

July 8, 2025

The Honorable Glenn Grothman
Chair
House Committee on Oversight and Accountability
Subcommittee on Health Care and Financial Services
2247 Rayburn House Office Building
Washington, DC 20515

The Honorable Raja Krishnamoorthi
Ranking Member
House Committee on Oversight and Accountability
Subcommittee on Health Care and Financial Services
2247 Rayburn House Office Building
Washington, DC 20515

RE: Testimony for the Record – Hearing on “Sacrificing Excellence for Ideology: The Real Cost of DEI”

Dear Chair Grothman, Ranking Member Krishnamoorthi, and Members of the Subcommittee:

I extend our deepest gratitude for the opportunity to provide comments for the Congressional related to the hearing titled *“Sacrificing Excellence for Ideology: The Real Cost of DEI”* held on June 25, 2025.

I am the president and CEO of the Capital Region Minority Supplier Development Council and today I am representing the CEOs of twenty-three Regional Affiliate Councils of the National Minority Supplier Development Council. Collectively, our twenty-three councils provide essential business services and connects over 17,000 MBEs nationwide to more than 1,700 corporations, resulting in \$548.2 billion in economic output annually, sustaining 2 million jobs, with \$149.6 billion in total wages earned. We are the nation’s largest, most impactful, and most successful non-profit advocacy organization providing growth for all.

Contrary to the underlying premise of this hearing, diversity, equity, and inclusion (DEI) initiatives do not compromise excellence in federal procurement—they enable it. These programs are not discretionary social endeavors; they are strategic, data-driven economic tools that strengthen competition, raise performance standards, and enable the federal government to leverage the full breadth of American talent and innovation.

All contractors, including small, minority-, woman-, and veteran-owned businesses, must meet the same rigorous procurement standards, demonstrate their technical and financial capabilities, and deliver value on par with any other bidder. DEI initiatives do not displace merit, they ensure that merit is recognized across a broader and more representative range of suppliers, many of whom have historically been excluded from federal contracting opportunities.

A merit-based procurement system is vital. Equally important, however, is ensuring that this system reflects the diverse entrepreneurial fabric of the nation. A procurement ecosystem that actively engages historically

underutilized businesses does not lower the bar; it is expanding the field of competition, increasing taxpayer value, and strengthening national economic resilience.

Empirical evidence supports this approach. For example:

- The National Association of State Procurement Officials (NASPO) reports that numerous states have adopted supplier diversity programs designed to promote equitable opportunities, enhance competition, and foster economic development—without sacrificing procurement integrity or performance.
- A 2024 McKinsey & Company report, *Diversity Wins: The Financial Impact of DEI*, found that companies with ethnically diverse executive teams are 36% more likely to outperform their peers in profitability. Similarly, a Boston Consulting Group study found that organizations with diverse leadership experience 19% higher revenues from innovation.
- Research from the Hackett Group indicates that organizations with mature supplier diversity programs achieve a 133% higher return on procurement investments. For every \$1 million spent, these organizations generated \$3.6 million in additional economic value.
- The same study found that companies allocating 20% or more of procurement spending to diverse suppliers can trace up to 15% of annual revenue directly to those efforts.
- According to the 2023 Billion Dollar Roundtable, \$123 billion in spending with diverse suppliers resulted in a \$321 billion total economic impact and supported over 1.76 million jobs.
- The U.S. Census Bureau and National Minority Supplier Development Council (NMSDC) report that minority-owned businesses generate over \$500 billion in economic output and support 2 million jobs annually. Women-owned businesses contributed \$580 billion in revenue and created 1.4 million jobs in 2023 alone.
- Inclusive procurement also leads to superior fiscal outcomes. Studies show that it delivers average annual savings of 8.5%, compared to the 3–7% savings range typical of traditional procurement practices.

Leveraging effective DEI and supplier diversity initiatives to mitigate the adverse effects of past and current discrimination is not just cost effective and results in good outcomes for certain communities, it is good for the entire U.S. economy. A March 2024 Citi Global Perspectives & Solutions (GPS) report calculated the economic impact of discrimination and estimated that closing the racial wealth gap (income, business ownership, and homeownership) would have added approximately \$3.9T to the U.S. economy over 4 years from 2020-2024 and would have driven *“the potential cumulative size of the same three racial inequalities since the turn of the millennium to up to \$21.3 trillion, which would have been a significant boon for the entire U.S. economy.”*

While there is extensive data to show the significant fiscal benefits to the US economy that would be generated by leveraging commercial best-practices, entrepreneurship and business growth, there is also significant data to show that similar efforts in the public sector also facilitate economic growth. However, there are a number of misconceptions and inaccuracies that continue to be perpetuated regarding the structure, utilization, and costs associated with government contracting programs.

1) “Federal laws have demanded that significant proportions of contracts at all levels of government go to businesses based not upon offered price or quality, but on the race and sex of their owners.”

