

**Testimony
of
Margot Dorfman**

**Before the House Small Business Committee
On the Small Business Administration's Contracting Programs
September 19, 2007**

Chairman Velazquez, Ranking Member Chabot, and members of the House Small Business Committee, my name is Margot Dorfman. I am the CEO of the U.S. Women's Chamber of Commerce (USWCC). I am here today representing the millions of American women business owners seeking your urgent assistance.

I have spoken to this committee several times over the last few years seeking to increase the access to federal contracts for women-owned businesses and most specifically to engage your assistance to compel the Small Business Administration to implement the Equity in Contracting for Women Act of 2000.

In 2000, Congress realized the gross underrepresentation of women businesses in federal contracting had to end and set a course to establish a set-aside program to reach women's businesses in underrepresented industries. Through a bi-partisan effort, Congress passed the Equity in Contracting for Women Act of 2000 on December 21, 2000. This Act was to give agencies the ability to limit certain competitions to women-owned small businesses. It required the Small Business Administration (SBA) to (1) "conduct a study to identify industries in which small business concerns owned and controlled by women are underrepresented with respect to Federal procurement contracting" and (2) establish procedures to verify eligibility to participate in the procurement program.

And now, two thousand four hundred and sixty three days after this legislation was signed into law, the SBA has still not implemented this important program. The U.S. Women's Chamber of Commerce filed a claim against the SBA for failure to implement this law. The Court agreed that the SBA had not effectively served the will of Congress and stated in its finding that the SBA had "sabotaged" the implementation of the program. The Court demanded a timeline for implementation – which the SBA provided and then failed to meet.

First let me address why this program is so urgently needed. It is very important for our Congressional leaders to get beyond the marketing hype about women business owners and understand the economic realities for women in business.

We read endlessly about the huge growth in women-owned businesses from marketers seeking to sell to women. But, marketers pick and choose the numbers that make for nice stories to enhance their advertising sales or political position. One favorite hyped-up headline states, "Over the last decade, women-owned businesses grew 42.3%." The real story is that, while the number of women-owned businesses grew over forty percent, their annual revenues grew only 4.4%. The important headline should be, "Over the last decade, the average women's business revenue dropped 36%."

One of the reasons women businesses are not seeing stronger growth is the devastating failure of the federal government to provide fair competitive opportunities for women-owned firms. Without access to government contracting opportunities, women business owners are struggling to get the traction they need to grow their businesses and increase their capacity.

Remarkably, even though women own nearly one third of all businesses in America, we received only 3.4% of the 2006 total federal contracting dollars. The loss in revenues to women-owned businesses averages between five to six

billion dollars annually. This is a travesty that Congress sought to address back in the year 2000 – but the SBA sabotaged your efforts.

Even today, after two thousand four hundred and sixty three days have passed since the Equity in Contracting for Women Act was signed into law, the SBA still is not ready to implement this important program and has even signaled that they may only implement a very, very narrow version of the program. We have heard from many confidential sources that the SBA plans to ignore the recommendations provided by the National Academy of Sciences and select only a very narrow set of industries to participate in this program. Clearly, if the SBA takes this action, the intent of Congress will not be fulfilled and women business owners will not receive increased access to contracts.

Let me explain the three step process the SBA has taken towards establishing the industries that qualify for underrepresented status. Step one was a study done by the SBA. Step two was a study completed by the National Academy of Sciences. And step three was a study completed by the Rand Corporation.

STEP ONE

In 2002 the SBA Office of Federal Contract Assistance for Women Business Owners (CAWBO) prepared a draft study containing a preliminary set of estimates of representation of women-owned small businesses in federal prime contracts over \$25,000 by industry.

STEP TWO

The SBA asked the National Academy of Sciences (NAS) to conduct an independent review of relevant data and estimation methods prior to finalizing the CAWBO study.

NAS recommended that a new study be completed employing four data sets using measurement options of contract dollars and actions, as well as the whole universe of women-owned small businesses vs. only those listed in CCR.

