrepreneurs in every state across the country. I am pleased to share some great statistics about the effectiveness of the Women's Business Center program based on the latest SBA statistics.

WBCs produce results. In FY2013, women's business Centers counseled and trained nearly 134,000 entrepreneurs and aspiring entrepreneurs and helped create 640 new businesses. In addition, the average entrepreneur served by WBCs added nearly one employee to their business between 2011 and 2012, despite difficult economic conditions.

WBCs provide business assistance at a low cost. On average, each WBC serves about 1,300 entrepreneurs and aspiring entrepreneurs annually, at a nominal cost of approximately \$137 per entrepreneur.

WBCs ensure high customer satisfaction. A September 2013 analysis of the WBC program found that 80% of entrepreneurs who received training found it "useful or very useful." More than 60% changed their management practices/strategies as a result of the assistance they received.

WBCs have a history of outperforming program goals set by the SBA. Last year, the WBC program exceeded its FY2013 SBA performance goal for small business creation by 34%.

### **Bringing the WBC Program Into the 21<sup>st</sup> Century**

When Congress established the Women's Business Center program in 1988, it did so as part of landmark legislation, H.R. 5050, authored by Congressman John LaFalce. The legislation created the National Women's Business Council, the Women's Business Center program, and ensured that women would have access to business

credit without discrimination. As I have noted, here we are today, 26 years later, and I am and happy to report that Women's Business Centers were a very good idea.

The WBC program was originally put in place to assist women who were starting and running businesses. The Congress felt that women faced discrimination and mandated that services provided by the Centers include socially and economically disadvantaged women. In fact, WBCs are the only SBA resource partner that is required to serve this population. We are dedicated to helping women in underserved communities create jobs in the community and create wealth for their families.

Twenty-six years later, it is time to modernize the program and think bigger. Women deserve better and the program that serves them needs to move from being big enough to make an impact but too small to reach its full potential. Let me identify several problems that continue to plague the program and solutions the AWBC believes would allow the program to meet the demand of today's women entrepreneurs.

#### Think Bigger

Since the program was established in 1988, the total amount of the grant available from SBA to qualified WBCs is \$150,000 a year. Adjusted for inflation, according to the Bureau of Labor Statistics, that amount in 2014 dollars would now be \$301,648. It is not hard to see why we are in a difficult position, as resources from the federal government have been stagnant, while the demand from women entrepreneurs has continued to increase. The AWBC believes that a reasonable allowable grant level per Center should be \$250,000. We urge the Congress to make this change.

Furthermore, since the program's inception in 1988, the number of WBCs has grown from four to 106. However, federal support for the program has grown only incrementally. We suggest increasing the program's funding authorization to \$26.75 million.

#### Think Better

When the program first started, it was put in place as a pilot program and was made permanent in 2006. However, program guidelines were never written and instead, over the course of those many years, the program came to rely on a combination of OMB directives, SOPs, Congressional directives—you name it, the program has it. We are calling on Congress to direct the SBA to promulgate a single, comprehensive set of rules that govern the program so that it can be administered effectively and efficiently. Transparency will reduce the time spent on paperwork and compliance and increase the time WBCs can devote to entrepreneurs.

One of the results of not having a set of clear directives has to do with approving option years beyond the initial first year. As you may guess, the assurance of continued funding is a source of discussion among WBCs. In the past, obtaining the grants in a timely fashion has been difficult at times and Congress has intervened. We are confident that putting clear guidelines in place would bring much needed certainty to the process.

#### Think Impact

Like all SBA resource partners, WBCs spend a lot of time reporting numbers to the SBA. Although we understand that the SBA is reworking its data collection system (EDMIS) with the input of the SBA resource partners, we are asking for expeditious implementation and a clear directive from Congress on what data SBA should be gathering. We urge the SBA to coordinate with the AWBC to design an "Outcome Performance Survey" to be conducted annually. The survey should collect outcome data on consulting and training clients.

#### Think Modernization

Similar to most grant programs, WBCs must match the federal grant with private contributions. Meeting the non-federal match has proven to be very difficult for Centers to meet during the recession. As any non-profit executive will testify, raising money is difficult enough during the best of times, but in an economic downturn, that challenge is far greater. We recommend the Congress put in place a waiver for those lean years but limit it to no more than two consecutive fiscal years.

There are a couple of other changes that we have recommended to the SBA, but likely require Congressional action. For example, executive directors, such as myself, are required to operate and manage the Center on a full-time basis. However, we are hamstrung when it comes to raising money for the non-federal match because an OMB directive forbids executive directors from fundraising while on the job. Reducing the full-time management requirement would enable program leaders to more efficiently and effectively raise funds to meet the federal match requirement.

While we are on the subject of the non-federal match, there another issue that creates a disincentive to Centers to raise money beyond their federal match. Currently, if a Center raises more money than is required to meet the federal match (up to \$150,000) that additional money is subject to SBA scrutiny and compliance requirements. So, therefore, Centers choose not to exceed the federal match. This is an example of a program change that should be made. SBA believes that it requires a change in the law rather than an administrative change. We urge the Congress to take this step.

**Conclusion**

The growth and impact of women entrepreneurs and women-owned businesses in the United States over the last 40 years is impressive and Women's Business Centers have been there to help. In 1970, only 5% of businesses were women-owned. Today, there are 7.8 million women-owned businesses, representing nearly 30% of all businesses in the United States. Since the WBC program was established, WBCs have counseled more than 1.6 million entrepreneurs – or about 20% of women in business today. We need to ensure that the critical program is there to continue serving the next generation of entrepreneurial women – it is time to modernize the program and think bigger. Women deserve as much.

I will close with a quote from our client Khurshida. Khurshida is the sole owner of a speaking and training business focused on empowering communities to stand up against human trafficking and other forms of human exploitation. She shares...

*"My success is not only due to my hard work and dedication, but also the support and services of the WBC. The WBC helped me write a business plan, identify my target market and assisted me with speaker contracts and fees. My business coach meets with me weekly, helping me squelch the self-doubts that come with the ups and downs of being self-employed. I now make my living from my business, supporting myself and my twelve-year-old son. I would recommend the WBC to anyone serious about taking their entrepreneurship to a whole new level."*

Thank you for inviting me here today to share my story and to discuss the critical importance of the Women's Business Center Program. I would be happy to answer any questions the Committee may have at this time.

**Victoria Wortberg (Program Manager, Washington Center for Women in Business)**

Victoria Wortberg is the Program Manager of the Washington Center for Women in Business. She has served as a national corporate director of marketing, run multi-state nonprofits, and consulted extensively on creating high performance organizations.

She got her start by purchasing a small graphic design firm for \$40,000. She then secured an SBA loan to expand and diversify, and grew her firm to national prominence with annual sales of \$13 million.

She is will testify on behalf of the Association of Women's Business Centers (AWBC). Her testimony will focus on her experiences with women's business centers.

Chairwoman CANTWELL. Thank you very much for your testimony, and we want to ask you about some of the details of your specific recommendations but we are going to hear from our other witnesses. We want to welcome Susan Sylvester. Thank you very much for being here.

**STATEMENT OF SUSAN SYLVESTER, PRESIDENT AND CHIEF FINANCIAL OFFICER, ABSOLUTE RESOURCE ASSOCIATES, PORTSMOUTH, NH**

Ms. SYLVESTER. Thank you for having me here.

Chair Cantwell, Senator Shaheen, thank you for the opportunity to present testimony in support of the hearing today. I am going to tell you a few stories about our company, some of our success stories.

Our company has a long and successful relationship with the SBA. It is a relationship that began the day that I bought the company back in 2000. After 15 years of working for large national firms and witnessing many consolidations, mergers, and acquisitions, I decided I would rather rise or fail based upon my decisions, not those that were happening in a corporate boardroom.

I had a solid business plan, a strong team to support me, and the passion to succeed; but, as with the common thread today, what I needed was funding to purchase the business. I had no banking relationships and could not find a bank that was interested in loaning us money.

But in 2000, I met with a woman at the Women's Business Center in Manchester, New Hampshire, and the business counselor there helped tweak the business plan and get a good cash flow analysis that was tight, and she actually got me appointments with three banks.

As a result of that support from the WBC, we did find a bank to loan the money. We still work with that same banker today. The loan was an SBA guaranteed loan.

In 2000, the company that I purchased was doing half a million dollars a year and had seven employees. Today, we have tripled in size, doing over two million dollars a year and employing 22 hard-working citizens.

Due to our growth, we needed more space and equipment. So, once again, in 2012, the SBA was involved in funding our needs, and we now have a 504 loan that helped us not only increase our capacity but also allowed us to incorporate some energy savings into our operation. Our lighting and ventilation systems have both been upgraded, and we are saving 40 percent on energy bills in our new space.

Our industry, like many, has been affected by a tight economy. It has been challenging, but we have been able to show slow, steady growth. A big part of that growth comes from our designation as an 8(a) disadvantaged business and through our efforts to increase our work with the Federal Government.

Through the 8(a) program, we have been awarded several small contracts; and once our performance was proven, the contracts usually increased in funding and scope. We have also been awarded one contract based on our economically disadvantaged woman-owned small business status.

And our big news is just last week, we were awarded a woman-owned small business four million dollar IDIQ with the Navy at the Portsmouth Naval Shipyard.

Jackie Johnston, the Acquisition Branch Head and Small Business Specialist at PWD Maine, awarded five of these contracts to Woman-Owned Small Businesses. And I believe that if all contracting officers were like Jackie, I am sure we would meet our goals.

These programs allow our small but very capable company the opportunity to show what our capabilities are, despite the fact that we do not have the breadth of experience that the large federal contractors have.

Our employees are some of the best in the business, and we stand behind our service 100 percent, but without these small business programs, we would not have a chance to throw our hat in the ring. Through programs like 8(a) and WOSB programs we can.

We have participated in SBA programs for 7(j) training programs. We use PTAP services daily, attend matchmaking events, in addition to using the SBA resources for capital and customers.

We find these services extremely valuable. Without these programs, our company would not have had the ability to do the good work we do and create the 15 jobs we have created so far.

In closing, I just wanted to say that although I am the majority owner of our business and happen to be a woman, I would not be sitting here today without the tremendous support from our fabulous employees and our loyal customers, and so, I just wanted to on behalf of all of them thank you for the opportunity to tell our story.

I support the efforts to enhance the woman-owned small business program by putting it on par with other contracting programs including Senator Shaheen's Women Small Business Contracting Parity Act. Providing sole-source authority for the woman-owned small business program would put women business owners on the same playing field as the other contracting programs and help the Federal Government meet its contracting goals for woman-owned small businesses for the first time. Thank you.

[The prepared statement of Ms. Sylvester follows:]



**US Senate Committee on Small Business & Entrepreneurship**  
 "Empowering Women Entrepreneurs: Understanding Successes,  
 Addressing Persistent Challenges, and Identifying New Opportunities."

**Hearing July 23, 2014 2:15pm Hart Senate Office Building**

**Bio & Testimony of Susan Sylvester, President & CFO of Absolute Resource Associates**



Susan is the President and Chief Financial Officer of Absolute Resource Associates of Portsmouth, NH. After 20 years of working at various environmental laboratories in almost every capacity from Lab Technician to Lab Director, Susan purchased Resource Laboratories, LLC (now Absolute Resource Associates) in 2000. Since that time, the business has expanded to meet the ever changing needs of its customers and markets, tripling in revenue, staffing and facility size. Susan currently manages the overall operations, sales, safety, finance, human resources, and quality aspects of the business, and has been the driving force in expanding into the Federal Market. Susan has made a name for herself in the environmental industry and among her clients as an entrepreneur with steadfast ethics and a natural business sense.

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 Chair Cantwell, Ranking Member Risch, Senator Shaheen, & Small Business Committee Members, thank you for the opportunity to present testimony in support of the hearing today.

Our company, Absolute Resource Associates, has a long and successful relationship with the SBA, a relationship which began the day we bought the company back in 2000. After 15 years working for large national firms and witnessing many consolidations, mergers and acquisitions, I decided to succeed or fail based upon my own decisions, not decisions made in a corporate boardroom.

I had a solid business plan, a strong team to support me and the passion to succeed, but what I needed was funding to purchase the business. I had no banking relationships and could not find a bank that was interested in loaning us money. In 2000, I met with the Women's Business Center (WBC) in Manchester NH and the business counselor there helped tweak the business plan AND get appointments with three banks. As a result of the support from  
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## Absolute Resource a s s o c i a t e s



the WBC, we found a bank to loan us the money. (By the way, we still work with that same banker today, 14 years later). The loan was an SBA guaranteed loan. In 2000, the company was doing \$0.5M a year and had 7 employees. Today, we've tripled in size, doing over \$2M a year and employing 22 hardworking citizens.

Due to our growth, we needed more space and equipment. Once again, in 2012, the SBA was involved in our funding needs and we have a 504 loan that has helped us not only increase our capacity, but allowed us to incorporate energy savings into our operations. Our lighting and ventilation systems have both been upgraded and we are saving 40% on our energy bills in our new space.

Our industry, like many, has been affected by the tight economy. It has been challenging, but we have been able to show slow, steady growth. A big part of that growth comes from our designation as an 8a disadvantaged business, and through our efforts to increase our work with the federal government. Through the 8a program, we have been awarded small contracts, and once our performance is proven, the contracts usually increase in funding and scope. We have also been awarded one contract based upon our Economically Disadvantaged Woman Owned Small Business (EDWOSB) status. Just last week, we were awarded a Woman Owned Small Business (WOSB) \$4M IDIQ with the Navy at the Portsmouth Naval Shipyard. Jackie Johnston, the Acquisition Branch Head and Small Business Specialist at PWD Maine, awarded 5 of these contracts to Woman Owned Small Businesses. If all contracting officers were like Jackie, I am sure we would meet the Woman Owned Small Business contracting goals!

These programs allow our small but very capable company, the opportunity to show what our capabilities are, despite the fact that we appear to not have the breadth of experience that the large federal contractors have. Our employees are some of the best in the business and we stand by our services 100%, but without these Small Business programs, we wouldn't often have the opportunity to throw our hat in the ring. Through programs like 8a and WOSB, we can.

We have participated in SBA 7j training programs, use PTAP services daily and attend matchmaking events, in addition to using the SBA resources for access to capital and customers. We find these services extremely valuable. Without these programs, our company would not have had the ability to do the good work we do and create the 15 jobs we have created, so far.

**Absolute Resource**  
*associates*

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I support efforts to enhance the WOSB program by putting it on par with other contracting programs, including Senator Shaheen's Women's Small Business Contracting Parity Act. Providing sole-source authority for the WOSB program would put women business owners on the same playing field as other contracting programs and help the federal government meet its contracting goals for WOSBs for the first time.



**US Senate Committee on Small Business & Entrepreneurship**  
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Chairwoman CANTWELL. Thank you very much and congratulations on your recent success. We will have some questions for you.

Ms. SYLVESTER. Thank you.

Chairwoman CANTWELL. Last but not least, Ms. Sutton. Thank you very much for being here.

**STATEMENT OF LYNN SUTTON, CHIEF EXECUTIVE OFFICER,  
ADVANTAGE BUILDING CONTRACTORS, ATLANTA, GA**

Ms. SUTTON. Thank you.

Chair Cantwell, Ranking Member Risch, and distinguished Members of the Committee, thank you for the opportunity for me to testify here this afternoon.

My name is Lynn Sutton. I am CEO of Advantage Building Contractors, based in Atlanta, Georgia. We provide construction services to the Federal Government and are a certified EDWOSB, an 8(a) program participant, veteran-owned, and in the process of getting our HUBZone certification.

I am representing Women Impacting Public Policy, WIPP, a national nonpartisan public policy organization advocating on behalf of this coalition of 4.7 million businesswomen including 79 business organizations.

My company entered the federal marketplace after working in the private sector for seven years. We became certified in SBA's 8(a) program, and after three years we have gone from knowing practically nothing about doing business with the Federal Government to successfully compete on multimillion dollar IDIQ contracts which is indefinite delivery indefinite quantity contracts.

Much of that success has been due to our participation in the 8(a) program and its ability to sole-source contracts to us.

Speaking before you today on improving contracting opportunities for women, it is entirely fitting because in 2011, my company won the first construction contract that was set aside for EDWOSB firms in the WSB Procurement Program.

As you know, women advocates across the Nation fought for more than a decade to implement the WSB program. This delay came at a tremendous cost. The lost decade translated into 94 billion and missed contracting opportunities for WSBs.

Today less than 1 percent, in fact, only  $\frac{1}{100}$  of a percent of federal spending has been awarded through this program. My firsthand experience in the effectiveness of having sole-source authority in the 8(a) program leaves me to call for two changes in the WSB procurement program.

