

S. 2693- The Women's Small Business Ownership Act of 2014

Between 1997 and 2013, the number of women-owned businesses in the United States increased by 59%, compared to 41% for all new businesses in the United States, a rate of almost 1.5 times more than the average. Despite this growth and that women-owned businesses account for 30% of all U.S. businesses, women-owned businesses only employ 6% of the country's workforce and receive only 4% of federal contract dollars.

According to an Urban Institute study, women receive 16% of all conventional small business loans, but only 4% of the total dollar amount of all conventional small business loans. Similar numbers are true for SBA guaranteed loans, with women only receiving 17% of 7(a) loans and 16% of 504 loans.

Proposal: The Women's Small Business Ownership Act of 2014 focuses on promoting women-owned small businesses through three areas: women's small business counseling, small business contracting, and access to capital.

Women's Small Business Counseling: Currently, there are 107 local non-profit organizations that host the Women's Business Centers located throughout most of the U.S., which help more than 150,000 clients annually and are overseen by SBA's Office of Women's Business Ownership.

This legislation would reauthorize the Women's Business Center program through fiscal year 2019 and nearly doubles funding authorization from \$14.5 million a year to \$26.75 million a year, while establishing clear rules and metrics to evaluate the success of each center.

Women's Business Centers serve a portion of low-income clients and are a critical function in the business creation process, as 70 percent of businesses are start-ups. Women's Business Centers recognize and address the unique challenges women face in starting a small business, such as lower earnings resulting in less capital to invest, responsibility for child care or elder care, lack of support systems, and social stereotypes that undermine women's confidence. These centers provide tailored guidance and technical assistance on everything from knowing what structure is best for the business, to how to develop a business plan, to what financing options are available.

Women's Small Business Contracting: This legislation would authorize sole source awards to women-owned small businesses, creating parity for the Women-Owned Small Business program in terms of federal contracting opportunities. Under current law, women-owned small businesses are not eligible for sole-source contracts from the federal government. The federal government has a goal of awarding 5% of federal contracts to women-owned small businesses. This goal has never been reached and this bill will help the federal government meet that target. Had the goal been achieved, it is estimated that women-owned companies would receive an additional \$4 billion in federal contracts each year.

The bill also accelerates the deadline for the study that SBA must conduct to identify the industries in which women-owned small businesses are underrepresented. The study is used to provide the data to show women are similarly situated to other disadvantaged groups that are eligible for sole-source contracting. The legislation expedites the first new study on under-represented industries, currently

due in 2018, when the data underpinning the study will be nearly 15 years old. Expediting the study will provide better data and ensure that women are given full opportunity to participate in industries that have historically been closed to them.

Access to Capital: The legislation would allow lenders in the SBA Microloan program to increase overall lending capacity from \$5 million to \$7 million and improve the program to better meet the needs of borrowers through offering more flexible loan terms, improved technical assistance, and reallocation of resources to high performing lenders. The SBA Microloan program allows intermediaries to issue loans up to \$50,000. Current law limits micro lenders from spending more than 25% of the technical assistance on a potential borrower. This provision was originally included in the pilot program legislation to make sure intermediaries did not use all of their technical assistance funds to assist businesses that did not have the potential to become borrowers. Your legislation eliminates this requirement to better assist prospective borrowers and provides lenders with more flexibility.

The average microloan is \$11,569 and women-owned businesses receive 47% of microloans. Women have been successful using microloans because the program targets new and early stage small businesses with small loans as well as borrowers with limited credit history who would not receive financing from a traditional lending institution.

The SBA Intermediary Lending Program, which fills a lending gap between the SBA Microloan program and the 7(a) program by providing direct loans between \$50,000 and \$200,000, would be reauthorized and made into a permanent program. This program is needed for women-owned small businesses who need a larger loan beyond the \$50,000 maximum in the Microloan program, but still do not qualify for traditional financing or the SBA 7(a) program because of a lack of assets, collateral, profitability, or strong credit history. The SBA's Office of Capital Access would also be required to issue an annual report on all SBA lending programs with data broken down for women-owned and minority-owned businesses.

The section also includes a "Sense of the Senate" provision that is supported by the National Venture Capital Association and the Angel Capital Association expressing support for angel investors and other venture capital investors as an important source of capital and a sense they should continue working with women entrepreneurs. Only 11 percent of women-owned firms in the U.S. have received venture capital backing and those businesses have received only 7 percent of venture capital funds. Last year, women represented 23 percent of the entrepreneurs that were seeking angel capital in 2013, up from only 10 percent a decade ago.

Supporters: Association for Enterprise Opportunity, Women Impacting Public Policy, Association of Women's Business Centers, U.S. Black Chambers Inc., National Venture Capital Association, U.S. Hispanic Chamber of Commerce