
**21st Century Barriers
to Women's
Entrepreneurship:
State of Washington
Edition**

Executive Summary

Majority Report of the
U.S. Senate Committee
on Small Business and
Entrepreneurship

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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. Nationwide, women received 13 percent of the total dollar value of SBA loans in Fiscal Year 2013. **In Washington state, women received only 11 percent.** 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 small business, achieving at best 4.32 percent in Fiscal Year 2013. If it did, nationally, women-owned businesses would have access to additional marketplace opportunities worth around \$5 billion each year. **In Washington state, women receive an even smaller percentage of contracts than the national average, receiving 1.67 percent in Fiscal Year 2013. This translates to \$313 million in lost federal contracting opportunities.** The report proposes changing federal law to give women-owned businesses the opportunity to win sole source federal contracts.

Women entrepreneurs still face challenges getting relevant business training and counseling. Although Women's Business Centers are in nearly all 50 states – **with three Centers in Washington state** – and these centers successfully provide specialized business training and counseling to women business owners, the program has not been re-authorized since the 1990s and funding has remained flat during that entire time. The report proposes reauthorizing and increasing funding for the centers to provide adequate business training and counseling to women entrepreneurs, especially low income women.

EXECUTIVE SUMMARY

It has been twenty-six years since the enactment of the Women's Business Ownership Act of 1988 (Pub. L. 100-533). **This landmark legislation helped women's business ownership grow in Washington state from 90,285 women-owned businesses in 1987 to 172,100 in 2013. Today, women-owned firms represent 28.7 percent of all small businesses in Washington state.**

Nonetheless, women entrepreneurs have not achieved their full potential – largely due to obstacles 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 training and counseling.

Findings

In the 21st Century, women entrepreneurs still face a glass ceiling. While women-owned firms are the fastest-growing segment of businesses, and many succeed, women must overcome certain barriers their male counterparts do not face.

In the area of capital, studies find that women do not get sufficient access to loans and venture investment. Women receive only 16 percent of conventional small business loans and 13 percent of the total dollar value of SBA loans, even though they represent 30 percent of all companies. If women received SBA loans in proportion with that business presence (30 percent), they would receive \$3.9 billion more in SBA loans. **In Washington state, women received 11 percent of the total dollar value of SBA loans in Fiscal Year 2013. If Washington state women received the same as the national average – only 2 percent more – they would receive \$13 million more in SBA loans.**

Of conventional small business loans, women only account for 4.4 percent of total dollar value of loans from all sources. In other words,

just \$1 of every \$23 in conventional small business loans goes to a woman-owned business. This report proposes expanding microloans and making permanent the SBA's Intermediary Loan Program 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 percentage of female venture capitalists has actually declined from previous years.

The findings on the low percentages of capital and credit that go 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, both of which were conducted before the recent financial crisis.

Studies find that women entrepreneurs still do not have equal access to government contracts, holding back the potential of women-owned businesses. It has been twenty years since Congress established a 5 percent federal contracting goal for women-owned small businesses, and that goal 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 that time, the highest portion of contracts received by women nationwide was only 2.47 percent. **In Washington state, the achievement in 2000 was much lower: slightly more than three-quarters of one percent.**

Today, the WOSB Procurement Program remains the only major small business contracting program that lacks sole source authority – a tool that allows agencies to more easily and efficiently award

contracts to other historically disadvantaged groups. The lack of sole source authority has contributed to the continued inability of the WOSB Procurement Program to measurably assist government agencies in meeting the 1994 congressionally established government-wide goal of awarding 5 percent of federal contract dollars to women-owned small businesses.

In Fiscal Year 2013, the national achievement for awards to women-owned small businesses was 4.32 percent, and Washington state’s achievement was the lowest since 2005, at 1.67 percent. The inability to achieve the 5 percent goal means that women business owners miss out on an average of almost \$5.3 billion in government contracts annually. **In Washington state, not reaching this goal means that women miss out on an average of \$188 million in contracting opportunities each year. In Fiscal Year 2013 alone, they missed out on \$313 million.**

Studies find that women face challenges getting access to relevant and sufficient specialized business training and counseling, which is important for business growth. According to the SBA, in Fiscal Year 2013, Women’s Business Centers (WBCs) provided business training and counseling to approximately 1,300 entrepreneurs each – with 80 percent of those clients reporting to have found the assistance “useful or very useful.”

Washington state is home to three Women’s Business Centers: the Washington Women’s Business Center at Community Capital Development located in Seattle; the Washington Center for Women in Business at Thurston County Economic Development Council located in Lacey; and the Women’s Business Center, Inland Northwest at SNAP Financial Access in Spokane. The center in Seattle counseled 322 clients and trained 1,219 clients in Fiscal Year 2013. The centers in Lacey and Spokane began operating in 2014. Despite the success of these centers and those across the country, Congress has not

reauthorized the WBC program since the Women’s Business Centers Sustainability Act of 1999 (Pub. L. 106-165).

Women’s Business Centers around the country have been hamstrung by funding uncertainty and a 1990s-era law in need of 21st Century modernization. Women entrepreneurs would benefit if the program were reauthorized by Congress. By helping women-owned businesses start, succeed, and grow, we help the economy and create jobs.

Critical Next Steps

These findings demonstrate the challenges that women-owned firms face. **Of note, women-owned small businesses in Washington state face a larger gender gap than women nationwide in access to capital and federal contracting.**

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, when they 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’s Business Center program by increasing program funding and changing grant award ceilings to help keep up with demand and the needs of existing and potential women entrepreneurs, particularly in socially and economically disadvantaged areas.