One, provide sole-source authority, and two, expand the program to more industries.

The Women's Small Business Procurement Parity Act, S. 2481, introduced by Senator Jean Shaheen and cosponsored by Chair Cantwell, Senators Gillibrand, Murray, Cardin, and Markey makes these two critical changes.

Senators, thank you for your work on this front.

In my role as CEO, I can attest to the value of sole-source contracts; \$5 million of our revenue is generated through contracts with the Federal Government and 60 percent of our federal contracts in Fiscal Year 2014 were awarded through 8(a) sole-source authority.

Contracting officers are able to reach out to us and negotiate directly to achieve fair and reasonable pricing for services as well as being assured we are capable of doing the work.

In turn, these contracts allow my company to expand while strengthening our past performance so we are able to successfully compete on the open market. Without sole-source authority through 8(a), my business would have joined thousands of other women-owned businesses that fail each year.

A simple tenant of fairness would make this tool available to all the WSBs who participate in the program. After all, the other major small business contracting programs such as 8(a), the veteran-owned, and HUBZone have this ability.

S. 2481 also addresses the second change. Expanding the program. This cannot happen unless a new disparity study is completed. I know this Committee is also working on legislation that would address procurement changes as a part of the larger women's businesses ownership bill.

It is encouraging that women in the Senate are leading this charge. For my part, I will continue advocating on this issue and bringing my services to the government customers.

WIPP is actively improving the environment for women in the contracting arena as well. Through their ChallengeHER and give me five star programming, WIPP educates women across the country about the potential opportunities available in the federal market.

Archbishop Desmond Tutu said, if we are going to see real development in the world, then our best investment is women. Through release of its report and holding this hearing, this Committee is investing in women.

I thank you for that and am happy to answer any questions.

[The prepared statement of Ms. Sutton follows:]



**Testimony of Lynn Sutton  
CEO, Advantage Building Contractors**

**on behalf of**

**Women Impacting Public Policy**

**to the**

**Senate Committee on Small Business and  
Entrepreneurship**

***Empowering Women Entrepreneurs:  
Understanding Successes, Addressing Persistent  
Challenges, and Identifying New Opportunities***

**July 23, 2014**

**Testimony of Lynn Sutton, CEO, Advantage Building Contractors on behalf of Women Impacting Public Policy to the Senate Committee on Small Business and Entrepreneurship**

Chair Cantwell, Ranking Member Risch, and distinguished Members of the Committee, thank you for the opportunity to testify this afternoon.

My name is Lynn Sutton. I am CEO of Advantage Building Contractors. Based in Atlanta, Georgia Advantage Building Contractors provides design-build and general construction services to the federal government. We are a certified economically disadvantaged women-owned small business (EDWOSB), an 8(a) program participant, and in the process of receiving our HUBZone designation.

I am here today representing Women Impacting Public Policy (WIPP), a national nonpartisan public policy organization advocating on behalf of its coalition of 4.7 million business women including 75 business organizations.

Thank you for convening this hearing today. Women business ownership is a vibrant and growing driver of the American economy. Even during the difficult years since 2008, women business owners were adding jobs and stabilizing their communities. They did so by accessing new markets and expanding to uncharted areas. One of those markets was the federal sector—an opportunity I seized upon to grow my business.

Advantage Building Contractors and the Federal Market

Advantage Building Contractors entered the federal marketplace after working in the private sector for seven years. We had no significant past performance or bond history. We certainly did not have the access to capital that impedes the growth of many small businesses. We researched the SBA 8(a) Small Disadvantaged Business certification and found out that if we could somehow demonstrate to agency decision makers that we could perform an outlined Statement of Work and provide fair and reasonable solutions, they in turn could extend sole source (also known as direct) awards to us.

In our experience, contracting officers use this tool to get a competitive price and are ensured that their individual agency requirements will be met. It also saves agencies both time and money by eliminating a lengthy RFP process and allows small businesses the opportunity to interface with agencies, gain experience and develop past performance. Today, three years later, we are able to successfully compete on multi-million dollar indefinite delivery indefinite quantity (IDIQ) contracts.

I feel compelled to speak today on improving contracting opportunities for women because in 2011, my company won the first construction contract that was set aside for EDWOSB firms through the Women-Owned Small Business (WOSB) Federal Contract Program (Procurement Program). This was the result of hard work of many individuals over the last two decades. We are proud to be a part of history, and thankful to those who helped put this program in place.

My story is one of success—and one that can be replicated by other women entrepreneurs. For this to happen, though, Congress should improve the WOSB Procurement Program and remove barriers to the procurement market for women business owners nationwide. Providing sole source authority to the WOSB Procurement Program and accelerating the disparity study on which the program is based are the necessary policy changes to strengthen the women's contracting environment.

#### The State of the WOSB Procurement Program

Women business advocates across the nation fought for more than a decade to implement the WOSB Procurement Program. They envisioned this program as a critical tool for women business owners to access federal contracts. Unfortunately, delays in implementation prevented the government from fulfilling its obligation to contract with women-owned small businesses (WOSBs).

This failure comes at a tremendous cost. The lost decade, between Congress approving the program in 2000 and the Small Business Administration (SBA) rulemaking in 2011, translated to \$94 billion in missed contracting opportunities for WOSBs.<sup>1</sup>

And while the percentage of prime contracts awarded to WOSBs increased following the program's final implementation in 2011, the federal government is still yet to meet its 5% goal. A goal that, in my view, and one shared by Congress and the Administration is a floor – not a ceiling.

Most recently, in FY2012, the government achieved 4% in contracts awarded to WOSBs—a one percent shortfall equal to \$4 billion in lost opportunities.<sup>2</sup> Although \$57 billion has been awarded to women-owned small businesses since 2011, less than one percent—in fact only 1/100<sup>th</sup> of 1 percent—of federal spending went through the WOSB Procurement Program, which is what we are focused on improving.<sup>3</sup> The limited use of the WOSB Procurement Program stems directly from restrictions placed on the program making it unwieldy for both the buyer and the seller. With this Committee's help, the restriction on awards to \$6.5 million was eliminated in 2013.

While I have been fortunate in accessing federal opportunities through the 8(a) program, changing the story of the WOSB Procurement Program for all women business owners begins with changes in statute.

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<sup>1</sup> The federal government contracted \$4.23 trillion from 2000-2010. Reaching 5% each year would have equaled \$211 billion, however, WOSBs were only awarded \$117 billion, a difference of \$94 billion. Data accumulated from FPDS-NG via Bloomberg Government Contracting Intelligence Tool. Accessed July 16, 2014.

<sup>2</sup> Government Wide Performance: FY 2012 Small Business Procurement Scorecard, The Small Business Administration, (2012). [http://www.sba.gov/sites/default/files/files/FY12\\_Final\\_Scorecard\\_Government-Wide\\_2013-06-20.pdf](http://www.sba.gov/sites/default/files/files/FY12_Final_Scorecard_Government-Wide_2013-06-20.pdf).

<sup>3</sup> The federal government has awarded \$1.741 trillion in contracts since 2011, of which only \$237 million was awarded the WOSB Procurement Program, or 0.01%. Data accumulated from FPDS-NG via Bloomberg Government Contracting Intelligence Tool. Accessed July 16, 2014.

### Improving Access to Federal Contracts through the WOSB Procurement Program

The WOSB Procurement Program was created to increase access to federal contracts for women-owned business. But doing so requires two changes to the program: 1) provide sole source authority and 2) expand the program to more industries.

#### *Sole Source Authority*

Contracting officers are currently unable to award sole-source contracts through the WOSB Procurement Program. Instead, women-owned small businesses, despite offering innovative and unique services and products, must find other women-owned small businesses to respond to federal government solicitations before the WOSB Procurement Program can be utilized. This effectively creates a barrier for women business owners entering the federal contracting marketplace. Let me make clear—we are not opposed to the Rule of Two, we just think sole source authority should be added to this program to increase utilization by contracting officers.

In my role as CEO, and as a beneficiary of sole source authority through the 8(a) program, I can tell you firsthand of its value. Five million dollars of our revenue is generated through contracts with the federal government and a full 60% of our federal contracts in FY 2014 were awarded through the government's utilization of sole source authority through our 8(a) certification. Most of these awards were sole sourced because the projects were mission critical. Contracting officers are able to reach out to us and negotiate directly to achieve fair and reasonable pricing for services as well as being assured we are capable of doing the work. In turn, these contracts allow my company to grow and expand while strengthening our portfolio and past performance so that we are able to successfully compete in the open market. Our exemplary ability to complete projects has led to contract renewals and new customers at other agencies.

My business would not have experienced growth without sole source contracts. Since our 8(a) certification, we have created dozens of jobs through our direct engagement of other woman-owned small businesses as teaming partners. We are a successful business today because we were given a sole source opportunity with the Centers for Disease Control in Atlanta that blossomed into several awards totaling over \$2 million due to our ability to perform. Without that chance, my business would have joined thousands of other women-owned businesses that fail each year. A simple tenet of fairness would make this tool—already a part of other SBA contracting programs—available to all WOSBs.

Removing that barrier by allowing contracting officers to award sole-source contracts up to \$6.5 million for manufacturing contracts and \$4 million would fix this inequity. These limits are consistent with other small business contracting programs, such as 8(a), HUBZone, or SDVOSB. This change was included in the recently House-passed FY15 National Defense Authorization Act (H.R. 4435).<sup>4</sup>

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<sup>4</sup> National Defense Authorization Act for Fiscal Year 2015, H.R. 4435, Section 827, 113<sup>th</sup> Cong., (2014). <https://beta.congress.gov/bill/113th-congress/house-bill/4435>.

The Women's Small Business Procurement Parity Act (S. 2481), introduced by Senator Jeanne Shaheen and co-sponsored by Chair Cantwell, Senators Gillibrand, Murray, Cardin, and Markey, also makes this change.<sup>5</sup> Senators, thank you for your work on this front. WIPP members have been actively engaged in urging their Senators to co-sponsor this bill.

#### *Accelerated Disparity Study*

Both H.R. 4435 and S. 2481 accelerate the completion of the disparity study required to include additional industries in the WOSB Procurement Program. The original study (often referred to as the RAND study) was completed in 2007 and identified industries where WOSBs are under-represented and are eligible for the WOSB Procurement Program. That determination allows only 83 industries, approximately one-third of the total procurement industries, to participate in the program. All of the data from that study is out of date, failing to represent the current contracting environment. Today, for example, agencies are awarding contracts via large acquisition vehicles while federal strategic sourcing efforts are limiting the ability of small businesses to compete.

Congress recognized the need for a new study, and in the FY13 NDAA required the SBA to conduct the study within five years. Instead of waiting until 2018—when the current study will be more than a decade old—S. 2481 would require the study be completed in two years. This is a necessary step to ensure the program is open to all the women-owned businesses it was designed to support.

#### Conclusion

I came today to talk about fairness that is missing in federal contracting. Paired together, these changes address that fairness, while also allowing the WOSB Procurement Program to function more efficiently and effectively.

Access to the federal market fosters significant business growth for companies like mine. The Small Business Act describes this growth well, noting that the country's "well-being cannot be realized unless the actual and potential capacity of small business is encouraged and developed." Moreover, Congress and the Administration concur on the importance of a diverse industrial base for procurement—including women-owned businesses.

Encouraging and developing women-owned businesses in federal procurement is at the heart of the WOSB program. Ensuring participation through sole-source contract awards and accelerating the disparity study will allow these businesses to compete for government contracts.

I urge Members of this Committee, and all Senators, to show the leadership Senators Shaheen and Cantwell have demonstrated by supporting these changes and the legislation. This Committee is also working on legislation that would address this issue as part of a

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<sup>5</sup> Women's Small Business Procurement Parity Act, S. 2481, 113th Cong., (2014).  
<https://beta.congress.gov/bill/113th-congress/house-bill/4435>.

larger women's business ownership bill. We are encouraged by the active efforts of leading women in the Senate to support this change. For my part, I will continue advocating on this issue and bringing my services to government customers. WIPP is actively improving the environment for women in contracting as well. Through their ChallengeHER campaign and Give Me 5 programming, WIPP educates women across the country about procurement.

Again, thank you to the Committee for holding this hearing today and for your efforts to make the business environment better for women-owned businesses. It is my hope that my story and WIPP's recommendations are helpful as you continue your work. I am happy to answer any questions.

**Lynn Sutton (CEO, Advantage Building Contractors)**

Lynn Sutton is the CEO of Advantage Building Contractors, a firm that provides general construction services to the federal government. Advantage Building Contractors is a certified economically disadvantaged women-owned small business, the recipient of the first ever women owned small business contract, and an 8(a) program participant. Sutton has over 20 years of experience with government regulations and relations and advocacy on behalf of disadvantaged individuals in and out of the workplace.

She is representing Women Impacting Public Policy (WIPP), a national nonpartisan public policy organization advocating on behalf of 4.7 million business women, including 75 business organizations.

Her testimony will focus on the challenges facing women contractors, her own successes through SBA programs, and the importance of continuing and strengthening programs supporting women entrepreneurs.

Chairwoman CANTWELL. Thank you very much for your testimony. I am actually going to start with you because one of the things I want to drill down on is why the sole-source contracting matters so much. You talked about it as it related to what I think was the 8(a) program. Is that where you are from?

Ms. SUTTON. Yes.

Chairwoman CANTWELL. Could you just unpack this issue a little bit? Why does it matter so much? What are the barriers that are stopping us?

Ms. SUTTON. Well, I can speak from my own experience to say how it made a difference with our company. When we entered into the federal arena, we could not get any Federal Government work at all.

Our first Federal Government contract was a project that was sole-sourced to us. It happened to be a \$1.5 million project with the CDC to replace their roof.

At that time, all we did was roofing. We did such a great job they said can you do this, can you do that. So, it gave us the opportunity to get more jobs.

Before we completed our first job, they had already assigned other jobs to us. We were able to negotiate a loading dock. It was our first time taking on that type of job. We did an interior build out. We did another roof. They were happy with the performance, needed some other work and they gave us a chance.

We would not have had, you have to have past performance or you are not going to get the work. Everyone wants to do business with someone that they know. You have to have the past performance as well to be able to show them that the government is spending their money where they need to spend it.

So, we were given that opportunity the first time around.

Chairwoman CANTWELL. So, basically you are looking at the Federal Government who is doing sole-source contract work and obviously that is an incentive for someone. Is that what you are saying? I mean, you were competing in other areas where there were not sole-source contracts?

Ms. SUTTON. Yes. We are always competing even today. We spend about 120 hours a week just with putting, you know, bids together for what we are doing on the competitive side.

But when it comes to the sole-source work, we were given that opportunity. If we were not given that opportunity as sole-source, we would not have gotten the job to get started.

It is just about getting the first step. Once you are able to show that you can perform, then the other agencies will have faith that you can do the job. You bid on the work. You do good work, you will get more work but you have to get it. Sole-source authority gives us the opportunity to do that.

Chairwoman CANTWELL. Does anybody else want to comment on that?

Ms. SYLVESTER. In my experience, the sole-source work is, it is very difficult to get. You have to find that opportunity before it gets out to the federal biz ops and general public.

So, you have got to be almost two years before they want to spend that money. You have got to be developing a relationship with that office. You have got to be contacting them sometimes

once a week just to stay in touch trying to get those visits with them so you can demonstrate your capabilities and what your performance is and then they will keep you in mind when an opportunity comes along that they feel is a good fit for what you have demonstrated your capabilities are.

Just as Lynn said, you need experience, you know, for federal work. Everybody wants to have some experience. So, to think that we are just sitting there waiting for a sole-source to come our way, that is not in the way that it works. It is a lot of effort.

It is almost easier to bid on competitive work because you just wait for the solicitation to come out and you bid on it. In this work, we are doing groundwork two years sometimes ahead of time before that sole-source and talking to that contracting officer and convincing them that we are the best value for that project is my experience.

Chairwoman CANTWELL. Okay. Anybody else want to answer on that? Did you have something else, Lynn, you wanted to add?

Ms. SUTTON. I would like to add to that. One important factor is that to begin with what people are comfortable with, people want to do business with people that they know and that they know can do a good job.

When Susan was talking about the work that goes into it, for us it starts with investigating on FPDS, finding out what agencies, a lot of work goes into knowing what agencies are sole-sourcing work, who is friendly to 8(a) so we can get it, who are the decision-makers, establishing a relationship, doing the capabilities briefings.

It takes at least 18 months before you really get your foot in the door. So, the sole-source relationships that I have now started in 2010. When they have a particular situation because of time constraints or mission critical situations, they reach out to us directly and they say here is a statement of work. We have to negotiate that statement of work with them that can also take two months just in negotiating the work.