With regard to the relevant data and estimation methods, NAS made eight recommendations. Their sixth recommendation is entitled, “Clear Cases of Underrepresentation.” The NAS states, “Because almost any data source and measure of disparity will be subject to errors and because stakeholder views of appropriate disparity measures may differ according to their views on the usefulness and appropriateness of preferential contracting programs, it is unlikely that a single disparity measure will go unchallenged. We recommend that CAWBO identify industry groups for **which more than one disparity measure finds underrepresentation** using a disparity ratio of 0.80 or less.”

Clearly, the NAS recommends that if an industry is found within more than one of the four disparity measurement tables, it may be deemed underrepresented.

The National Academies also makes clear why it is important to look at a diverse picture of underrepresentation rather than narrowly at only one view. Their report states, “Evidence of large and persistent differences, or disparities, in economic outcomes among men and women in the United States is not hard to find. Differences in purchasing methods cause differences between different agencies – making it important to look at both contract actions and dollar amounts.”

NAS goes on to say, “Shares in terms of dollars and actions are similar for many cabinet departments, but there are exceptions. Notably, the Department of Energy in fiscal year 2003 exhibited a relatively high share of contract actions going to women-owned small businesses (15 percent), but the share of its contract dollars awarded to women-owned small businesses was only 0.5

percent. This finding presumably reflects the fact that this department has a small number of very large contracts for its laboratories, which are neither bid on nor won by small businesses.

“Because the distribution of contract awards by dollar value may be highly skewed for some agencies, time periods, or industries, a careful analysis of utilization estimates should determine their sensitivity to outliers and whether some contract awards should be excluded from the estimation.

“For example, the distribution of prime contract dollars awarded by the Defense Department for fiscal year 2004 (data not yet available) may be skewed upward by the small number of very large contracts awarded for military support operations and reconstruction in Iraq.”

The point that NAS makes is that the SBA should not narrow the selection of industries severely, as differences in purchasing methods and contract sizes across agencies vary.

STEP THREE

Using the guidance provided by the NAS, the Rand Corporation was asked to prepare the data to create the four views of underrepresentation. Using the Rand study outcomes, based on the guidelines provided by the NAS workgroup, the SBA should select industries that appear on “more than one” of the disparity measurement tables. I have prepared a chart detailing the industries that meet this standard. Using the NAS recommended method to determine underrepresentation, women businesses are underrepresented in over eighty-six percent of the industries.

Industry groups for which MORE THAN ONE disparity measure finds underrepresentation (appears in *at least two* of the four tables)

2-Digit Code	Industry	<i>“Industry groups for which more than one disparity measure finds underrepresentation.”</i>
11	Forestry	
21	Mining	
22	Utilities	Substantially Underrepresented
23	Construction	
31	Manufacturing	Underrepresented
32	Manufacturing	Underrepresented
33	Manufacturing	Underrepresented
42	Wholesale trade	
44	Retail trade	Underrepresented
45	Retail trade	Underrepresented
48	Transportation and warehousing	Substantially Underrepresented
49	Transportation and warehousing	Substantially Underrepresented
51	Information	Substantially Underrepresented
52	Finance and insurance	Substantially Underrepresented
53	Real estate	Underrepresented
54	Prof., sci., and tech. services	Substantially Underrepresented
56	Admin. and waste management services	Substantially Underrepresented
61	Educational services	Substantially Underrepresented
62	Health care and social assistance	Underrepresented
71	Arts and recreation	
72	Accom. and food services	Underrepresented
81	Other services (except public administration)	Substantially Underrepresented

I strongly urge you to now make sure the SBA does not continue to sabotage the implementation of the program you designed to provide increased access to federal contracts for women-owned small businesses. Hold the SBA accountable. They have everything they need to finally implement this important program. The NAS study told the SBA how to prepare the relevant data and estimation methods. The Rand study provided the relevant data. The next step is clear. The SBA should immediately implement this program for all industries that appear on more than one of the four data sets.

It has been two thousand four hundred and sixty three days since Congress took action to support women-owned businesses. Billions of dollars have been lost in opportunities for women in business. I call upon you today to do everything within your power to cause the SBA to implement the law as you intended it to be done.

Thank you.