This is an often stated and highly inaccurate misconception. There are NO demands or mandates that contracts are awarded to any group. Federal law requires SBA to set agency goals of not less than 5% for small disadvantaged businesses. Goals are not demands and 5% is not *“significant portions.”* Further, these are not demands or mandates because there are no penalties for not meeting the goals - and they are regularly not met. For example,

- in FY24, the administration negotiated a SDB goal of 13% that was not met;
- the Women Owned Small Business goals have been met only twice in 30 years; and

- in addition to the government-wide goals, federal agencies routinely do not meet the goals at their individual agencies.

2) The 8(a), SDB, and DBE programs are strictly race or sex-based programs created to “give” contracts to minorities and women.

The SBA’s 8(a) Business Development Program provides business development assistance and enhanced contracting opportunities to qualifying SBA-certified firms. The long-standing program was established by the Small Business Act in 1978—which gave “explicit statutory authority for program activities previously implemented through regulations.” To qualify for the program as an individually-owned 8(a), a firm must be a small business: that is at least 51% unconditionally and directly owned by one or more socially and economically disadvantaged individuals who are U.S. citizens, “of good character,” and that demonstrates the potential for success. Unlike the SBA’s other contracting programs, the 8(a) Program is more than a certification. It is a time limited program (9-years) focused on the small business’ development and growth—and many start quite small, with new firms entering the program averaging 11 employees.

The 8(a) Program is not a “race-based program.” As the Congressional Research Service summarizes, firms that meet social and economic disadvantaged criteria *“may be owned by individuals identifying as racial or ethnic minorities but not necessarily so.”* While for much of the 8(a) Program’s history, business owners who met certain race-based criteria were provided with an easier path into the program, the program has never been exclusive to those businesses and was modified in 2023 to eliminate that easier path. To enter the program, applicants must demonstrate, and SBA must approve, that they meet the criteria for both socially and economically disadvantaged.

Economic disadvantage means an entrepreneur has a low net worth that would limit the personal resources they can invest in starting and growing a business. And social disadvantage means an entrepreneur has faced disadvantages that have “negatively impacted his or her entry into or advancement in the business world.”

The intent of the program is not, nor has it ever been, to discriminate against anyone. It has always been targeted to level the playing field and overcome specific economic and social barriers. Section 8(a) of the Small Business Act (15 U.S.C. § 637(a)) states that the intent of the program is to *“Promote the business development of small business concerns owned and controlled by socially and economically disadvantaged individuals so that such concerns can compete on an equal basis in the American economy.”*

If the Committee is focused on addressing “all types of discrimination,” then it must recognize that the SDB and DBE programs have been utilized to mitigate the past and current of past institutional discrimination in federal and state procurement – whether statutory or in practice.

3) “Minority contracting programs cost taxpayers tens of billions of dollars a year.”

When attempting to document this inaccurate statement, the perpetrators often simply cite the total dollar amount spent by the Federal government in annual contracting spend without identifying exactly what dollar amount is being assumed to be spent. In fact, according to the Small Business Administration and the Federal Procurement Data System, African Americans were awarded only 1.60% of federal contracts and contract dollars in FY2021, 1.55% in FY2022, 1.61% in FY 2023, and 1.54% in FY2024. Hispanic Americans received 1.6% in FY2021, 1.5% in FY2022, 1.6% in FY2023, and 1.5% in FY2024.

Proponents of this argument also often point to the Department of Defense spending, given that the largest portion of federal contracts do come from the largest agency with the largest budget. However, the fact is that the utilization of minority-owned firms has consistently fallen well short of the statutory requirement of the “maximum practicable utilization.” In FY2022, the Department of Defense awarded 1.16% of contracts to Asian American owned businesses, 1.6% to Subcontinent Asia Americans owned firms 1.31% to African

American owned firms, 1.46% to Hispanic American owned firms, 3.23% to Native American owned firms, .29% to other minority owned firms, and 15.7% to non-minority owned small firms.

4) “Minority-contracting programs degrade infrastructure and national defense...”

This statement is erroneously based in the belief that the performance on contracts awarded to minority and women-owned firms is inherently inferior, which is not only inaccurate but also ignores the real challenge to our national security - the shrinking number of businesses in the Defense Industrial Base (DIB), of all sizes, available to compete for contracts and the potential risks this poses to national security.

In February 2022, the Under Secretary of Defense for Acquisition and Sustainment provided a report to Congress stating that stated, *“promoting competition to the maximum extent possible is a top priority for the Department.”* The report also identified that *“over the past decade, small businesses in the DIB shrunk by 40%... the data shows that if the DIB continues along the trend, DoD could lose an additional 1,500 suppliers over the next 10 years. This downward trend is a national security and economic risk to the nation that could lead to a decline in key domestic capabilities and requires swift action to reverse.”* The report further recognized that *“consolidations that reduce required capability and capacity and the depth of competition would have serious consequences for national security”* and the Department must take proactive efforts to mitigate these challenges, and to *“increase competition and build domestic capacity, especially from small businesses, and to close gaps in the domestic national security and technology industrial base.”*

DoD’s own report directly counters the invalid assumptions about Federal procurement programs and highlighted the direct benefits the Department receives by stating *“DoD’s small business programs play an instrumental role in diversifying the defense supply chain and bringing new entrants, specifically from underserved socio-economic groups, into the defense marketplace.”*

5) ‘The intent of these programs is to restrict competition and to award contracts to businesses {based on race and sex} that otherwise could not compete on price and quality...’