The government saves money because they are not putting the RFP out and going through that process. They are getting fair and reasonable pricing from us because we have negotiated it, and we are also able through that negotiation to give them options that actually save them money that might deviate from their statement of work that comes out to solving their problem, and we just have a different way and a more cost-effective way of doing it.

So, they benefit in many ways by sole-sourcing this to us as well.

Chairwoman CANTWELL. Thank you for that qualification.

Senator Shaheen.

Senator SHAHEEN. Thank you all very much for being here and special thanks to Sue Sylvester, who is from Absolute Resource Associates. I have had the opportunity to visit there and to see and hear your success story.

I want to explore a little bit more the line of questioning that Senator Cantwell had about the sole-source business because, Lynn, thank you for your comments as well on that.

But one of the things that I think may not be clear to people listening is why being able to benefit from sole-source contracting is so important to your business. What percentage is it of what you look at as you are thinking about doing work, trying to do work for

the Federal Government and why is this, Sue, you mentioned that sometimes it is easier actually to bid on a competitive bid than a sole-source contract.

So, talk about why this is important for you as a woman-owned business.

Ms. SYLVESTER. Our business is probably, up until this year, was probably 80 percent commercial work, you know, 20 percent was federal, and really the only opportunities, the initial opportunities we got for work were through the 8(a) program. That was the way we were able to get our foot in the door and show our performance.

Most of the other awards are small business awards. I mean, it is part of the 8(a) program. They want to get you the experience, help you along the way, but they expect you to graduate and move on.

I think the same thing would happen with women-owned small business programs that that same process would happen. You know, that is what we expect to happen. We do not expect things to be handed over to us. They never have been. But getting your foot in the door and being able to show your performance is huge and that is what the program really does for you, the sole-source program.

Senator SHAHEEN. Great. Let me also ask you. You commented on the contract you recently got from the Portsmouth Naval Shipyard, and congratulations on that. That is terrific.

Ms. SYLVESTER. Thank you.

Senator SHAHEEN. But you also talked about your contracting officer there and the fact that she was so good. Can you talk a little bit about what made that experience maybe better than some of the others you have been through? Do you see her support for awarding contracts to women-owned small businesses coming from a directive at the top saying, I am thinking about, how do we change the culture for contracting officers through DOD and other federal agencies so that they have that uppermost in their mind?

Is that something we can mandate or does it come through training? Was there anything there that you saw that made that a better experience?

Ms. SYLVESTER. Jackie is unique. Pretty much all of the contracting officers that we deal with, she is always trying to think of new ways to bring in new contractors to the shipyard.

There is plenty of work at the shipyard. There are a lot of people who are there that have just been there for 10 or 15 years. She feels very strongly that there is plenty of work to go around and how can she bring some new vendors into this organization, you know, out to the shipyard and do good work.

And through us, she expects us to bring in new subcontractors to get some new faces out there. So, she is constantly thinking about what is in the best interest of the shipyard and making sure that businesses that are able to do the work there and offer good value get the opportunity and they are not locked out.

Senator SHAHEEN. And again how do you think we can get other contracting officers to have that approach? Do you have any thoughts? Do any of you have any thoughts about that? Victoria.

Ms. SYLVESTER. I do not. It is the million-dollar question.

Ms. WORTBERG. As part of our program, we are housed with PTAC and SCORE and SBDC; and the advantage of that is that our PTAC officers work day in and day out with our WBC clients as well.

So, they are going out to the people who are buying these services and actively marketing on behalf of our clients. So by getting organizations to work closely together, we get our PTAC program to understand the special needs of our were women business owners and then they are able to go out and help the contracting officers understand the issues as well.

So, I think through the coordination that the SBA has been talking about, it is a very effective way of changing attitudes and educating and creating relationships.

Senator SHAHEEN. And we certainly expect Administrator Sweet to push on that in her new role.

Let me ask you, Ms. Galán. You talked about the role of the Federal Government in setting policy that can help Latina women-owned businesses.

One of the challenges I think we have as Senators is most of us on this Committee have a good idea of what we would like to see that could encourage some of those policies. I think one of our challenges is building support for that in the rest of Congress.

So, I know that WIPP is interested in this issue. How do we get women to advocate with the Congress in support of these policies that we know are important as we are trying to encourage women-owned businesses?

Ms. GALÁN. Well, I think what I am trying to do with Adelante is to partner with organizations like WIPP, like Count Me In, that are already there, that are already established and trying to join forces and bring the Latinas to the table to advocate for some of these things because I think we do not realize that, you know, ever since the bad economy Latinas were already entrepreneurs.

As I said, we were kind of natural entrepreneurs. But with the bad economy, a lot of our husbands have lost their jobs and the role of the breadwinner in the family has now gone to the Latina head of household.

So, these women are ready to go but they are not really integrated in the United States system of how going and raising money through the government works at all.

So, I am lucky to have found organizations like WIPP and others that have helped me also, you know, learn the system and the processes, and I am hoping to bring these women to the table.

I agree with you that we need to be part of the table. We need to be at the table and we need to fight to be part of the system. It is very important.

Senator SHAHEEN. Thank you.

Thank you, Chair Cantwell.

Chairwoman CANTWELL. I wanted to follow up on the difference. You know, one of the changes that we are talking about from the report is just making sure we really focus on the adequate particular training to women.

Obviously, Victoria, you are here representing the Women's Business Centers but I want to talk about what are the differences because I can already hear some of the debate that we are going to

have about, well, why cannot SCORE just do this and why cannot, you know, some of the small business centers just do this.

So, can somebody talk about the differences between these services or what do you think are the critical relevant services that women businesses need?

Ms. GALÁN. Well, I think for starters, I will speak for Latinas. I think we take for granted that Latinas really do not know yet the system, do not even know how to find out what is offered.

It is very complicated. If you go on the Web sites to even go there and start from scratch, it is very difficult. And so from my point of view, I feel like one of the things I hear them say is, we also need to figure how to learn to partner with other women.

We need to build bridges between women that are already further along and create mentorship programs to bring these women through the system and through what is offered because it is very complicated.

Chairwoman CANTWELL. Anybody else want to talk about that particularly about SCORE or the Small Business Development Centers and the difference between what the women's centers are doing?

Ms. WORTBERG. I would love to. You know, when you start a business what you are trying to do is get a product market match. So, what you are doing is you are understanding the unique needs of your customer segment and you are designing a product that meets those unique needs. That is what Women's Business Centers have done.

They understand what women entrepreneurs need to be successful. We make sure that in all of our centers we offer those services. So, for example, mentoring is a major part in most Women's Business Centers.

That is not true for the other two programs you mentioned for women in that we have specialized programs specifically to hook women up with other women in a mentorship capacity.

We also understand the unique training needs of women entrepreneurs, and there are some unique training needs particularly in the areas of finance and understanding financial statements and how to make strategic decisions.

We found that it is really important to cater to the specific interests of women entrepreneurs and where they stand in their confidence gap because most women entrepreneurs can be highly successful if given the support that they need.

So, our training is specifically designed for our target group. But we do partner with the other programs constantly. We do co-counseling. But they send to us their women entrepreneurs who need the ongoing business advice, they meet every week to talk to the business advisor that is qualified and capable of helping.

So, since we are housed with SCORE and SBDC, we see the differences every day in the programs and how the three are working together to help women be successful.

I hope that answered the question.

Chairwoman CANTWELL. Well, it is interesting that you are saying that SCORE is sending people to you.

Ms. WORTBERG. Yes.

Chairwoman CANTWELL. Okay. Very interesting.

Ms. WORTBERG. All the time, yes.

Chairwoman CANTWELL. Which would just point that then obviously SCORE is not the solution because if they are sending people to you, they are not the solution.

Just if I could make sure I got this because Barbara Corcoran said earlier men do not necessarily relate to the products women are pitching. So if they do not relate to it, why are they going to fund it?

But you are saying that they might not relate to mentoring either, that there is an amount of mentoring that needs to go on and that your product that you are offering with the Women's Business Center is more tailored to what the types of mentoring that are successful with women.

Ms. WORTBERG. That is absolutely true and we are pulled in to SBDC counseling for special issues that our women clients face and it is absolutely testimony to how our program is different that in one building we are always being called in to help those women clients in even if SBDC has a woman client they always have co-counsel.

Chairwoman CANTWELL. Can you categorize what that is? Is it about product? Is it about—

Ms. WORTBERG. Sometimes it is about lifestyle issues. A lot of women have lifestyle issues that they have to deal with in addition to running their company.

Sometimes it is about understanding financial statements and being able to ensure that the woman is able to apply what she learns. Sometimes it is simply that women relate well to other women counselors.

We have found that women business advisors tend to help other women feel safer in opening up to say we do not know, we need help, can you guide us. And sometimes in our situation, we have strong marketing backgrounds so we are asked to come in to counsel even on those male clients sometimes.

Chairwoman CANTWELL. That is great. Anybody else want to talk about that, about SCORE and its relationship with Women's Business Centers?

No. Okay. I think that is all.

Jean, do you have another question? Go ahead.

Senator SHAHEEN. One of the things you mentioned, Ms. Galán, is that often women do not know that these services are available. I am sure you hear the same thing, Victoria and Sue and Lynn. You probably have had similar experiences.

So, what more can be done to make sure that women have an understanding of what services are available and how we encourage them to take advantage of Women's Business Centers? Hopefully if we can pass this legislation, the programs will be more available as a result of that.

Ms. WORTBERG. If I may, to be honest we need money. When you have \$150,000 and you are serving 34 out of 39 counties with two staff people, you do not have a lot of money for marketing. You put all of your money into programs services.

We cannot afford to go out and tell our story because we are barely paying the minimum amount to even provide services. That

extra money will help us develop a marketing campaign to engage women in helping other women to grow women-owned businesses.

Ms. GALÁN. I am always surprised, as someone who comes from a marketing background, that we create all of these incredible programs and they are not marketed; and if they are marketed, they are not marketed to specific communities.

So, it is almost like we are building a machine that no one knows is there, and so what is the point of that. We do need to market and market to specific groups in specific ways that they can hear that, and to make them feel like they are part of this country, that this is here for you and, you know, again those of us in sort of the private sector it is like we have got to become the marketing arm for these projects, and we really need to do that better I think.

Senator SHAHEEN. Lynn.

Ms. SUTTON. Thank you. I would like to add I have utilized SCORE. My local SBA office in Atlanta, Georgia, has workshops all of the time. They are PTAC. So, I have taken advantage of it and I actually thought that a lot of people are aware.

I have WIPP. We have resources. There is online. There is information. Women are empowered. We are at the table. We do know it is there.

It is about where do we go from here. Okay. We are aware. What is important is that all of the hard work that you Senators are doing needs to be implemented. What you already have rolling has to be implemented and it will solve all of our problems.

I am very much aware. Everyone here is very much aware. That is why all these women are here right now. Everyone is aware. What are we going to do with it? This has to be implemented.

We talk about, you know, you can like, not like, whatever it is with the sole source, use it, do not use it. It does not matter. More than half of the people who have sole-source authority do not even get a contract in the entire time.

What is important here is that the WOSBs and the EDWOSBs have the same thing the other small business programs have. We need access just like the 8(a) oh, the veteran, and the HUBZone.

[Applause.]

Ms. WORTBERG. Absolutely.

Ms. SYLVESTER. We agree.

Senator SHAHEEN. So, all you WIPP members contact your Senators.

Chairwoman CANTWELL. Well, thank you. That is a great place to end. I want to make sure I thank Senator Shaheen because she has been a real leader on this issue and her laser focus on small business in general has been so helpful to the Committee but particularly on this sole-source issue. So, we thank you.

We are going to put legislation together and your testimony has been very helpful on that front. We have heard you loud and clear that you need more access and that particularly by tailoring the training, that you could do much more.

I am going to ask you to go away with an assignment of helping us. I think some of the things that people have been talking about hearing your testimony, we may be, let us just say, under, you know, targeting the amount we need.

I would really like to know from you what amount you need for the Women's Business Centers and for the microloan program, not the package at 50 and 250 but the amount of money that really could go into this program and return benefits to our U.S. economy.

I think upgrading it a little bit is interesting but we are here to ask women all across America to help grow our economy. That is why we are having this hearing, and you are coming to tell us here about the challenges that we face as we try to grow the economy.

So, let us put a real number to it based on these experts who were here, who have been working in the field. Give us a number that you think really represents what microlending we should be doing.

I have said many times as the Chair of this Committee I think small is the new big. By that I mean, the structure of an information economy is about people who can be very expert at their given field and the more that we empower them the more they can innovate and the more we innovate the more jobs we grow in our economy.

So, we want to empower small businesses all across the United States and certainly we want women to be able to have access to those resources. We want you to be able to design products. Coming from Washington State, which has two female Senators, I can tell you that we definitely want more products designed and delivered for women and we know—

[Applause.]

We know that if women businesses are empowered to do so, they will design those products.

So again, we want to thank all our witnesses today and everybody who helped participate in this great forum. It is so heartening to see so many people here. We know that in your real lives you will help us lead the charge on this issue. We do expect to have legislation on all of these fronts, sole-source contracting, empowering women through these microloan increases and intermediate loans, also supporting the training programs and making sure that the access to capital is there.

So, thank you all very, very much for a very moving afternoon and what did you call it?

Ms. GALÁN. Adelante.

Chairwoman CANTWELL. Yes. We are adjourned. Thank you.

[Whereupon, at 3:55 p.m., the Committee was adjourned.]



## **APPENDIX MATERIAL SUBMITTED**

Statement of Senator Carl Levin  
Senate Committee on Small Business and Entrepreneurship Hearing  
Empowering Women Entrepreneurs: Understanding Successes, Addressing Persistent  
Challenges, and Identifying New Opportunities  
July 23, 2014

Madam Chairman, I want to thank you for holding this important hearing examining ways to increase the tools available to women to help them start and expand successful small businesses.

According to the 2014 *State of Women-Owned Businesses Report*, there are estimated to be more than 9.1 million women-owned businesses in the United States, an increase of half a million over the prior year. These businesses generated more than \$1.4 trillion in revenues, employed 7.9 million people and accounted for 30% of all enterprises. These are impressive statistics yet women entrepreneurs still face barriers.

One of the most difficult barriers faced by any entrepreneur trying to start or expand a small business is accessing capital. One of the things this hearing will explore is the small business credit programs that are more likely to benefit women-owned businesses. Programs like the Small Business Administration's Microloan Program and Intermediary Lending Pilot Program were specifically designed to provide the seed capital for entrepreneurs that have good ideas for, or are already operating successful businesses, but which are not yet bankable.

The need for creative and effective ways to expand access to capital for small businesses is greater than ever. According to a study issued by the Brookings Institute in May, entrepreneurship is experiencing a troubling decline in the United States, a trend the authors document over the last 30 years, across all 50 states and almost all metropolitan areas. They conclude that we need to pursue policies that better foster entrepreneurship if we want to create more jobs.

One way we can foster entrepreneurship and address the lingering unemployment affecting so many of our communities is to make permanent the Small Business Intermediary Lending Pilot Program.

I am grateful Chairwoman Cantwell has included my bill to make permanent the Intermediary Lending Program in her legislative package designed to improve access to counseling, contracting, and access to capital for women-owned businesses.

The Intermediary Lending Pilot Program became law in 2010 and was designed to provide credit to small businesses that, for a variety of reasons, including the lack of sufficient collateral, are unable to secure credit through conventional lenders. With women receiving only four percent of all conventional small business loans, women owned small businesses stand to significantly benefit from the Intermediary Lending Program.

Over the last three years, the program has provided loans of \$1 million to nonprofit intermediary lenders to make small to mid-sized loans to small businesses. The program gets financing to small businesses that are not being served by banks or conventional loan programs currently

available through the Small Business Administration. Small businesses seeking this flexible debt financing may have graduated from the Small Business Administration's Microloan Program, and for a variety of reasons, especially lack of adequate collateral, do not qualify for guaranteed 7(a) loans or other private capital.

Given the slow economic recovery, high demand exists for the Intermediary Lending Pilot Program. In the short life of the program, intermediaries in 20 states across the country have already made more than 300 small business loans, totaling more than \$26 million. If not for the Intermediary Lending Pilot Program, the small businesses receiving these loans would have been hard-pressed to find this financing elsewhere. Almost 90 percent of the loans were in the \$50,000-\$200,000 range, making these loans larger than microloans. The average loan size in the pilot has been about \$88,000. Participating intermediaries' revolving loan funds are projected to revolve about 2.5 times before the intermediary fully repays the initial Small Business Administration loan.

