

Testimony of

Calvin Jenkins

**Deputy Associate Administrator for Government Contracting and Business
Development**

Before the

Small Business and Entrepreneurship Committee

United States Senate

Hearing on Minority Business Development

May 22, 2007

***Minority Entrepreneurship: Assessing the Effectiveness of SBA's Programs for the
Minority Business Community.***

Chairman Kerry, Ranking Member Snowe and other distinguished Members of this Committee, I thank you for the opportunity to testify regarding minority entrepreneurship and the effectiveness of SBA's programs.

I am Calvin Jenkins, Deputy Associate Administrator for Government Contracting and Business Development. I appreciate the opportunity to testify today on behalf of Administrator Preston, regarding the operations and successes of SBA's activities associated with minority business development as well as briefly discuss our continued efforts to enhance and ensure the continued accessibility of our products and services to entrepreneurs in our Nation's most underserved markets.

Minority-owned small businesses have a dramatic impact on the US economy, creating jobs and driving economic growth. According to SBA's Office of Advocacy, in 2002, minorities owned 4.1 million firms that generated \$694.1 billion in revenues and employed 4.8 million workers. Of the 23 million non-farm firms, 6.8 percent were owned by Hispanic Americans, 5.2 percent by African Americans, 4.8 percent by Asian Americans, .9 percent by American Indians or Alaskan Natives, and .14 percent by Native Hawaiian or other Pacific Islanders.

Entrepreneurs, including minority entrepreneurs, face a number of challenges as they pursue their dreams and begin to create and expand their businesses. These challenges include: access to capital, the cost of health insurance, the need for training and technical assistance, access to Federal contracts, and regulatory burdens. SBA is focused on addressing the challenges of small businesses, and in particular, minority-owned small businesses and entrepreneurs.

There are many areas of the country that have significantly higher unemployment and lower income levels than the Nation's averages. Federally-defined economically distressed markets, which are typically based in inner-city and rural areas, include: Low/Moderate Income, Historically Underutilized Business (HUBZones), Enterprise Community/Empowerment Zones, and New Market Tax Credit Zones.

Higher levels of business formation and growth in these areas can promote job creation, business ownership, and economic vitality where they are most needed. In many cases, SBA's financial, technical, and contracting assistance programs are especially well-designed to meet the needs of small businesses in these "place-based" communities, as well as in "people-based" communities on which it also focuses (e.g., minority, female, and veteran entrepreneurs). In short, one of our principal jobs at SBA is all about increasing access to the tools that we presently have available to the people and communities that need them most.

Making Progress

SBA has made great strides in addressing the needs of minority entrepreneurs and small businesses. I am pleased to share with you the results of our efforts at increasing access for the underserved communities. Briefly---

- The number of minority loans approved by the SBA has increased from 12,010 in FY 2001 to 34,627 in FY 2006, and loan dollars have increased from less than \$3.5 billion in FY 2001 to more than \$6.7 billion in FY 2006.
- The number of loans to women approved by the SBA has increased from 9,986 in FY 2001 to 23,454 in FY 2006, and loan dollars have increased from \$2 billion in FY 2001 to more than \$3.4 billion in FY 2006.
- Through April 30, 2007, the end of the first seven months of the Federal Government's fiscal year, SBA has approved 20,186 loans for \$3.7 billion for minorities and 13,723 loans for \$2 billion for women.
- During the period from 2001 through 2006, the number of minority-owned small businesses that have received commercial credit through SBA's 7(a) and 504 programs has almost tripled, and has increased from less than 25 percent of total loans approved to 32.3 percent of total loans approved.
- In an effort to expand support for micro-borrowers, the SBA has piloted the Community Express program. This 7(a) pilot was designed specifically to reach underserved markets and provides both financial assistance and technical assistance. The latter is provided through leveraging the skills of the Agency's counseling and training partners —Small Business Development Centers, SCORE, and Women's Business Centers.

Equity in Government Contracting

The mission of our Office of Government Contracting and Business Development (GCBD) is to increase small business access to procurement opportunities utilizing various educational, training and counseling forums. The office is also responsible for increasing public awareness of SBA's government contracting and small business preference programs through targeted marketing and outreach initiatives in underserved markets and public-private partnerships.