Again, this is a blatant attempt to promote a false premise that simply because a company is certified as a SDB or participating in the 8(a) program that they are inherently not qualified to successfully compete or deliver on their scope of work, and represents either a significant misunderstanding or mischaracterization of small business contracting laws. Ironically enough, these same assumptions are often not made, or at least not expressed during official hearing for the explicit purpose of documenting in the Congressional Record, about sole source awards or limited competition procurements in the HUBZone, Veteran’s, Service-Disabled Veterans, or small business programs.

The implications that these programs and associated contracts are not merit-based and/or the firms who participate are otherwise unqualified to perform the work ignores both the requirements of the 8(a) program, and the requirements of contracting in general. Government contracts are not entered into lightly. Before awarding a contract, agencies conduct extensive reviews to ensure that the firm meets strict requirements for performance, cost, and schedule, including requiring that they have satisfactorily completed a project of similar scope and scale. Firms must also be in compliance with rigorous labor, cybersecurity, supply chain, and financial requirements, among many others, to be eligible for an award. Prior to awarding a contract, the contracting officer has to issue a responsibility determination stating that the contractor is capable of performing on the contract.

According to the Defense Acquisition University, *“a responsibility determination signifies that the Government has judged the contractor to have the means and ability to complete the contract in question.”* This includes but is not limited to strict accounting if a company:

- has adequate financial resources to perform the contract, or the ability to obtain them;

- is able to comply with the required or proposed delivery or performance schedule, taking into consideration all existing commercial and government business commitments;
- has a satisfactory record of past performance to ensure that the bidding company shows it has completed previous contracts of similar size and scope and was rated a certain satisfactory level;
- have a confirmed satisfactory record of integrity and business ethics;
- have the necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them;
- have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them;
- is able to meet certain government-issued security clearances for contractor personnel and/or facilities clearances for handling information, as well as specific processes and protocols in place to ensure information assurance and cybersecurity protections are in place; and
- be otherwise qualified and eligible to receive an award under applicable laws and regulations.

6) in order to meet the mandated disadvantaged business goals, the government either uses sole source awards to give contracts directly to SDBs or to DBEs, without any competition, or use set-aside programs, whereby only disadvantaged businesses can compete...

This is yet another frequent misrepresentation of government procurement laws and rules. First, as we have made clear, goals are not mandates and the terms should not be used interchangeably. Second, while any contracts awarded to participants in the 8(a) program are counted toward the SDB goals, there are no contracts set-aside for small business competitions or sole-source authorities that are used for SDBs.

SDBs are firms that meet the 8(a) criteria but are not in the 8(a) program – or in laymen’s terms: all 8(a) companies are SDBs but not all SDBs are in the 8(a) program. Like all of the small business procurement goals, the majority of the contracts counted toward the small disadvantaged businesses goals reflect contracts where the government bought something through its regular processes from a small disadvantaged businesses.

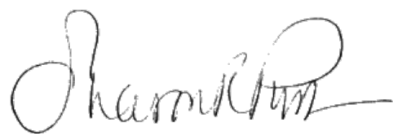
Mr. Chairman and Ranking Member, it is essential to reaffirm that diversity, equity, and inclusion (DEI) initiatives are not at odds with excellence in federal procurement—they are key to achieving it. These efforts are grounded in sound economic and strategic rationale, not ideology. They expand opportunity, drive innovation, and enhance competition across the federal supply chain. All contractors, regardless of ownership, are subject to the same rigorous standards and must demonstrate their technical and financial capacity to deliver value. Programs and procurement initiatives such as 8(a), SDB, and DBE simply ensure that merit is recognized across the full spectrum of qualified suppliers—including those historically excluded from procurement opportunities.

At a time when the number of firms competing for federal contracts declined by over 40% since 2010, according to the Government Accountability Office (GAO), the federal marketplace cannot afford further contraction. In FY 2023 alone, just 5.7% of eligible small businesses received federal contracts, despite comprising 99.9% of all U.S. businesses. This shrinking base threatens not only innovation and price competitiveness, but also the government’s ability to meet mission-critical needs. A robust and inclusive supplier base is essential to strengthening procurement outcomes, reducing costs, and ensuring resilient supply chains.

A truly merit-based procurement system must be inclusive of the entrepreneurial diversity that defines the American economy. By expanding the field of competition to include more small, minority-, woman-, and veteran-owned businesses, the federal government does not lower the bar—it raises the standard and strengthens the national economy.

Thank you for the opportunity to submit this testimony. We are available to provide further insights, case studies, or connect the Subcommittee with successful businesses in our network directly affected by these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon R. Pinder". The signature is fluid and cursive, with the first name "Sharon" being more prominent and the last name "Pinder" written in a more compact, stylized manner.

Sharon R. Pinder,
President and CEO - Capital Region Minority Supplier Development Council
Chair, Public Policy Committee – Regional Affiliate Presidents of NMSDC