The loans facilitated by the Intermediary Lending Program have done more than help small businesses, they have created or retained thousands of jobs. Building on this success and keeping the program going will strengthen our economy, get small businesses sorely-needed capital, help women-owned businesses and catalyze job creation.

I look forward to hearing from Lori Meeder, Senior Loan Officer at Northern Initiatives in Marquette Michigan. Lori will talk about the ILP loans she has made to small entrepreneurs, include women entrepreneurs, to create jobs in rural Michigan communities with few large employers. Northern Initiatives is just one of 36 intermediaries across 20 states that have tested and proven the Intermediary Lending Pilot program and she is calling for its permanent enactment.

## Small Business Committee Hearing

## Understanding Successes, Addressing Persistent Challenges, and Identifying New Opportunities

Senator Deb Fischer

## Questions for Mrs. Corcoran

1. From the experience of developing your business, what were the top three challenges you faced in building your enterprise? The American Express OPEN survey rates the top three near term concerns for women business owners today as gaining new customers, generating positive cash flow, and maintaining existing customers. Do you agree with this survey? **I think the top three are: 1) borrowing money, 2) networking with other leaders, and 3) managing your kids at the same time – raising a family can get in the way much more w/ women.** Do you think there has been a shift in the nature of issues facing female entrepreneurs or are these concerns faced by all entrepreneurs?
2. Today, America's youth non-employment rate is one of the highest in recent memory. This cohort is composed of America's future job creators and small business owners. Do you believe that today's youth lack the skills necessary to become entrepreneurs because they are missing out on work experience at this important time of development? Do you see this as slowing the trend of more women owning their own business? **No, don't see any relationship.**
3. One subject that has been before this committee recently is the subject of microloans and microfinance- loans that are small, often in the neighborhood of \$10,000 can have a dramatic impact on the ability of an aspiring entrepreneur to follow their path to being a small business owner. Often times the market cannot satisfy the demand for loans of this size because it is not profitable for lenders. Are there steps that can be made to make these loans more attractive and profitable? Any specific regulations that we should repeal that would incentivize financial institutions to loan in this amount? **Lenders won't give small loans to young businesses or new entrepreneurs, they have to be guaranteed by the government vs. managed by the government. The process of getting any kind of small business loan from anywhere is complicated, and young entrepreneurs have no idea how to find them.**



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## WOMEN VETERANS BUSINESS SOLUTIONS LLC

STATEMENT TO  
SMALL BUSINESS COMMITTEE  
BILLS NUMBER S.2396 and S. 2143  
Senator Maria Cantwell  
AUGUST 6<sup>TH</sup>, 2014

by  
Cathy Bennett-Santos, Founder  
National Alliance of Women Veterans, Incorporation  
Women Veterans Business Solutions, LLC, Owner

I want like to thank the Small Business Committee, Chairwoman Maria Cantwell, and the sponsors: Senators Mark Pryor (D-AR) and Jeanne Shaheen (D-NH) of Bills S. 2143, the Veterans Entrepreneurship Act, introduced by Senator Jeanne Shaheen (D-NH) S.2396, The Veteran Entrepreneurship and Training (VET) Opportunities Act of 2014 introduced by Sen. Mark Pryor (D-AR) for the time and attention that they are providing for this important platform for the veteran's community and this opportunity to share my concerns on the many issues associated with the need to address legislatively "Veteran's Entrepreneurship and Training". I do believe that we're in the right place for continuing the conversation and ensuring that deserving individuals, those who have made the ultimate sacrifice for the freedoms and security that we all enjoy receive what they need for sustaining their lives and establishing *their* desired quality of life.

My name is Cathy Bennett-Santos, of Philadelphia, Pennsylvania, a Gulf-war era, honorably discharged woman veteran who is a survivor of Military Sexual Trauma. I gave testimony on July 23<sup>rd</sup>, 1993 to the Committee on Veterans' Affairs House of Representatives Subcommittee on Oversight and Investigations referencing Publication No. 103-19, "VA PROVISION OF HEALTH CARE TO WOMEN VETERANS AND RELATED ISSUES". I founded the National Alliance of Women Veterans, Incorporated and created the first platform in the country for addressing Military Sexual Trauma in a public way from a grassroots perspective. And in Philadelphia, Pennsylvania, hosted the 2<sup>nd</sup> of 6 Department of Labor's Homeless Women Veteran's Listening Sessions in the country which was the foundation for the Launching of the "Service Providers" User Guide for addressing Homeless Women Veterans; this was the result of the 2009 Mandate by Congress to "eliminate Homelessness in the lives of veterans by 2015". The partnership between the Department of Labor led by Secretary Hilda Solis and Department of Veteran Affairs Secretary Eric Shinseki, who recently resigned, being replaced by his assistant Sloan Gibson assuming the role of Interim Secretary until recently President Obama appointed Proctor Gamble Corporate Executive McDonald as Secretary. Entrepreneurialship for veterans was included in the conversation for offsetting "homelessness" and to offer alternatives and options Post 9-11 to opportunities of sustainability and employment. I owned a business with a desire to pursue federal opportunities and was proud when opportunities were open to participate in Veteran's Business and Procurement Forums and especially VVWise which are among a few of the platforms present early on for veterans desiring to become entrepreneurs. However the limited and restricted platforms were minimal for actually realizing opportunity.

I held the appointed position of DAV Department of Pennsylvania Women Veteran's Program Chair where I learned and address "obstacles and challenges" for women veteran entrepreneurs, contracting and sub-contracting at every level of government in Pennsylvania which were synonymous nationwide for veterans.

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The Pennsylvania Governor's Commission for Women Veteran's and Service Disabled Veteran's was established in 2009, and I was an appointed Commissioner until the administration was replaced in 2010. The ARRA/Stimulus Act of 2008 was the focus of agenda and we met frequently to contribute towards language for policy and legislative support for accessing funding for entrepreneurs and veteran owned businesses

A further effort to support this legislative agenda and to create opportunities was with funding from SSVF, DOL/VETS, and Department of Veterans Affairs for contracting and grants. Nearly One trillion dollars and the issue of homelessness and unemployment remains a major concern in the lives for veterans. Entrepreneurialship for veterans have met with obstacles in certifying through the CVE process for DVA contracts or other funding opportunities that seriously lacked oversight and monitoring and following the FAR for accurate assessment in determinations by contracting and procurement specialist. Federal agencies that desire to assume a "veteran" platform are not cross communicating; and are overlapping in their agendas causing confusion and unachieved outcomes; many are providing contracts and opportunities to underserving and unqualified contractors and grantees therefore perpetuating suffering and missed opportunities for qualified businesses, set asides and sole source contracting opportunities.

Of the 80 million dollars resulting from the Pennsylvania ARRA Stimulus funding in support of Veteran Owned businesses; the small business cap was raised from 20 million to 40 million and the Stimulus dollars was distributed among only 10 companies with revenues up 40 million dollars. So, any other veteran owned business or opportunity expected by those on the commission or their network were lost. After attempts to pursue other opportunities though HUD, DVA or DOL in Pennsylvania has been met with those who had entitlements that didn't require following the law or the set policies for inclusion or other strict guidelines for participation.

The veteran's and "women veteran's platform as a new market created a wealth building opportunity for developers and other powerful and influential individuals and often times the intended customer or client based was not provided any access or opportunity to benefit either in prime or sub-prime federal contracting opportunities. The FAR was being ignored as were any specific guidelines or contracting specifications that was to ensure a fair opportunity for all veteran owned companies or individuals; all with great ability to perform.

Further efforts by National Alliance of Women Veterans Inc in addressing with the Office of Federal Contracting and Compliance were responded to with "we're not going to pursue those contracts, that money is lost forever" – the climate set by federal employees with the authority and ability to address the misuse and abuse of government contracts and funding. These efforts were not without harassment and intimidation for speaking out on any loss funding opportunities even when the work was imputed by and through government entities. The outcomes for needing to fill contracting opportunities, both prime and subprime were with the appearance that some do the work and others will get the contract. After working very hard with DOL, a 1.8 million dollar was to support ongoing work and given to someone not involved in the research or development aspect; but Marsha Four and her cohort Deborah Harmon Pugh continues today to benefit from the many years of work and investment made by National Alliance of Women Veterans, Incorporated with no respect or concern about the quality of the output or deliverables. Case and point: Ms. Pugh did provide a platform for women veterans at my alma mater "Chestnut Hill College" and after learning did attend "The Soldiers' Project" where I listening to the amateur, and misrepresentation of facts by a College professional on "military suicides"; after approaching the individual about the inaccuracy of the information, she left with head down in shame. However, the opportunity was missed to include to present factual data because the individuals have no real concern about the outcome of the contract they receive. Veteran's issues are a very sensitive platform and should be taken seriously by those who become attracted to the issue for contracting. People lives are at stake.

I recently applied to Maryland Veteran's Health Care System for a contract or purchasing agreement; it was for Public Relations and I was rejected. The question is why I was notified 130 days after the fact that another individual was chosen. In this process, I learned so many variables were in play – the Director of the initiator denied knowing about a Public Relations contract in his department and that the chosen individual was determined by being the lowest bidder. My position is that any Public Relations activities for the Veteran' Affairs after the recent activities and revelation proving "the VA was murdering veterans" that there should be some highly qualified individuals with knowledge and experience of the Veteran's Affairs system. This is not the case and I have requested a "debriefing" due to the responses I received

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by this hospital where I have been involved with veterans who were being disrespected and mistreated in getting their health care addressed.

Home ownership and transitional housing and other veteran platform have become a wealth building and new market for federal contracting opportunity that requires much oversight and monitoring. However, the available funding created an opportunity for those who did not have a history, knowledge or passion for "veteran's first" in their agenda. So, "Veteran's First", in an opportunity for federal contracts and entrepreneurial ship was presented as a policy issue and this administration did establish several bills in support of veteran entrepreneurship and employment for offsetting homelessness and establishing sustainability for Post 9-11; Joining Forces has included spouses and families of veterans in this initiative.

Referencing US Small Business Committee Hearing of July 23<sup>rd</sup>, 2014, I want to thank Senator Mary Cantwell and the US Senate Small Business Committee panel for their attention to this matter. The question was asked to the newly appointed Executive Director Maria Sweets-Contreras by Senator Hagan of North Carolina: "What are some of the obstacles and challenges you are facing?" *A challenge is an obstacle and an obstacle is a challenge* for those of us who are in the trenches and have earned the right to move forward with the agenda that they have established and should be presumed to be expert on their specific platforms.

To further elaborate, the elevation to "Cabinet Level" is a major concern for the following reasons and I believe the emphasis placed on setting some real parameters when the 'assistant' and other staff would be in place for Ms. Contreras is very important moving forward as emphasized by Senator Fisher (R-NE); and comforting for the American constituency that we have those concerned at the helm. The appearance of and the emphasis of the extreme wealth and history of Mrs. Contreras is very important. And as exciting as it was to see and be in the presence of "billionaire" Barbara Corcoran of Shark Tank, I was extremely disappointed that the reflection of my experience wasn't being felt at this particular time because I believe that the response by Ms. Contreras "we have no challenges or obstacles" was at the most premature at a little over 100 days in her position. There are many obstacles and challenges that women entrepreneurs and women veterans are facing in America and that is a big fact.

CNBC has this to say about Contreras: Maria Sweet-Contreras has positioned her bank to help Hispanic businesses grow to be a seamless part of corporate America<sup>1</sup> and in a similar effort to propel the Latino community Secretary of Labor Hilda Solis made this assertion: *In so many ways, the American Latino has come of age. And now that we've achieved positions of power and influence in this great nation, it's our responsibility to lower the ladder and help our brothers and sisters climb up.*<sup>2</sup>

So, we identify another challenge or obstacle in how we identify with our leaders who have the authority and power to influence our government and government spending that not only will change the local community, but an entire nation and ethnic group historically depressed and oppressed. But we, as Americans, naturally born, are questioning the fairness in America's wealth distribution and opportunity. I support immigration in opportunity and sharing the wealth, but there are far too many Americans disadvantaged by not having access to opportunity presently available when we have other persuasions appointed to high office. It is my belief that the taxpayer dollar should not have a designated target but all Americans should be treated equal and have equal access to these opportunities. This is the American way. We should be cautioned of an outcome of imbalance and division that may have backfiring or negative effect overtime.

Moreover, I personally have a network of great business women and women veteran professionals of many ethnicities who deserve the opportunity to take advantage of our government's resources and products. Rather, the aggression from wealthy and powerful entities that "sit at the gate" of every funding opportunity is disrespectful to our government and to those Americans who are missing the opportunity and the intended service or products to sustain and grow the economy. The recent recession created hardships for many American's and the Stimulus dollars was to assist to pull us out of the situations; however, the corporate bailouts and upward mobility efforts intended by the ARRA was not met and had its own "obstacles and challenges" - and it is not without oversight and monitoring of government spending; misuse and abuse by many in authority and with influence.

<sup>1</sup> <http://www.cnbc.com/id/100000508#>.

<sup>2</sup> [http://www.huffingtonpost.com/rep-hilda-l-solis/our-ladder-of-opportunity\\_b\\_923933.html](http://www.huffingtonpost.com/rep-hilda-l-solis/our-ladder-of-opportunity_b_923933.html)

The discussion is particularly relevant due to the economic environment we are facing Post 9-11 and Post ARRA or Stimulus. As a woman veteran, with a WOSB, SDVOB and DBE, I am particularly grateful for the invitation to submit my statement in support of the bills mentioned above to apprise those in our government of what's occurring on the ground.

Although I believe that Mrs. Contreras has an awesome history as a woman in business and in the corporate arena, as well as Barbara Corcoran of Shark Tank; both however are b/millionaires and have been through much of what the most of the attendees have not achieved or can ever achieve. Moreover, I believe that the 100+ days in the present position that Ms. Contreras holds may be a little premature for responding accurately particularly with my knowledge and involvement for the past 10 or more years addressing this issue. As well there have been so many modifications and changes, replacements and other unstable activities within this administration, it is complicated to move forward without constant repositioning and reintroducing yourself and history to incoming high-ranking decision makers.

For example in just the past 9-12 months, this administration has reorganized in these cabinet level positions; A Major Challenge/Obstacle: Changing Administrations:

Department of Labor – partnership with Department of Veteran Affairs, 2009 Homeless Women Veterans  
 Secretary Hilda Solis – Secretary Thomas Perez  
 Women Veteran's Executive Director – Sara Manzana Diaz (now serving in Philadelphia as the GSA Executive Director) serving presently under Secretary Perez is Latonya  
 Secretary Eric Shinseki, Secretary Sloan Gibson, and Secretary Robert McDonald  
 Secretary Sebelius – now serving Secretary Sylvania Matthew Burwell  
 Department of HUD – Secretary Shaun Donovan – Secretary  
 SBA Executive Director – Maria Johns, now serving Maria Sweets-Contreras

**Obstacles, simply defined:** Organizations that take on a veteran agenda without an understanding of the policy or legislation already underway; FAR, and other veteran's specific policy and legislation is complex. Many organizations established many years ago desire to lead on any platform pertaining to their gender specific platforms despite their knowledge or understanding of the particular group or issues being addressed. The Joining Forces Initiative, Women Pay Equality and Women Entrepreneurs are just a few of the national agendas that women organizations are attracted however doesn't yield to those organizations that are specifically dealing with those issues being addressed and have been for many years. These individual organization leaders want others who communicate to them to meet them where they are in the issue and will not provide an opportunity for professionals or experts on a particular platform to get the respect they've earned and demonstrate their knowledge or expertise either by consulting or training. The norm has become to access websites and other informational materials and "plagiarize" the information and assume ownership of the "intellectual property" and not understand the foundation or any related information or experience for moving the agenda forward. These are the repetitive and accepted norms when larger, more aggressive women owned business that take residence in Washington are involved in any platform.

The assumption that women should pay large membership fees to join and become members of companies and organizations that they have been the main contributor or have established the basis for the agenda to move forward, is a setback in most cases. There are advocates and organization that communicate locally of their issues and establish large platforms and when recognized nationally, there is an aggressive takeover and the audacity to request the originator of the platform to now "pay" large membership dues and make other investments, is a detriment because the issues and opportunities become buried by those who do not understand the issue or desire to share the wealth.

Here are just a few of the "women" focused organization that I have encountered for "mentoring and coaching" that I have met with to mentor and coach, who would then ask for an investment into a membership or have some other large dollar amount for requesting sponsorship or involvement and assume some lead on the issues I have been working for 20 years;

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and resulting in missed opportunity and those in my network anticipated expectations are not realized – and I keep starting over. So many that are connected to the network who established the issue are lost and the issue fall behind.

