



**SENATE COMMITTEE ON
SMALL BUSINESS AND ENTREPRENEURSHIP
Senator Mary L. Landrieu, Chair**

Remarks for
Hearing entitled, "*Closing the Gap: Exploring Minority Access to
Capital and Contracting Opportunities*"

March 3, 2011

(As prepared for delivery)

Good morning and thank you for joining us for this very important hearing. Since becoming Chair of this Committee, I, along with the other members of this committee, have made it a top priority to make sure the nation's small businesses have ready access to capital and ready access to government contracting. I've asked my staff to update me regularly on the number of banks that are participating in the small business lending programs. In addition, this Committee is on constant lookout for new and better ways to improve those programs and open up capital markets and increase contracting opportunities for small businesses. It's clear to me that small businesses need reliable and non-predatory financing opportunities in both the debt and equity market in order to start and grow. And they want to know that when the federal government does contract for goods and services, it does so by placing small businesses on a level playing field with big business – it's as simple as that.

As Chair, I will continue to focus on removing any arbitrary barriers that are identified that are blocking that goal. In some cases, those barriers are not unlike those that challenge all businesses trying to work with the federal government. But, in some cases, the obstacles that minority small business owners face are quite unique. Since 2009, I have convened at least 3 meetings to address ways that this Committee and the SBA, through its many of programs, can address and provide a remedy to the issues affecting minority small businesses.

The purpose of today's hearing is clear. We are here to discuss solutions - solutions on how this Committee, this Congress, and the SBA can close and eventually erase the wealth gaps identified by Dr. Robert Fairlie, a professor of Economics at the University of California Santa Cruz. I know that, through my years of experience, that the only way to really close and erase these disparities is through a holistic approach –improved access education. aimproved access to home ownership using traditional and safe models of lending and equity building. These issues, however, are not within the jurisdiction of this committee, but improving access to capital for small businesses and expanding opportunities for contracting with the Federal government are, and this Committee will remain focused on those areas.

Last year, at a hearing of this Committee, Dr. Fairlie testified that of the many factors responsible for the disparities in business performance between minority and non-minority-owned businesses, access to financial capital is perhaps the most important. He pointed out that one of the major roots of the problem is the extremely high level of wealth inequality found between minorities and non-minorities.

At that hearing I was also astonished to learn that half of all African-American families have less than \$5,500 in total wealth and half of all Latino families have less than \$8,000. These levels of wealth are one-eleventh to one-sixteenth the levels of wealth held by non-minorities (\$87,000). [See the graph on the video monitors]

These disparities in wealth which are also substantially larger than disparities in income, should be cause for great concern. African-American and Latino income levels are 60 to 70 percent of non-minority levels.

I have been in public office for over 30 years as a state legislator, a state treasurer and US Senator. I have been aware for many years now that wealth and income disparities exist in America among the various races, but even with that understanding, Dr. Fairlie's testimony was eye-opening and jaw dropping. I have subsequently analyzed Dr. Fairlie's information, I have discussed it with my colleagues

here in Washington, I have shared it in speeches with groups all over this country, and I have made it one of my priorities, as Chair of this Committee, to do what I can to close the gaps and eventually eliminate these disparities. Dr. Fairlie, I understand that you have some new data to present to our Committee today, and I look forward to seeing that information.

Despite the sobering impact of Dr. Fairlie's testimony, there is some good news for minority-owned small businesses. The good news is that the number of businesses in our minority communities continues to grow, adding to our competitive advantage. According to the most recent data available from the SBA Office of Advocacy, minority-owned small businesses are among the fastest growing segments of the small business community. From 1997-2002, firms owned by African-Americans grew by almost 45%; Hispanics by 31%; Asians by 24%; and Hawaiian and Pacific Islanders by 49%.

Minority-owned business enterprises accounted for more than 50 percent of the 2 million new businesses over the last 10 years. There are now more than 4 million minority-owned companies in the United States, with annual sales totaling nearly \$700 billion. These businesses cross the entire industrial spectrum from financial services and health care to construction and transportation. So it is clear, there is great potential to close and eventually erase the wealth disparities in this country if we create and foster an environment supportive of these minority-owned small businesses.

Joining us on our first panel will be our hard-working Deputy Administrator of the Small Business Administration, Ms. Marie Johns, who will discuss the SBA's role in fostering capital access and contracting opportunities for minority-owned small businesses.

On our second panel, we will again hear from Dr. Robert Fairlie. He will testify as to the barriers facing minority small business owners and as a professor of economics, discuss strategies to remove those barriers. We will also hear from a dynamic group of experts in the finance and contracting sectors and business leaders including the President of the National Urban League and my good friend, Marc Morial,

Susan Allen of the U.S. Pan Asian American Chamber of Commerce, Doyle Mitchell of the National Bankers Association, and Martha Montoya of the U.S. Hispanic Chamber of Commerce.

Finally, for our third and final panel and at the request of the minority, we will hear from the SBA Inspector General, Ms. Peg Gustafson and Mr. Greg Kutz of the Government Accountability Office. They will testify about rooting out fraud and abuse in the SBA programs most used by minority-owned small businesses. When ineligible firms are awarded federal government contracts through fraudulent means, this reduces the number of opportunities available to honest, qualified minority-owned small businesses. Although the subject of this hearing not to evaluate potential fraud in these programs, this Committee will have a full hearing in the near future to evaluate and weed out fraud and abuse in all of the SBA's programs.

I ask that Ms. Johns and the folks from the SBA stay to hear the testimony from the second panel so that she and her staff can benefit from the information that will be shared.

I would now like to turn it over to our Ranking Member, Senator Snowe, for her opening statement.