For example, SBA is continuing to provide access for small and disadvantaged businesses to be able to compete in the Federal Marketplace. GCBD works to create an environment for maximum participation by small, disadvantaged, and HUBZone businesses in Federal government contract awards and large prime subcontract awards. Each year, our government spends billions of dollars purchasing goods and services from private firms. Congress has established a government-wide small business goal of 23% for small businesses, 5% for Small Disadvantaged Businesses, and 3% for HUBZone small businesses. SBA negotiates the goals annually with each Federal agency on an individual basis. The Federal achievement toward the SDB goal for FY 2005 was \$21.7 billion or 6.92%.

In terms of expected performance for FY 2007 and FY 2008 we believe that we have set the bar very high. Some of our more ambitious goals include the following:

- FY 2008 Budget: Targeting a total of \$85 billion in prime federal contracting dollars to be awarded to small businesses in FY 2008.
- SBA will focus on expanding bonding opportunities for more small businesses, especially minority owned businesses and businesses located in underserved communities.
- FY 2007: The goal for FY 2007 is a total of 5,200 bid and final bond guarantees. The final bond guarantees will result in \$566 million in contract revenue and the creation of 4,880 jobs of which \$226 million in contract revenue and 1,950 new jobs will benefit contractors facing special competitive opportunity gaps.
- SBA has requested for its FY 2008 Budget an additional \$500,000 to examine how to best serve the 8(a), HUBZone and small disadvantaged business communities as well as women and veterans. The Agency recognizes the need for improvement in these areas and is evaluating how best to make these improvements.
- SBA will also support small businesses facing special competitive opportunity gaps by expanding bonding opportunities for contractors in underserved markets. OSG's Marketing Plan includes strategies specifically designed to help more of these small businesses. OSG will work closely with other SBA offices and programs, such as the Office of Government Contracting, 8(a) program, HUBZone program, and the Office of Women's Business Ownership to focus on specific groups.

The 8(a) Program – Helping the Disadvantaged to Compete

The 8(a) Program is a business development program created to help small disadvantaged businesses compete in the marketplace. It is also designed to assist such companies in gaining access to Federal and private procurement markets.

The focus of the program is to provide business development support, such as mentoring, procurement assistance, business counseling, training, financial assistance, surety bonding and other management and technical assistance. The goal, however, is to prepare small disadvantaged firms for procurement and other business opportunities so that they can be competitive in the public and private marketplace. In FY 2005, 8(a) program participants received Federal contracts totaling \$10.5 billion.

HUBZone

The HUBZone Program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone (Historically Underutilized Business Zone) certification, in part, by employing staff who live in a HUBZone. The company must also maintain a "principal office" in one of these specially designated areas. The program resulted from provisions contained in the Small Business Reauthorization Act of 1997.

In FY 2007 and FY 2008 SBA field staff will complete 680 HUBZone reviews. This review of the HUBZone program portfolio is important to maintain strict internal controls on the program and its participants. To uphold the intent of this program it is important to ensure that participants continue to meet the eligibility criteria. The staff in the district offices is charged with many responsibilities. Recognizing the need to balance its resources and responsibilities, the Agency is committed to making the performance and accountability process a meaningful one by setting realistic yet challenging goals. In FY 2005, HUBZone firms received Federal contracts totaling \$6.1 billion.

Native Americans

Finally, let me also briefly mention our efforts to assist the underserved Native American market. SBA is targeting marketing, outreach and training to Native Americans to enhance their business opportunities. During FY 2007, the Office on Native American Affairs (ONAA), tribal leaders and decision makers will continue to embark upon existing initiatives to complete the web-based "Self Assessment Tool". This web-based tool will be available to all members of the Tribal community, directing tribes into areas of likely success and away from pursuit of initiatives ill-suited to the tribal Nation. Outreach will continue to promote tribal and entrepreneurial 8(a) certification, government contracting, and business development through training and technical assistance.

Work Still to Do

I know the committee will agree with the Administration that there is still a great deal of work to do in creating opportunities for minority entrepreneurship in America. The President, Administrator Preston and the SBA are committed to continuing to forge ahead to achieve the goals that we have set for ourselves to not only leave a lasting legacy of accomplishment behind but more importantly to make the dreams of thousands of aspiring entrepreneurs a reality.

This concludes my testimony. I look forward to answering any questions you and the members of the committee may have.