Business Professional Women – mentoring and coaching by those who have no experience or understanding of the process but receive millions in contracts; Women in Public Policy; TargetGov; Women Veterans Entrepreneur Corp; Women Veterans Rock, VetsForce – Rick Weideman; VetsGroup-Joe Wynn; William Elmore

So, for the twenty years in my particular case I have invested and endured much retaliation and harassment on an unpopular platform of Military Sexual Assault with a documented history of the work being the first and only organization in the country; and Marsha Four, who for many years ignored the women veteran's of color and in her role did contribute to racially centered language documented her position on how "women veterans of color" should be treated when they are raped, which I challenged on a public radio program I co-hosted by 5 years. Marsha Four, who is now listed on the VVA website as a Vice Chair to the Board, who has been extremely aggressive in the Philadelphia area proclaiming some rights and entitlement has been directly involved in sabotage and manipulating opportunity and the quality of life for veteran's for years and used her political network and law enforcement network to illegally put activities in motion that hurt people.

I was out front in responding to legislation and policy at every level of government where retaliation and harassment was overwhelming to intimidate and created a "terror and torment" environment; and Marsha Four, one of the key movers and shakers would not address the in the many years I sought her help for myself and other, but when funding was made available she surreptitiously used her Philadelphia Veteran's Network within law enforcement and other influential roles to gain contact information from women veterans and block the effort for National Alliance of Women Veterans from getting a government funding opportunity which was a detriment to many women veterans in my network who desired my assistance over the VA or where Marsha Four was involved in shenanigans and meanderings. Marsha Four continues in her aggression by aligning with any forward moving "women veteran's" agenda and sabotaging any other organization from gaining an advantage or opportunity. These individuals provide pathways and pipelines to government contracts and funding opportunities and despite the fact veteran's suffer, these individuals have a half a century or more of aggression and dominance in receiving favor on contracting and grant opportunities.

So, again, I welcome the opportunity to provide any additional information. However, I believe that with a real assessment and evaluation of my statement with the understanding that we must continue to fund and support legislation and policy that provides increased opportunity; and in some cases life saving or life changing opportunity for our nation's best; and those who are unselfish and unwavering in their commitments to the nation's security and freedom.

I am a woman veteran, I served my country and I deserve an opportunity that after 20 years of preparation would demonstrate we are getting it right – to my network and to those who thumb their noses and aggressively, dominate these platforms. Please do know that we are moving forward and as a woman veteran believe that we are in the best position ever for creating opportunity through training and entrepreneurship; having written dozens of grants and proposals literally stolen by these individuals I have identified here – but we will get it right, if we try!

My thanks to Senator Cantwell and to the Small Business Committee who in 2014 is leading the charge on an important issue and it is clear from July 23<sup>rd</sup>, there will be no misunderstanding or misrepresenting of the serious nature it is being assumed.

Thank you and God bless you all.

Sincerely,

Cathy Bennett-Santos, MS (Master of Economic Development) DPC (Doctor of Pastoral Counseling)  
 Women Veteran's Business Solutions, LLC <http://womenveteransbusinessnetwork.webs.com/>  
 National Alliance of Women Veterans, Incorporated [www.nawvphilly.webs.com](http://www.nawvphilly.webs.com)



California Association for  
Micro Enterprise Opportunity

Testimony of

**CAMEO – California Association for Micro Enterprise Opportunity**

Before the

**Senate Small Business and Entrepreneurship Committee Hearing**

On 21st Century Barriers to Women's Entrepreneurship

July 23, 2014

Chairwoman Maria Cantwell and members of the Committee, thank you for the opportunity to submit testimony about an issue of crucial importance to the American business community and economy. We testify in support of overcoming barriers to women's entrepreneurship.

Please allow us to start with the story of Jessica McGuinty.

Until the time Jessica was 14, she had thick, straight hair. When puberty struck, her hair grew coarser and eventually started to curl. She was mortified and at a total loss for how to deal with it. As she grew up, her hatred of her hair remained.

As an adult, she googled "curly hair" and found an entire community of curly haired people who shared the same struggles, but still couldn't find a product that worked. One day she came across a very basic recipe for a hair gel made out of flax seeds. She remembers thinking, "Wow, how cool would it be if I could make my OWN hair gel?" *Rockin' Ringlets Styling Potion* was born.

Northcoast SBDC, who helped her write business plan so she could get a loan from Arcata Economic Development Corporation to buy equipment. Jessica says that the SBDC has been a big part of her success, advising her on marketing internationally, taking on a partner and expanding her business. During the first years in business, Jessicurl's sales increased by 450% and she employs six people full-time and two part-time. She grew a healthy 20% in 2010 and continues to grow. Her motto: *You have the right to remain curly.*

Jessicurl is one of the more than 8.3 million women-owned businesses in the United States. These businesses generate nearly \$1.3 trillion in revenue and employ nearly 7.7 million people, according to State of Women-Owned Businesses Report. Also, the growth of women-owned business over the past 15 years, trumps all but the largest, publicly-traded firms - whether you measure by the number of businesses (up 54 percent), employment (up

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California Association for  
Micro Enterprise Opportunity

9 percent), or revenues (up 58 percent). Woman-owned businesses are being approved for SBA loans in staggering numbers, showing a huge push towards encouraging women to invest and start business.

Today women's economic power means that they are taken seriously, but there are still many obstacles, including access to capital, government procurement and growth.

Women own 30 percent of the country's businesses; however, during their first year, women entrepreneurs receive approximately 80 percent less capital and receive only 5 percent of equity capital annually compared to male-owned businesses (Kauffman Foundation).

"In 2011, only 3.98% of all government contracts were awarded to women-owned businesses – a decrease from 2010, even though federal law mandates a 5% government-wide procurement goal for women-owned small businesses." (Women in Public Policy)

From 1997- 2007, women's market share of revenues declined 10% - from 4.4% to just 3.95% - while the total percentage of women-owned firms grew to 28.75%. Growing beyond the \$250,000 to \$499,999 revenue mark and at the 5 to 9 employee size class seems to be a particularly difficult hurdle for women-owned firms.

In order to close the gender gap for business success, we are supportive of the focus that the U.S. Senate Committee on Small Business and Entrepreneurship demonstrates with the release of the report "21st Century Barriers to Women's Entrepreneurship".

The report finds that women entrepreneurs still face challenges getting fair access to capital, getting equal access to federal contracts, and getting relevant business training and counseling. CAMEO strongly supports the next steps for Congress suggested in the report. Those steps include:

- Significantly increasing funding to the Women Business Center (WBC) program.
- Modernizing and improving the SBA Microloan Program and reauthorizing the Intermediary Lending Program to expand access to capital for women for up to \$200,000; and
- Enacting legislation to allow sole source contracts to be awarded to women-owned small businesses through the WOSB Procurement Program.

Jessicurl and other women-owned businesses owe part of their success to organizations like Women's Business Centers, Small Business Development Centers and non-profits that provide *small business loans* (under \$50,000) and business assistance support to entrepreneurs around the country. These kinds of organizations - community lenders, small community banks, and non-profit business counseling organizations - are known as Micro Business development organizations (MDO.)



CAMEO is the statewide network of more than 160 of such organizations. Our members work with every day entrepreneurs to harness their innovative ideas and creativity and empower them to become their own bosses. Our microentrepreneurs work hard to become self-sufficient. They hire locally, pay taxes and in other ways give back to their communities.

From a survey of our members, we know that **four out of five microentrepreneurs that receive training and business technical assistance from CAMEO members succeed** versus one out of five who succeed without training. Also these business owners **create two jobs in addition to their own on average**, over a three-five year period. Jessicuri has **created six jobs**. Business assistance is also the first step in the capital access process. In many cases, businesses need a couple of years to become loan ready.

CAMEO encourages that modernizing the SBA Microloan Program includes making business technical assistance grants more flexible by removing the limits allocated to use pre- and post-loan dollars and allowing microloan intermediaries to collaborate with third-party business assistance providers.

We support recommendations made by Association for Economic Opportunity regarding the SBA Microloan program that will boost lending and efficiency, streamline lender accounting requirements and promote data transparency; also we support recommendations by Women Impacting Public Policy regarding sole sourcing government contract for women owned-businesses.

CAMEO would like to thank the Committee for giving us the opportunity to share our views.



July 23, 2014

Honorable Maria Cantwell  
Chairwoman, Senate Committee on Small Business and Entrepreneurship  
311 Hart Senate Office Building  
Washington, D.C. 20510

Honorable Jim Risch  
Ranking Republican Member, Senate Committee on Small Business and Entrepreneurship  
483 Russell Senate Office Building  
Washington, D.C. 20510

Chairwoman Cantwell and Ranking Republican Member Risch:

Please accept this Letter for the Record for the hearing entitled, ***"Empowering Women Entrepreneurs: Understanding Successes, Addressing Persistent Challenges, and Identifying New Opportunities"***, to take place in the Senate Committee on Small Business and Entrepreneurship on July 23, 2014.

Small businesses make up 99 percent of U.S. employer firms and 64 percent of net new private-sector jobs in the U.S. economy, according to the U.S. Small Business Administration Office of Advocacy. Women represent the fastest growing segment of entrepreneurs in this country, and are clearly making valuable contributions to the American workforce and economy.

For 11 consecutive years, Wells Fargo has been the nation's leading small business lender, per Community Reinvestment Act (CRA) data, a position we take very seriously. At Wells Fargo, we are continually looking to provide capital to support the business needs of credit-worthy business owners, including women-owned small businesses. We know that a loan or a line of credit can allow a small business to expand, hire new employees, purchase needed equipment, and expand for the future.

Wells Fargo's commitment to small business runs deep, and dates back to our company's founding in 1852. During our history, Wells Fargo has been equally committed to women entrepreneurs, providing services for the earliest women entrepreneurs after the California Gold Rush. Last year, Wells Fargo announced a commitment to lend \$55 billion to women-owned businesses in the United States by the year 2020, building upon a previous commitment. Since 1995, Wells Fargo has loaned \$43 billion dollars to women-owned businesses across the country. In our research and experience with women entrepreneurs, we find that they largely mirror, and often outperform, the general population regarding credit worthiness and credit readiness (e.g. strong financial and credit metrics).

Wells Fargo has extensive experience researching the market for American small businesses. We conduct a quarterly survey with the Gallup organization (*Wells Fargo/Gallup Small Business Index survey*), to better understand small business owner perceptions of current conditions and how they feel about future expectations. Generally speaking, over the last year, the survey has revealed improving trends. In our second quarter survey conducted this spring, optimism among small business owners

registered its highest level in six years. These surveys do not break out results by race or gender, rather they cover all small business owners. The overall Index score in the second quarter moved to a positive 47 (+47), from a positive 45 (+45) in January, 2014. While the overall score is the highest it has been since the third quarter of 2008, it is still well below pre-recession levels.

In an encouraging sign, the latest survey also shows more small business owners today are seeing less difficulty obtaining credit than in earlier surveys. The same survey found that a strong entrepreneurial spirit is present in many small business owners, with most saying that when it comes to starting and running their own business they would do it all over again (84%).

While we are encouraged by the survey findings and improving optimism scores, we know that many small business owners, including women small business owners, still face challenges in obtaining credit.

In that spirit, on May 1, Wells Fargo launched a major, long-term initiative to support small business owners: *Wells Fargo Works for Small Business*<sup>SM</sup>. Through this new initiative, Wells Fargo is placing significant resources toward helping more small businesses achieve financial success and is seeking to re-focus the national conversation around small business, and the support needed for these businesses to fully recover. In conjunction with the launch of this new initiative, Wells Fargo announced a five-year lending goal of \$100 billion in new small business loans, a significant portion of which will go to women entrepreneurs.

Through *Wells Fargo Works for Small Business*, we want to help keep small business customers and prospects informed and engaged in every market we serve. This initiative is organized under four pillars representing the areas small business owners have told us are their top priorities:

- **Growth:** Supporting businesses in their efforts to grow customers and sales;
- **Knowledge:** Providing timely education, answers and service;
- **Capital:** Offering simplified access to various sources of funding; and
- **Community:** Connecting customers with a broader set of business and community peers.

In our research and experience, we have found that entrepreneurs, particularly women entrepreneurs, benefit from resources, advice and networking opportunities – not necessarily new government programs. We have found that the private sector, working with non-profit partners, often provide powerful solutions to women entrepreneurs, and indeed all entrepreneurs.

To that end, Wells Fargo is partnering with national business and community organizations, including the U.S. Hispanic Chamber of Commerce (USHCC), the National Association of Women Business Owners (NABWO), the National Urban League (NUL), U.S. Black Chambers, Inc., the U.S. Pan Asian American Chamber of Commerce, the National Gay and Lesbian Chamber of Commerce, and other trade associations to deliver financial education and resources focused on serving the needs of small businesses in diverse communities across America, including for women entrepreneurs.

Wells Fargo has longstanding partnerships with community and non-profit organizations to support women-owned small businesses across the country. For example, we have provided the Renaissance Entrepreneurship Center in San Francisco more than \$800,000 in funding over the last 15 years. Renaissance provides classes, trainings and workshops to budding entrepreneurs that has changed lives in the San Francisco Bay Area. One Renaissance success story is Paula Tejeda who opened Chile Lindo Empanadas, a restaurant in the Mission District of San Francisco, which serves up savory handmade

Chilean empanadas and desserts. With the help of Renaissance and Wells Fargo, Paula's business has expanded and she has hired new workers to keep up with demand. This is but one example of many around the country where Wells Fargo has partnered with non-profits to help small business owners realize their dreams.

We applaud Chairwoman Cantwell, Ranking Republican Member Risch, and the entire Committee for holding this important hearing on the future of women and entrepreneurship. Wells Fargo has significant experience as a leader in small business lending and will apply our expertise to meet the needs of women entrepreneurs, as well as the diverse needs of 28 million small businesses across the United States.

Sincerely,

/S/

Wells Fargo Bank, N.A.



## **21<sup>st</sup> Century Barriers to Women's Entrepreneurship**

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Maria Cantwell  
Chairwoman  
Majority Report of the  
U.S. Senate Committee  
on Small Business and  
Entrepreneurship

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July 23, 2014

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### **EXECUTIVE SUMMARY**

It has been twenty-six years since the enactment of the Women's Business Ownership Act of 1988 (P.L. 100-533). This landmark legislation helped women's business-ownership grow from 4.1 million small businesses in 1987<sup>1</sup> to 8.6 million in 2013.<sup>2</sup> In 2009, women-owned businesses had an economic impact of nearly \$3 trillion – translating into the creation/maintenance of 23 million jobs and 16 percent of all U.S. jobs.<sup>3</sup> These women-owned businesses now account for nearly 30 percent of all businesses in America.<sup>4</sup>

Nonetheless, women entrepreneurs have not achieved their full potential – largely due to issues they have faced for more than three decades. This report details those challenges in three specific areas: access to capital, access to federal contracting, and access to business counseling.

## Findings

In the 21<sup>st</sup> Century, women entrepreneurs still face a glass ceiling. While women-owned businesses are the fastest-growing segment of businesses, and many succeed, women must overcome barriers their male competitors do not face.

**In the area of capital, studies find that women do not get sufficient access to loans and venture capital.** Women account for only 16 percent of conventional small business loans<sup>5</sup> and 17 percent of SBA loans even though they represent 30 percent of all small companies.<sup>6</sup> Of conventional small business loans, women only account for 4.4 percent of total dollar value of loans from all sources.<sup>7</sup> In other words, just \$1 of every \$23 in conventional small business loans goes to a woman-owned business. The report proposes expanding microloans and making the SBA's Intermediary Loan Program permanent to provide more capital to women entrepreneurs.

The challenge is not limited to conventional loans: Women receive just 7 percent of venture funds – and the percent of female venture capitalists has actually declined from previous years.

The findings on the low percent of capital and credit that goes to women-owned firms paint a discouraging picture and underscore the need for updated data to better track where inequities lie and how to address them.

Accurate and current data is critical for documenting problems, targeting our resources, and validating trends. The most recent government data available is outdated and comes from the 2003 Survey of Small Business Finances and the 2007 U.S. Census Survey of Business Owners, before the financial crisis.

**Studies find that women entrepreneurs still do not have equal access to government contracts, holding back the potential of women-owned businesses.** 2014 marks the 20<sup>th</sup> anniversary of congressional passage of the federal contracting goal for women-

owned businesses – a goal that has never once been met. The Women-Owned Small Business (WOSB) Procurement Program was established by Congress in 2000 in an effort to increase federal opportunities for women at a time when the highest goal achievement to date was only 2.47 percent. This program remains the only major small business contracting initiative that lacks sole source authority – like that which is granted for other historically/traditionally disadvantaged groups.

The lack of sole source authority has contributed to the continued inability of the WOSB Procurement Program to meet the 1994 congressionally established government-wide goal of awarding 5 percent of federal contract dollars to women-owned small businesses. The inability to meet this goal means that women-business owners miss out on at least \$4 billion of dollars in government contracts annually.

**Studies find that women face challenges getting access to relevant and sufficient specialized business counseling and training, which is important for business growth.** According to the SBA, in fiscal year 2013, Women Business Centers (WBC) served 1,300 entrepreneurs each – with 80 percent of those who received training having found it “useful or very useful.” Yet Congress has not been able to reauthorize the WBC program since the Women Business Centers Sustainability Act of 1999 (P.L. 106-165).

Women Business Centers around the country have been hamstrung by funding uncertainty and a 1990s-era law in need of 21<sup>st</sup> Century modernization. Women entrepreneurs would benefit if the program were reauthorized by Congress. By helping women-owned businesses start and grow strong, we help the economy and create jobs.

### **Critical Next Steps**

These findings demonstrate the challenges that women-owned firms face, and policymakers must confront these challenges head-on. Critical next steps for Congress should include:

- Modernizing and improving the SBA Microloan Program to reach borrowers needing capital of up to \$50,000, and

reauthorizing the Intermediary Lending Program to allow more women to obtain capital between \$50,000 and \$200,000 that have outgrown the microloan program but are not yet ready for SBA's other loan programs or traditional credit.

- Enacting legislation to allow sole source contracts to be awarded to women-owned small businesses through the WOSB Procurement Program and accelerating the due date for SBA's disparity study to improve contracting opportunities for women owners.
- Modernizing the Women Business Center (WBC) program by increasing program funding and changing grant ceiling awards to help keep up with demand and the need for existing and potential women entrepreneurs, particularly in socially and economically disadvantaged areas.

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**21<sup>st</sup> Century Barriers to Women's Entrepreneurship**

Majority Report of the U.S. Senate Committee on Small Business and Entrepreneurship  
[www.sbc.senate.gov/public/?a=Files.Serve&File\\_id=c74638e1-6683-4408-9184-bee24c0c283c](http://www.sbc.senate.gov/public/?a=Files.Serve&File_id=c74638e1-6683-4408-9184-bee24c0c283c)  
Maria Cantwell, Chairwoman

## KEY FINDINGS AND NEXT STEPS

**Women entrepreneurs still face challenges getting fair access to capital.** Only 4 percent of the total dollar value of all small business loans goes to women entrepreneurs. The report proposes expanding microloans and makes SBA's Intermediary Loan Program permanent to provide more capital to women entrepreneurs.

**Women entrepreneurs still face challenges getting equal access to federal contracts.** The U.S. Government has never met its goal of awarding 5 percent of federal contracts to women-owned business. If they did, women-owned businesses would have access to marketplace opportunities worth at least \$4 billion each year. The report proposes changing federal law giving women-owned businesses the opportunity to win sole source federal contracts.

**Women entrepreneurs still face challenges getting relevant business training and counseling.** Although Women Business Centers are in nearly all 50 states and they successfully provide specialized counseling and training to women business owners, these centers have not been re-authorized since the 1990s and funding has remained flat for the same time period. The report proposes reauthorizing and funding the centers to provide adequate training and business counseling to women entrepreneurs, especially low income women.

<sup>1</sup> U.S. Census Bureau, "1987 Economic Censuses: Women-Owned Businesses," U.S. Department of Commerce, Issued August 1990  
<sup>2</sup> American Express OPEN, "The 2013 State of Women-Owned Business Report: A Summary of Important Trends, 1997-2013," Issued March 2013  
<sup>3</sup> Center for Women's Business Research (now known as The Global Initiative for Women's Entrepreneurial Research), "The Economic Impact of Women-Owned Businesses in the United States," Issued October 2009  
<sup>4</sup> National Women's Business Council, "Women-Owned Businesses." [http://www.nwbc.gov/sites/default/files/NWBC\\_percent20Women-Owned\\_percent20Businesses\\_FINAL.pdf](http://www.nwbc.gov/sites/default/files/NWBC_percent20Women-Owned_percent20Businesses_FINAL.pdf). Issued 2007  
<sup>5</sup> The Urban Institute, "Competitive Opportunity Gap Analysis." [http://www.urban.org/UploadedPDF/411596\\_504\\_gap\\_analysis.pdf](http://www.urban.org/UploadedPDF/411596_504_gap_analysis.pdf). Issued 2008  
<sup>6</sup> Email correspondence from the SBA's Office of Congressional and Legislative Affairs, July 2, 2014  
<sup>7</sup> The Urban Institute, "Competitive Opportunity Gap Analysis." [http://www.urban.org/UploadedPDF/411596\\_504\\_gap\\_analysis.pdf](http://www.urban.org/UploadedPDF/411596_504_gap_analysis.pdf). Issued 2008

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Chairwoman

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July 23, 2014



## KEY FINDINGS AND NEXT STEPS

**Women entrepreneurs still face challenges getting fair access to capital.** Only 4 percent of the total dollar value of all small business loans goes to women entrepreneurs. The report proposes expanding microloans and makes SBA's Intermediary Loan Program permanent to provide more capital to women entrepreneurs.

**Women entrepreneurs still face challenges getting equal access to federal contracts.** The U.S. Government has never met its goal of awarding 5 percent of federal contracts to women-owned business. If they did, women-owned businesses would have access to marketplace opportunities worth at least \$4 billion each year. The report proposes changing federal law giving women-owned businesses the opportunity to win sole source federal contracts.

**Women entrepreneurs still face challenges getting relevant business training and counseling.** Although Women Business Centers are in nearly all 50 states and they successfully provide specialized counseling and training to women business owners, these centers have not been re-authorized since the 1990s and funding has remained flat for the same time period. The report proposes reauthorizing and funding the centers to provide adequate training and business counseling to women entrepreneurs, especially low income women.

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## EXECUTIVE SUMMARY

It has been twenty-six years since the enactment of the Women's Business Ownership Act of 1988 (P.L. 100-533). This landmark legislation helped women's business-ownership grow from 4.1 million small businesses in 1987<sup>1</sup> to 8.6 million in 2013.<sup>2</sup> In 2009, women-owned businesses had an economic impact of nearly \$3 trillion – translating into the creation/maintenance of 23 million jobs and 16 percent of all U.S. jobs.<sup>3</sup> These women-owned businesses now account for nearly 30 percent of all businesses in America.<sup>4</sup>

Nonetheless, women entrepreneurs have not achieved their full potential – largely due to issues they have faced for more than three decades. This report details those challenges in three specific areas: access to capital, access to federal contracting, and access to business counseling.

### Findings

In the 21<sup>st</sup> Century, women entrepreneurs still face a glass ceiling. While women-owned businesses are the fastest-growing segment of businesses, and many succeed, women must overcome barriers their male competitors do not face.

**In the area of capital, studies find that women do not get sufficient access to loans and venture capital.** Women account for only 16 percent of conventional small business loans<sup>5</sup> and 17 percent of SBA loans even though they represent 30 percent of all small companies.<sup>6</sup> Of conventional small business loans, women only account for 4.4 percent of total dollar value of loans from all sources.<sup>7</sup> In other words, just \$1 of every \$23 in conventional small business loans goes to a woman-owned business. The report proposes expanding microloans and making the SBA's Intermediary Loan Program permanent to provide more capital to women entrepreneurs.

The challenge is not limited to conventional loans: Women receive just 7 percent of venture funds – and the percent of female venture capitalists has actually declined from previous years.

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The findings on the low percent of capital and credit that goes to women-owned firms paint a discouraging picture and underscore the need for updated data to better track where inequities lie and how to address them.

Accurate and current data is critical for documenting problems, targeting our resources, and validating trends. The most recent government data available is outdated and comes from the 2003 Survey of Small Business Finances and the 2007 U.S. Census Survey of Business Owners, before the financial crisis.

**Studies find that women entrepreneurs still do not have equal access to government contracts, holding back the potential of women-owned businesses.** 2014 marks the 20<sup>th</sup> anniversary of congressional passage of the federal contracting goal for women-owned businesses – a goal that has never once been met. The Women-Owned Small Business (WOSB) Procurement Program was established by Congress in 2000 in an effort to increase federal opportunities for women at a time when the highest goal achievement to date was only 2.47 percent. This program remains the only major small business contracting initiative that lacks sole source authority – like that which is granted for other historically/traditionally disadvantaged groups.

The lack of sole source authority has contributed to the continued inability of the WOSB Procurement Program to meet the 1994 congressionally established government-wide goal of awarding 5 percent of federal contract dollars to women-owned small businesses. The inability to meet this goal means that women-business owners miss out on at least \$4 billion of dollars in government contracts annually.

**Studies find that women face challenges getting access to relevant and sufficient specialized business counseling and training, which is important for business growth.** According to the SBA, in fiscal year 2013, Women Business Centers (WBC) served 1,300

entrepreneurs each – with 80 percent of those who received training having found it “useful or very useful.” Yet Congress has not been able to reauthorize the WBC program since the Women Business Centers Sustainability Act of 1999 (P.L. 106-165).

Women Business Centers around the country have been hamstrung by funding uncertainty and a 1990s-era law in need of 21<sup>st</sup> Century modernization. Women entrepreneurs would benefit if the program were reauthorized by Congress. By helping women-owned businesses start and grow strong, we help the economy and create jobs.

### **Critical Next Steps**

These findings demonstrate the challenges that women-owned firms face, and policymakers must confront these challenges head-on. Critical next steps for Congress should include:

- Modernizing and improving the SBA Microloan Program to reach borrowers needing capital of up to \$50,000, and reauthorizing the Intermediary Lending Program to allow more women to obtain capital between \$50,000 and \$200,000 that have outgrown the microloan program but are not yet ready for SBA’s other loan programs or traditional credit.
- Enacting legislation to allow sole source contracts to be awarded to women-owned small businesses through the WOSB Procurement Program and accelerating the due date for SBA’s disparity study to improve contracting opportunities for women owners.
- Modernizing the Women Business Center (WBC) program by increasing program funding and changing grant ceiling awards to help keep up with demand and the need for existing and potential women entrepreneurs, particularly in socially and economically disadvantaged areas.

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## THE STATE OF WOMENS BUSINESS OWNERSHIP TODAY

The state of women's business ownership today may be best characterized as "everywhere and nowhere." In other words, while women entrepreneurs have achieved modest gains in our economy, major gaps and inequalities persist that threaten those gains.

To be clear – it is not all bad news. The Committee finds that:

- Women-owned businesses increased from 4.6 percent of all firms in 1972<sup>8</sup> to 28.7 percent of all firms in 2007.<sup>9</sup>
- The growth rate of women-owned firms rose by 20 percent from 2002 to 2007.<sup>10</sup>
- The share of revenue generated by women-owned firms rose from just 0.3 percent of all receipts in 1972 to 3.9 percent in 2007.<sup>11</sup>
- The growth of women-owned firms outpaces that all other firm types; women-owned businesses added roughly 500,000 jobs between 1997 and 2007, while the rest of privately held firms lost jobs.<sup>12</sup>

This last statistic, in particular, shows that women-owned businesses are critical to the United States economy. This is especially notable when one considers how women-owned businesses have recovered economically after the collapse of our financial markets in 2008. Women-owned businesses in the United States have emerged from the recent recession as second only to publicly traded companies in job growth, with 274,000 net new jobs since 2007.<sup>13</sup>

A study in 2009 noted that women-owned companies had an economic impact of nearly \$3 trillion, which translates into creating/maintaining 23 million jobs – or 16 percent of all jobs in America.<sup>14</sup> In fact, according to a 2013 report, the number of women-owned firms in the United States now stands at 8.6 million.<sup>15</sup>

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Not only are women-owned businesses critical to our job creation, but they also are an effective source of wealth creation for women, especially microenterprises, which are usually defined as having fewer than five employees. The Association for Enterprise Opportunity (AEO), which represents the microbusiness and the microfinance industry in the United States, found in its 2013 *Bigger Than You Think* report that microbusiness entrepreneurship is a game changer for women. The report states:

*In the U.S., women own nearly one-third of all microbusinesses and in 2010, the median income for households headed by women with a microbusiness owner or employee was significantly more than similar households without microbusiness involvement.<sup>16</sup> The National Women's Law Center found that the median hourly income of women microbusiness owners and employees was higher than those who were employed elsewhere.*

But despite this good news, troubling data exists that shows women-owned businesses still face significant hardships in our current economy. Further, we are missing the full picture of the challenges facing women entrepreneurs, hamstrung by incomplete data that clouds efforts to improve the situation.

U.S. Census data from the 2007 Survey of Business Owners remains the last substantial government-sponsored research and widespread data collection on women's business. An updated survey, covering 2012, is tentatively slated to be released in June 2015. The long-lead time of the update cycle – especially in light of the 2008 financial collapse – makes it difficult to fully evaluate the state of women's business ownership today.

For this reason, non-government organizations have made collecting data on women's entrepreneurship a priority. The data covers a variety of issues facing women entrepreneurs today, including special challenges of young women with a desire for entrepreneurship, information on microbusinesses, special challenges facing women entrepreneurs of color, and the economic impact of women, including employment. But without an official, regularly updated source of data

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from the federal government, policy is unable to be well informed on the shifting priorities that best serve women entrepreneurs.

But despite the deficiencies in data, it is clear there are great challenges confronting women entrepreneurs. And those challenges, sadly, are very similar to the challenges they have faced for years. This report examines three of the largest challenges facing women entrepreneurs – access to capital, access to federal contracting, and access to business counseling – and provides recommendations for policy to address them.

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## ACCESS TO CAPITAL: SIMPLY NOT ENOUGH TO GO AROUND

### Findings

As the saying goes, you can't measure what you don't count. Much of our understanding of women's business ownership before the early 1970s remains unclear due to poor historical records. But in 1972, the U.S. Census Bureau collected the first nationally representative data on women's business ownership. According to that survey, the 1972 Survey of Business Owners, there were only 402,025 women-owned firms operating in the United States.<sup>17</sup>

In the early 1970s, lenders would categorize and assign numerical scores to factors including income, gender, age, and personal history. Conventional "credit scoring" practices, meant to simplify credit analysis for loan officers, inherently incorporated predetermined bias, making it difficult for women to obtain conventional loans.<sup>18</sup> In fact, some lenders would even discount the wages of working women applying for mortgages, even when the woman was the primary breadwinner.<sup>19</sup>

Further constraining, SBA-backed loans in the 1960s and 1970s were larger in size, often more than what most women needed to start a business. In many ways, this made SBA loans an unrealistic option. Without access to smaller loans, women often relied on personal savings, loans from friends, or credit cards to finance their businesses.

#### **Millenny Walters, Millenny's Handbags** Monroe, Louisiana

Millenny Walters owns and operates a small business in Monroe, Louisiana called Millenny's. Ms. Walters is not only a woman, but a minority woman, and Millenny's has been in operation since 2012. Millenny's is a purse boutique, and Ms. Walters prides herself on providing high quality handbags and accessories at reasonable prices. Millenny, on the difficulties women entrepreneurs face accessing capital:

*"I would like there to be more resources. I've spoken with women and they sometimes think it isn't possible to open a business because they don't know where to go for resources and finances. I have a master's degree in business, but for those who do not, it's hard to get a small business loan."*

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These challenges of discriminatory credit scoring and wrong-sized loans helped build a strong case to Congress about the need to improve access to capital. Women's groups, including the National Organization for Women, the Women's Equity Action League, and the National Women's Political Caucus, publicized the issue and brought in women to testify before Congress on discriminatory lending practices.<sup>20</sup>

In response, Congress passed the Equal Credit Opportunity Act (ECOA) of 1974 (P.L. 93-495), which prohibited discrimination based on gender and marital status.<sup>21</sup> The ECOA was later amended in 1976 to include race, religion, ethnicity, and other factors.<sup>22</sup> Although concrete data is sparse, some studies have found that the ECOA had a positive impact on women's ability to obtain loans.<sup>23</sup>

With momentum growing for further parity for women over the following decade, Congress passed the Women's Business Ownership Act of 1988 (P.L. 100-533), which eliminated state laws requiring women to obtain the signature of a husband or other man as a prerequisite for a loan,<sup>24</sup> and required the first federal government reporting on contracting with women-owned companies.<sup>25</sup> By 1992, the number of women-owned businesses had already increased to 6.4 million, fueled in part by the 1988 law.<sup>26</sup>

The Women's Business Ownership Act of 1988 also authorized the SBA to establish a certified loan program for lenders for small business loans of \$50,000 or less – an amount frequently sought by women entrepreneurs – by permitting lenders to use their own forms without regard to SBA paperwork, incentivized by the retention of one-half of the loan guarantee fee.

More recently, Congress has focused on improving and expanding SBA-backed small business lending programs. Women are three to five times more likely to be approved for an SBA-backed loan than a traditional loan.<sup>27</sup> Of all SBA programs, women-owned firms do extremely well proportionally in its microloan program. According to an estimate by the Urban Institute, women receive only 16 percent of

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conventional loans, whereas 57.4 percent of the SBA Microloan program's loans went to women-owned or women-led businesses.<sup>28</sup>

Through the Small Business Jobs Act (P.L. 111-240), Congress increased the maximum SBA Microloan amount from \$35,000 to \$50,000, which has given women-owned businesses access to more credit to start and grow their businesses.

For women-owned businesses that are ready for a larger amount of credit beyond the SBA's Microloan Program, the Small Business Jobs Act also created the Intermediary Lending Pilot Program. The Intermediary Lending Pilot Program was designed to close the gap between the SBA's Microloan Program and the 7(a) loan program by providing loans between \$50,000 and \$200,000. This program offers another product to make credit more affordable for women-owned businesses who might not qualify for conventional small business loans.

**Carrie Ferrence, Stockbox Grocers**  
Seattle, Washington

Stockbox is a neighborhood grocery founded in July 2011 with the goal of improving access to quality food in communities across the Seattle region. With the help of SBA-backed financing, the company has been able to open its first two stores. CEO and Co-Founder Carrie Ferrence on the difficulties of securing capital and how SBA financing has helped Stockbox expand:



*"We received \$250,000 in SBA backed loans, which has helped us to open two community grocery stores that reach underserved communities in Seattle; hire 13 people; and support 27 local suppliers. This funding was absolutely crucial in enabling us to launch our business and open two new stores. As a start-up with little runway, other banks would not consider us for a loan because we couldn't offer multiple years of financials. We were able to secure these loans easily, quickly, and in a flexible way that reflected the challenges of starting a new business. It was also crucial in enabling us to leverage additional investment from private funders."*

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Specifically, through that law, the SBA also gained authority to waive all borrower fees on 7(a) loans of less than \$150,000, and created the Community Advantage Pilot Program, which provides entrepreneurs in underserved communities with loans of up to \$250,000 via “mission-focused” lenders.<sup>29</sup>

At the same time as the SBA and its lending partners are working to broaden access to capital, the Consumer Financial Protection Bureau (CFPB) should be working to remedy the data shortfall by collecting new and improved small business lending data. Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) amended the Equal Credit Opportunity Act to require lending institutions to collect and report data on loans to small, minority-owned, and women-owned businesses.

The law specifically stated that this data was necessary to allow government entities and other stakeholders to identify the business and community development needs of these firms. Unfortunately, the CFPB has not yet promulgated the rules and guidance necessary to implement Section 1071 and so the data is not yet being collected. According to an April 2014 *Fair Lending Report* by the CFPB, the “CFPB has begun to explore the issues our rulemaking will need to address.”<sup>30</sup> The CFPB needs to issue implementing regulations and undertake this data collection process.

### **Venture Capital: One Option for Growing Businesses**

In addition to traditional bank financing, like male-owned firms, women-owned firms need access to venture and angel capital to grow their businesses.

Traditionally, very little venture capital has been invested in women entrepreneurs. Out of the universe of women-owned and women-led firms, only 2 percent of women begin their business ventures with equity financing, and only 11 percent, whether start-up or established, have received venture capital backing.<sup>31</sup> The total amount of venture funds that go to women-led companies is only 7 percent.<sup>32</sup> This data

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paints a picture of women-owned firms not receiving their fair share of venture funding opportunities.

Part of this could be because there is a shortage of women in senior positions at venture firms, and the situation is getting worse: the number of female venture capitalists declined – from 14 percent in 2008 to 11 percent in 2011.<sup>33</sup> To that point, one woman investor recently said,

*We not only need more female VC's but we need more female entrepreneurs; they go hand in hand.*<sup>34</sup>

### **Crowdfunding: Broadening the Investor Base**

While women have historically had substantial challenges in accessing equity investment, crowdfunding can provide some opportunity for success. Through crowdfunding, an undefined large number of individuals invest a relatively small amount through the Internet and social networks. According to a report by TD Economics, the global crowdfunding market is estimated at between \$3 and \$5 billion, with North American and Europe accounting for 95 percent of the market.<sup>35</sup> Massolution, a research firm specializing in crowdsourcing, found that crowdfunding platforms raised \$2.7 billion and successfully funded more than 1 million campaigns in 2012 alone.<sup>36</sup>

The Jumpstart Our Business Startups (JOBS) Act of 2012 (P.L. 112-106) authorized financing for entrepreneurs through crowdfunding by non-accredited investors and relaxed various securities registration requirements. While some of the implementing regulations have been issued by the Securities Exchange Commission, not all of the regulations are complete and further action is necessary to see the full effects of this law.

When fully implemented, the JOBS Act through crowdfunding has the potential to greatly expand the investor base and allow women-owned companies to appeal to a wider investor audience, such as other women investors. For example, analysis from one crowdfunding source from 2009 to 2012 showed that women had a 69.5 percent

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success rate in crowdfunding versus a 61.4 percent success rate for men.<sup>37</sup>

Also notable, 40 percent of the funds from female investors were invested in projects by female entrepreneurs, while only 22.5 percent of the male investor funds went to female-led projects – leading to the conclusion that female entrepreneurs are more likely to attract female investors.<sup>38</sup>

Expanding the investor base will provide greater options for women entrepreneurs. This fact is highlighted by Diane Ringellman, founder of Indiegogo, an online crowdfunding website, who has said that woman-owned firms reached their crowdfunding capital goal 47 percent of the time – much greater than traditional equity financing attainment by women-owned firms.<sup>39</sup>

Consider this story from a partner at an angel fund in the clean energy financing arena:

*Women receive greater shares of crowdfunding as opposed to other venture investment options because of the types of industries that appeal to both women entrepreneurs and women investors, such as retail; the amount of investment sought through crowdfunding is often much lower than for other types of venture investment, giving women an opportunity to begin the investment process with less risk; and that many women are intimidated by the “men’s club atmosphere” of angel networks and do not participate as a result.*

### **Minority Women: Helping Drive Small Business Growth**

Women of color are one of the fastest growing segments of the women-owned small business community.<sup>40</sup> African American women are starting businesses at a rate six times the national average, and their 2.7 million firms are currently generating \$226.8 billion in annual revenue and employing almost 1.4 million people.<sup>41</sup> African American women are both the fastest-growing segment of the women-owned

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business population, and the largest share of female business owners among women of color, at 13 percent.<sup>42</sup>

From 1997 to 2013, while the total number of female-owned firms in the United States grew by only 59 percent – one and a half times the national average<sup>43</sup> – a closer look at the statistics shows that women of color are the catalyst behind much of this growth:

- African American women-owned businesses grew by 258 percent;
- Latina women-owned businesses grew by 180 percent;
- Asian American women-owned businesses grew by 156 percent;
- Native American and Alaska Native women-owned businesses grew by 108 percent; and
- Native Hawaiian and Pacific Islander women-owned businesses grew by 216 percent.<sup>44</sup>

In fact, projections by the U.S. Census show that women of color will make up the majority of women by 2045, with Hispanic women leading this population growth.<sup>45</sup> While non-minority women will make up 62 percent of the female population in 2015, their numbers are projected to fall to 47 percent of the female population in 2050, when 53 percent of all women will be women of color.<sup>46</sup>

As our nation grows increasingly diverse, the contributions of women of color in the economy stand to grow further. As of 2013, more than 1 in 10 women-owned businesses were owned by Latinas across the country, and these 944,000 firms totaled \$65.5 billion in receipts.<sup>47</sup> While Latina women will make up an estimated 16.7 percent of the female population in 2015, this share will increase to 25.7 percent by 2050.<sup>48</sup>

And despite representing some of the fastest growing segments of the small business population, capital challenges exist for companies owned by women of color too. Almost half of all African American women business owners say that they have faced challenges when trying to obtain business financing.<sup>49</sup>

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Additionally, a review of studies on small business revealed that minority-owned businesses, when compared with similar non-minority-owned businesses, face greater difficulties in accessing loans from financial institutions, including having their loan applications rejected more often, receiving smaller loans, and experiencing higher borrowing costs.<sup>50</sup>

Despite some segments of growth though, challenges exist. A 2010 survey of members of the National Association of Women Business Owners showed that 63 percent of female respondents were significantly less likely to use certain types of credit products, specifically lines of credit, financial leases, and equipment loans. However, they were significantly more likely to use business credit cards to finance their businesses: Altogether:

- 44 percent used private sources, such as personal savings, family, and friends;
- 37 percent used a business line of credit;
- 13 percent used a commercial or bank loan;
- 11 percent used a personal bank loan;
- 4 percent used a loan guaranteed by the Small Business Administration; and
- 2 percent used equity capital.<sup>51</sup>

However, when it comes to assessing the capital needs of women-owned businesses, limited government data on small business credit – and virtually none that is gender-based – has hindered the development of effective public policy to support and provide adequate access to capital. The lack of data is as astounding as it is concerning. Most of the government data that is available comes from the 2003 Survey of Small Business Finances and the 2007 U.S. Census Survey of Business Owners. In both cases, data is woefully outdated – eleven and seven years old, respectively – and collected before the 2008 financial crisis and the ensuing changes in our credit markets.

Nonetheless, a limited sampling paints a stark reality for women-owned businesses:

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- Women account for just 16 percent of the total number of conventional small business loans – totaling just 4.4 percent of the total dollar value of all conventional small business loans, according to an estimate by the Urban Institute published in 2008.<sup>52</sup>
- Women-owned businesses accounted for only 17 percent of the total number of SBA 7(a) loans approved in fiscal year 2013 – which in turn was just 13 percent of the total dollar value of those loans, according to SBA.<sup>53</sup>
- Women-owned businesses accounted for only 17 percent of the total number of SBA 504/CDC loans approved in fiscal year 2013 – which in turn was just 14 percent of the total dollar value of those loans, according to the SBA.<sup>54</sup>
- The denial rate for white women-owned firms is twice the rate for white male-owned firms, according to the 2003 Survey of Small Business Finances.<sup>55</sup>
- Women seeking first-year financing to get their companies off the ground receive about 80 percent less capital than their male counterparts, according to the Ewing Marion Kauffman Foundation.<sup>56</sup>
- Even for established firms looking to expand, women are at a disadvantage: only 39 percent of women-owned firms had a bank loan compared to 52 percent of male-owned firms that did.<sup>57</sup>
- Women are more likely to be turned down for loans or receive loans with less favorable terms than their male counterparts.<sup>58</sup>

Additionally, in 2011, only 11 percent of capital-investment funds went to women entrepreneurs – 89 percent of capital investment went to male entrepreneurs – despite the fact that 20 percent of top entrepreneurs were women.<sup>59</sup>

An important study issued in early 2014 raised even more concerns about the ability of women-owned firms to access important venture investment.<sup>60</sup> Controlling for business type, and using several different formats, the study used the industry standard for venture competitions – a 5 minute verbal pitch in which the entrepreneur narrates a series of

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slides providing an overview of the business plan to potential investors – and concluded that attractive men were “significantly more likely” to receive venture investment as opposed to females.

Finally, the millennial generation – representing an estimated 80 million people – has expressed a high degree of interest in entrepreneurship, with 54 percent either wanting or who have already started a business. This interest is notably higher – 10 to 11 percent – among young people of color.<sup>61</sup> Younger people with dreams of being their own boss – many of whom are women – have particular challenges with respect to high debt compared to income, primarily due to student loan obligations, which have reached record levels.<sup>62</sup> This has forced many younger people to delay their plans of business ownership due in large part to the higher levels of capital required to accommodate student loan debt that often results in loan application denials.

### **Critical Next Steps**

The SBA Microloan Program and Intermediary Lending Program are well-suited to target women-owned borrowers who might not qualify for lending from a traditional financial institution.

As mentioned earlier in the report, the SBA Microloan Program has been a successful tool for women and women-owned businesses receive 57.4 percent of microloans, a higher rate than many other types of loans.<sup>63</sup> Many lenders in the program also require borrowers to participate in specific training programs before receiving their loan. Combining loan and intensive training assistance is one of the SBA Microloan Program's distinguishing features.

Similar to the SBA Microloan Program, the Intermediary Lending Program (ILP) allowed SBA to make loans of up to \$1 million to participating intermediary lenders, which then used the funds to make smaller loans of between \$50,000 and \$200,000 to startup, newly established, and growing small businesses.

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The SBA microloans and ILP loans are direct loans to intermediaries who then lend directly to the borrowers— and therefore differ from other SBA-backed lending guarantee programs such as the popular 7(a) working capital loan program in which private sector banks loan out their own deposits or funds and SBA pays the bank if the loan goes bad.

Modernizing and improving the SBA Microloan Program and reauthorizing the Intermediary Lending Program will help more women obtain the financing needed to start and grow a small business at the low end of the loan scale since women disproportionately receive loans through these programs. To do so, Congress should:

- Increase the maximum loan the SBA can make to a qualified micro-lending intermediary to allow high-performing lenders make more loans;
- Eliminate restrictions and red-tape, which have been in place since the SBA Microloan Program was authorized in 1991, by modernizing technical assistance and formula funding requirements;
- Develop a credit-building initiative to help microloan borrowers develop a stronger credit history and open the door for more affordable financing in the future.
- Allow lenders to develop and offer more flexible lending terms to better suit the needs of borrowers;
- Reauthorize the Intermediary Lending Program, which serves a critical lending gap between \$50,000 and \$200,000, as a permanent program; and,
- Require the SBA Office of Capital Access to issue an annual report for all SBA lending programs broken down in detail with demographic data.

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## FEDERAL CONTRACTING FALLS SHORT

### Findings

The federal procurement market is an area where annual contracting opportunities now total more than \$500 billion. Historically, women business owners have had only peripheral access to these opportunities – often only through subcontracting.

In an attempt to change this, in 1994 Congress established a government-wide goal of awarding 5 percent of federal contract dollars to women-owned small businesses (WOSBs).<sup>64</sup> The intent of this goal was to encourage federal agencies to work with non-traditional contractors which were women-owned.

But that effort stumbled. From 1997 to 1999 – a period that saw a marked increase in the success of women-owned companies nationwide – contracts awarded to women decreased by a staggering 38 percent.<sup>65</sup> In 1999, the government achieved a paltry 2.47 percent – not even half the statutory goal.<sup>66</sup>

In response to this shortcoming, in 2000, Congress established the Women-Owned Small Business Federal Contract Program (“WOSB Procurement Program”) to facilitate increased contracting with women-owned small businesses in under-represented industries. Despite the efforts of women nationwide and their supporters in Congress, the implementation of this program was delayed for more than ten years.

During this time, WOSBs received on average only 3.14 percent of federal contracting dollars - only slightly more than the low 2.47 percent that had given rise to the creation of the WOSB Procurement Program and well short of the 5 percent goal.<sup>67</sup> Had the 5 percent contracting goal been achieved over the course of the eleven years since enactment, it would have represented an additional \$63 billion in contract opportunities for WOSBs.<sup>68</sup>

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In 2011, eleven years after the enactment of its authorizing legislation, the WOSB Procurement Program was finally implemented. As enacted, awards to women-owned small businesses under the program were capped at \$4 million (and at \$6.5 million for manufacturing contracts). These caps meant that contracting officers were unable to award the largest and most lucrative of government contracts to women entrepreneurs, and imposed a barrier that was not included in other small business procurement initiatives.

Due to advocacy of women business owners and Small Business Committee leadership in Congress, the barriers to federal contracting for women-owned businesses caused by the award caps were finally eliminated in 2013 when the National Defense Authorization Act of 2013 was enacted. The change became effective with the publication of the SBA's implementing regulation.

The highest achievement to date towards the 5 percent women-owned small business goal is 4 percent, in fiscal year 2012. According to data on contracting goals released by the SBA for fiscal year 2012, the highest performing agency in women-owned small business utilization was the Department of Housing and Urban Development, with an achievement of 14.65 percent. The lowest achieving agency was the Department of Energy, with an achievement of 1.24 percent.

And four of the top five agencies in terms of procurement dollars did not achieve the goal: Department of Defense, Department of Energy, Department of Veterans Affairs, and the National Aeronautics and Space Administration. The only top 5 agency in terms of procurement dollars that accomplished the goal was the Department of Health and Human Services, with an achievement of 6.6 percent.<sup>69</sup>

Failure to meet the congressionally set goal translates to an average annual loss of \$5.7 billion in awards to women-owned small businesses - a gap the WOSB Procurement Program was intended to fill. Part of the problem is that the program is complicated and not well understood by the federal agencies charged with implementing it.

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Despite SBA efforts to educate women business owners and federal acquisition officers in federal agencies on the WOSB program, well below 1 percent of total federal award dollars have passed through the program.<sup>70</sup>

Another part of the problem is that the WOSB Procurement Program is not open to all industries represented by women, and that limitation has proven very controversial. Only 83 industries<sup>71</sup> and 330 North American Industry Classification System (NAICS) codes are included in the program,<sup>72</sup> out of more than 19,000.<sup>73</sup>

The decade-long delay to implement the program centered on a disparity study, which SBA was required to conduct to determine those industries in which contracts could be set-aside for women-owned small businesses under the WOSB Procurement Program. The study, which was prepared by the RAND Corporation in 2007, identified industries in which women were deemed either “under-represented” or “substantially under-represented.”<sup>74</sup> Under direction of the SBA, the study used a narrow standard for what could be deemed as an underrepresented industry. In the fiscal year National Defense Authorization Act of 2013 (P.L. 112-239), Congress required the SBA to complete a new, broader study by 2018.<sup>75</sup>

The unique limitations imposed by the disparity study on contracting with women-owned small businesses have only furthered the inequity in federal contracting, not remedied it. A new disparity study would help identify industries in which the program can be used or expanded. The following represent two poignant examples:

- NAICS industry code 336413 for aircraft parts is currently not eligible for the WOSB Procurement Program. Contracts awarded in this industry accounted for more than \$10 billion annually in spending from fiscal year 2010 through fiscal year 2013. A new study, using newer and more complete data, might allow for women-owned small businesses to compete for these services through the WOSB Procurement Program; and
- NAICS industry code 541519 for computer programming services is currently only eligible to economically

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disadvantaged WOSBs. A new study might open this industry to all WOSBs.

One reason the agencies contracting with women-owned businesses have not hit their goals is that the WOSB Procurement Program remains the only major small business contracting program that does not have sole source authority. Sole source authority is an

**Alta Baker, Safe Haven Enterprises, LLC**  
Jennings, LA

Founded in 1998, Safe Haven Enterprises, LLC provides protection to personnel and property. President and CEO Alta Baker on how sole source award contracts would help grow her business:

*"The WOSB Procurement Program would greatly benefit from sole source authority. At my company, Safe Haven, we fabricate security products. With sole source, I would be able to sale my superior products such as doors that will stop RPG rounds or modular buildings and compete more effectively in the areas I target."*

important tool used by agencies, which allows them to award sole source contracts up to a certain value (generally \$6.5 million for manufacturing contracts or \$4 million for all other contracts). The authority to award sole source contracts allows agencies to negotiate with a single contractor without being bound by traditional competition requirements.

This benefits agencies by allowing them to award small contracts more efficiently, and it benefits small contractors by removing certain administrative burdens that can be costly and can result in early elimination from consideration for award. Due to these advantages, 15 percent of small business awards are awarded through sole source contracts to other traditionally disadvantaged groups. Agencies' inability to utilize this tool to award small contracts to women-owned small businesses puts the WOSB Procurement Program and the women it seeks to assist at a disadvantage.

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The WOSB Procurement Program is implemented poorly, with statutory and regulatory burdens that prevent its efficient use by agencies charged with meeting women-owned small business contracting goals. That poor implementation is exacerbated by outdated industry classifications, created by the narrowly-focused disparity study, and a lack of sole source authority that makes using the program harder for federal contracting officers. These challenges for the program combine to place an undue burden on women attempting to contract with the federal government.

### **Critical Next Steps**

Despite continued efforts to improve federal contracting opportunities for women-owned small businesses, the federal government has yet – since the goal was created – to reach its 5 percent contracting goal. To improve contracting procedures and finally achieve that goal – allowing access to more than \$500 billion in annual federal procurement opportunities – Congress should:

- Enact legislation to allow sole source contracts to be awarded to women-owned small businesses and economically disadvantaged women-owned small businesses through the WOSB Procurement Program. This will give contracting officers an additional tool by which to increase the participation of women-owned small business in the federal market, and it puts the WOSB Procurement Program on a more even footing with the other federal contracting programs designed to benefit certain historically disadvantaged socioeconomic classes of small businesses.
- Accelerate the due date for the updated disparity study, which SBA must conduct to determine those industries in which women-owned small businesses are underrepresented, from 2018 to 2015. This could potentially open hundreds of new contract opportunities within new industry NAICS codes to women-owned small businesses.

At the end of the day, women business owners should have the same tools that other small businesses have available to them. Providing women-owned firms with a sole source mechanism would ensure that

contracting programs for all small businesses are treated the same. This would also improve the likelihood that women will receive at least \$4 billion additionally each year that they should receive in government contracts.

Further, an outdated study of under-represented industries is the underpinning of the Women-Owned Small Business Federal Contract program and works against congressional efforts to diversify the government's supply base, and possibly strengthen our national security, because women are only allowed contracting benefits in industries that have historically been closed to them. Rather than waiting until 2018 for the results of the new study of under-represented industries, women should have access to this information much more expeditiously, which will likely result in increased opportunities in many industries. By the time the new study is available in 2018, the data for the first study – still in effect until the new study results are released – will be nearly 15 years old.

**Karen Say-Valadez, Sabyr Contractors, Inc.**

Tacoma, WA

Sabyr Contractors, Inc. was created in 1997 as a full service general contractor specializing in commercial and industrial applications. CEO and President Karen Say-Valadez on the importance of sole-source contracting through the Women-Owned Small Business Program:

*"Sole-source awards are significantly faster than standard contracting methods, which saves the agency labor costs. At the same time, it allows contractors to build capacity in negotiating contracts effectively and providing competitive pricing. By allowing much more open and frank discussions regarding project scope, pricing and "opening the books", it ensures that the contractor is being cost competitive for the agency, while also allowing a reasonable profit for [the] contractor. It is a true win-win!"*



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## BUSINESS COUNSELING: HANDCUFFED BY STATUTE

### Findings

Created in 1988, the Women's Business Center (WBC) Program was originally a demonstration pilot program, enacted as a part of the broader Women's Business Ownership Act of 1988 (P.L. 100-533) to provide "financial, management, and marketing assistance" to women entrepreneurs.

#### Kim Osterhoudt, Jams by Kim Hillsborough, NJ

Jams by Kim is an artisanal food company that produces all natural jams, jellies and preserves that are gluten free. Jams by Kim founder Kim Osterhoudt started her business with the help of the Intersect Fund, a Community Development Financial Institution which offers business coaching, training, and microloans. Kim on her experience:



*"Having made my first jam at the age of 12, I took some classes to learn about small business management and started Jams by Kim. [Intersect Fund] compelled me to become a knowledgeable entrepreneur, with their training, homework, and in depth coaching and counseling. They helped me write my first business plan, and provided me with a class full of peer entrepreneurs, that I could also learn from and share experiences with, making the role of entrepreneur far less isolating than it can ordinarily be. My experiences with the Intersect Fund were invaluable, and I continue to use their Entrepreneur Directory, and the Entrepreneur of the Year Award they bestowed upon me in my marketing campaigns."*

Several years after the original demonstration pilot program was enacted, Congress reauthorized the demonstration projects through fiscal year 1997, under the Small Business Administration Reauthorization and Amendments Act of 1994 (P.L. 103-403). At that time, under the same Act, Congress established the Office of Women's Business Ownership within the SBA to be responsible for the administration of the program.

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The program was ultimately made permanent by the Small Business Reauthorization Act of 1997 (P.L. 105-135) and was subsequently reauthorized and restructured into its current form by the Women's Business Centers Sustainability Act of 1999 (P.L. 106-165). The program has not been reauthorized since that time in spite of evidence that it is effective and a good return on the investment.

Today, the WBC program helps more than 100 nonprofit organizations across the country provide business training and counseling to approximately 134,000 female entrepreneurs and aspiring entrepreneurs, which includes women in underserved communities, each year.<sup>76</sup> It remains the only authorized business counseling program statutorily purposed to serve socially and economically disadvantaged women within SBA.<sup>77</sup>

Currently, the WBC Program provides grants of up to \$150,000 to private, non-profit organizations, which must be matched with private funds. Initial grants are awarded for up to five years, consisting of a base period of 12 months and four 12-month option periods, contingent upon SBA approval and demonstrated ability to match federal grant funds. Initial grants require a 50 percent match in the first two years of the grant for every federal dollar received and a 100 percent grant in the remaining three years.

Upon successful completion of the initial five-year grant period, WBCs may apply for continuing three-year renewal grants. Continued grant funding is subject to the availability of congressionally appropriated funding. The renewal grant requires a 100 percent match for all three years. In the wake of the economic downturn, many Women's Business Centers reported increasing difficulty in meeting their match requirements.

According to the SBA, in fiscal year 2013, each WBC served 1,300 entrepreneurs. SBA's Office of Entrepreneurial Development's 2013 Impact Study found that 80 percent of entrepreneurs who received WBC training found it "useful or very useful," while more than 60

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percent changed their management practices or strategies as a result of the assistance they received.<sup>78</sup>

In fiscal year 2013, WBCs helped clients access more than \$25 million in capital and open more than 630 businesses.<sup>79</sup>

Despite continuing examination and reauthorization by Congress between the passage of the Women's Business Ownership Act of 1988 and enactment of the Women's Business Centers Sustainability Act of 1999, for reasons unrelated to the merits of and support for the program, Congress has been unable to reauthorize the program since 1999.

**Julie Johnson Holt, First Class Communications, LLC**

Little Rock, Arkansas

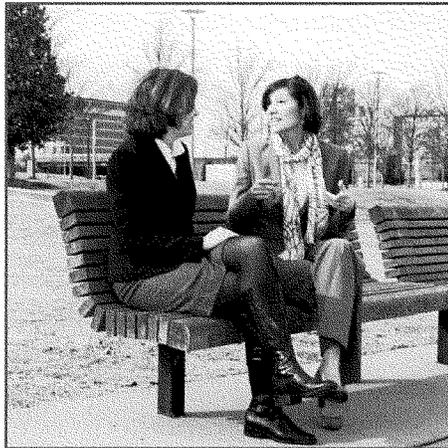
Julie Johnson Holt and Dauphne Trenholm founded First Class Communications, LLC, a public relations firm specializing in education. They will soon start their third year in business. Julie and Dauphne benefited from finding a business counselor through the Arkansas Women's Business Center.

Julie on her experience:

*"As any new business owner knows, the first few years are, well, a roller coaster. Times of high productivity are followed by lulls in projects and, thankfully, those are followed (though not soon enough, it always seems!) by new spurts of business."*

*"We - founding partners Julie Johnson Holt and Dauphne Trenholm - have the Arkansas Women's Business Center, and specifically John Riggins, whom we fondly call our "counselor," to thank for helping us navigate these choppy seas of new business ownership."*

*"We still have a lot of room for growth and are working daily to reach our goals, but the support of the Arkansas Women's Business Center has been nothing short of invaluable to First Class Communication's success thus far."*



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At that time, there were 81 centers in 47 states, the District of Columbia, Puerto Rico, and the Virgin Islands – and those centers were operating on statutory funding levels intended to support 45 existing centers, an average of 12 re-competing centers, and an average of 12 new centers per year. This has severely constrained funding options for Women’s Business Centers, reducing the number of women entrepreneurs each can serve.

Most recently, the Small Business Jobs Act of 2010 (P.L. 111-240) gave the SBA the authority to waive or reduce an individual WBC’s required match, on a yearly basis, for not more than a total of two fiscal years. In determining whether or not to grant a waiver, the SBA was required to consider the economic conditions affecting the WBC or intermediary, the impact that a waiver would have on the credibility of the WBC or intermediary, the ability of the WBC to raise non-federal funds, and the performance of the WBC or intermediary. This authority provided key flexibility for Women’s Business Centers which were temporarily struggling, but that authority expired at the end of fiscal year 2013.

The WBC program is long overdue for modernization to reduce red tape and maximize its resources to help more women start and grow businesses. It is operating on laws written more than ten years ago, without any updates. Providing additional financial resources for the program, requiring rules for administering the program to be promulgated and published, giving the SBA the ability to make individual determinations about a Women Business Center’s match-requirements and modernizing performance measures, among other changes, would allow the program to operate more efficiently and give the Centers the tools they need to better serve our nation’s women entrepreneurs.

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## Critical Next Steps

Operating under the same statutory funding level for over a decade has limited the Women's Business Center program's ability to keep up with the demands of existing and new women entrepreneurs seeking business counseling, training, and networking programs. That need is exacerbated in socially and economically disadvantaged areas, where the services offered by a Women's Business Center may have even more value.

Therefore, to remedy systemic problems related to the Women's Business Center program, Congress should:

- Increase Women's Business Center program funding and increase grant award ceilings, which will allow centers to receive more funding – in turn enabling them to offer more services to a greater number of women entrepreneurs in socially and economically disadvantaged communities;
- Measure the program's effectiveness better, thereby increasing accountability, by designing a scientific performance survey that measures outcomes; and
- Increase flexibility for Women's Business Centers in determining the match requirements, based on demonstrated success, need, and location.

### Sarah Bogan, the Whisking Apprentice Fayetteville, North Carolina

The Whisking Apprentice offers private cooking lessons in clients' homes and specializes in healthy cooking and fast meals for families, including as vegetarian, gluten & dairy free, and paleo meals. It also teaches people how to manage ailments through diet. Founder Sarah Bogan:



*"I'm pretty new to the (Small Business Administration (SBA) / Women's Business Center (WBC)) however, the amount of support I have received from them on social media - especially Facebook and twitter - has been amazing. The employees at SBA/WBC are my cheerleaders. Sometimes the business world can seem cutthroat and cold, and these people provide such a positive atmosphere for me to grow and feel confident in my abilities because they are confident in your abilities! Simply having that support makes all the difference in the world."*

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## PRIVATE AND NONPROFIT EFFORTS

Supporting women business owners is a joint public and private effort. Together, they attempt to close the gaps in both data available and within the barriers that women-owned small business owners still face today.

In the last decade, new information and training programs have focused on women's entrepreneurship and serve to complement the federal efforts outlined earlier in this report. Efforts such as the Women Impacting Public Policy's (WIPP) *GiveMe5* and *ChallengeHER* programs are aimed at educating women on how to access federal contracts.

Also important to the ecosystem that supports women-owned and women-led firms are corporate initiatives such as American Express OPEN's *CEO Bootcamp* for women, as well as organizations like Nely Galán's *Adelante Movement*, *The Eva Longoria Foundation* that makes microloans to Latina entrepreneurs, and the *Tory Burch Foundation* that supports and mentors women entrepreneurs through affordable loans, mentoring programs and entrepreneurial education.

The private sector is also helping to slowly improve access to credit. Companies such as OnDeck Capital and Accion, in conjunction with the Association for Enterprise Opportunity, are developing new lending platforms which hold the promise of transforming the deployment of capital to women-owned businesses.

Similarly, foundations such as the Citi Foundation concentrate on supporting financial capacity and asset building, while businesses like Sam's Club are deploying micro capital by empowering Women's Business Centers to become microlenders.

These private efforts are an important complement to federal programs. In fact, these private programs emerged due in part to the demonstrated success of the federal microloan programs. Many of the intermediary organizations that learned how to provide microloans

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working with Treasury and/or the SBA are now engaging private businesses to expand their capacity. The federal foundation is a critical complement to the continuing success of nonprofit and private programs.

## CONCLUSION

There are steps the federal government can take to foster women's business growth. This report does not recommend any new programs; instead, it recommends strengthening and streamlining existing programs to foster an environment in which women-owned businesses can succeed.

There are three categories of concentration:

- access to capital;
- access to federal contracts; and
- access to business counseling and training.

Women entrepreneurs are a critical element in growing and transforming the 21<sup>st</sup> Century American economy. As women-owned and women-led businesses continue to increase their impact, it is more important than ever that public and private sector efforts to support their growth be focused on critical areas of need. While many succeed, women still must overcome the barriers their male competitors do not.

Women business-owners and women entrepreneurs have proven themselves over the decades despite the odds. It is vital that these proposals be deemed an important and worthwhile investment to the American economy.

The report provides a blueprint for how Congress, the Administration and the nonprofit and private sectors can tackle the issues of access to capital, access to federal markets, and access to effective business counseling and training.

We need to empower women to break the glass ceiling so it will be easier for even more women to succeed through the 21<sup>st</sup> Century – growing the U.S. economy and creating more American jobs.

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