



**Statement on Behalf of  
Women Impacting Public Policy**

**Making Washington Work for  
America's Small Businesses**

**Testimony of Anne Chambers**  
Before the Small Business Committee  
U.S. House of Representatives

**March 22, 2017**

Good morning. Chair Chabot, Ranking Member Velazquez and distinguished Members of the Committee, thank you for the opportunity to testify. My name is Anne Chambers, and I am the owner of two businesses in Cincinnati, Ohio – Red212, an independent content strategy agency that offers digital, traditional, and cultural solutions, and Jambaar, a video creation company providing data and technology for business growth.

Today, I am here representing Women Impacting Public Policy (WIPP), an organization of which I am a member. WIPP is a national nonpartisan organization advocating on behalf of women entrepreneurs – strengthening their impact on our nation’s public policy, creating economic opportunities, and forging alliances with other business organizations.

First, let me thank the Committee for holding this hearing. WIPP is appreciative of the bipartisan efforts of this Committee to advance the agenda of women entrepreneurs including accessing capital, accessing federal markets, and providing a business-friendly environment.

Few topics are as timely as today’s hearing: *Making Washington Work for America’s Small Businesses*, as women business owners are a strong economic force that make up a third of all American businesses. We are growing at a rate four times the rate of male owned firms, and contribute over \$1.6 trillion dollars to the nation’s economy.<sup>1</sup>

To provide information on the issues most important to women entrepreneurs, WIPP has prepared an economic blueprint which sets a bold, comprehensive set of public policy expectations on behalf of the women’s entrepreneurship community. The Economic Blueprint expresses our voice and our interests regarding the pressing business challenges that require action by our elected officials. My testimony outlines many of the blueprints core principals.

## **Economy**

Government and private sector efforts should be focused on increasing investments that drive economic growth. Policymakers are responsible for ensuring the business

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<sup>1</sup> 10 Million Strong: The Tipping Point for Women Entrepreneurship: 2015 Annual Report. National Women’s Business Council (2015).

environment is conducive to growth and that the federal government is a wise steward of tax payer dollars.

### 1) Investment in Entrepreneurship Pays Off

Over 36% of American businesses are women-owned, a segment growing at four times the rate of men-owned businesses.<sup>2</sup> Critical support for these entrepreneurs includes access to credit, access to the federal sector and access to training and counseling. Doing so maximizes their already sizable impact: contributing \$1.6 trillion annually to the economy and employing nearly 9 million Americans.<sup>3</sup>

### 2) Provide Women-Owned Businesses with Certainty in Economic Policy and Regulations

Federal regulations cost businesses just under \$10,000 per employee annually, with the annual total cost burden on the typical U.S. business coming in at a \$233,182.<sup>4</sup> This problem is exacerbated by the government's inability to provide long-term policies on which businesses can rely. Whether it is the continued threat of government shutdown in the annual budget/debt ceiling debate, steep spending cuts across the government, or even retroactive tax credits, women entrepreneurs are often left to guess at government outcomes affecting their businesses.

WIPP appreciates the support of this committee to ease the regulatory burden on small businesses. In particular, we would like to thank Members of the Committee for their support of the following legislation:

H.J. Res 37, which nullifies the Occupational Safety and Health Administration (OSHA) contractor blacklisting rule. While the intent of the rule, to keep bad actors from doing business with the government, is good, the execution was too burdensome for contractors.

H.J. Res 83, which nullifies the Department of Labor (DOL) rule that would enable the agency to cite employers for record-keeping violations up to five years old.

The Regulatory Accountability Act (H.R. 5), which would strengthen the Small Business Administration (SBA) Office of Advocacy and allow for the issuance of smarter, less burdensome regulations that consider the direct economic effects on small businesses.

The Regulations from the Executive in Need of Scrutiny (REINS) Act (H.R. 26), which would send new rules that will have a significant impact on the economy to Congress for an up or down vote before they can be implemented.

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<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> W. Mark Crain and Nicole V. Crain, "The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business," National Association of Manufacturers (September 2014).

## Tax

A Congressional tax overhaul should include an equitable reform of tax rates for all businesses. Given that 90% of all businesses in the U.S. are pass-through entities, reform should address the individual as well as the corporate tax rate.<sup>5</sup> On the Federal level, pass-through entities are subject to a top individual tax rate of 43.4% and up to an additional 13.3% for state and local taxes.<sup>6</sup>

WIPP supports:

- Reforming the tax code to make deductions and credits equitable no matter what the structure of the company
- Permanently repealing the estate tax and allowing small businesses to pass from one generation to the next
- Simplifying the tax code for small businesses to reduce the imbalanced cost of compliance versus large businesses

## Access to Capital

Capital is the lifeline of business and the ability to secure capital is often the determinant of an entrepreneur's opportunity to start or grow a business. For women, however, accessing capital continues to be difficult. Women-owned businesses ask for less funding – on average, \$35,000 dollars less than male-owned counterparts.<sup>7</sup> Yet, women receive just 16% of all small business loans made each year.<sup>8</sup> A Congressional report on women entrepreneurs found that women only receive 4% of all commercial loan dollars.<sup>9</sup>

WIPP's annual membership survey regularly finds that women must make multiple attempts to secure bank loans or lines of credit – with a full 40% never succeeding. Yet, women make up one-third of business owners, generating more than \$1.6 trillion annually in receipts, and growing at 1.5 times the rate of average businesses.<sup>10</sup>

In response to this crisis of capital, WIPP proposes the following policy-based solutions to spur lending to fuel the innovation and success of women entrepreneurs.

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<sup>5</sup> Scott Greenberg, "Pass-Through Businesses: Data and Policy," Tax Foundation, (January 17, 2017).

<sup>6</sup> *Id.*

<sup>7</sup> Jared Hecht, "State of Small Business Lending: Spotlight on Women Entrepreneurs," Fundera Ledger (September 6, 2016).

<sup>8</sup> *Id.*

<sup>9</sup> U.S. Senate Committee on Small Business and Entrepreneurship, Majority Report, 21<sup>st</sup> Century Barriers to Women Entrepreneurship (July 23, 2014).

<sup>10</sup> *Supra*, note 1.

## 1) Changing the Capital Infrastructure

### *Simplify Intellectual Property Protections*

Traditional and alternative investors are increasingly interested in the intellectual property (IP) value of companies seeking funds. Women entrepreneurs, however, lag significantly behind male counterparts in filing patents.<sup>11</sup> Additionally, simplifying the IP patent process for entrepreneurs will catalyze interest in investment smaller firms.

### *Re-think Credit Scores*

Lending decisions relying on credit scores, employment history and income are undermined by the many studies that show women lag behind male counterparts in pay.<sup>12</sup> Beyond pay discrepancy, antiquated scoring models disproportionately hinder women entrepreneurs seeking loans.

FICO introduced in 2014, and adopted in 2016, an alternative credit scoring system that would allow up to 15 million previously “unscorable” Americans to be scored based on alternative data. This includes payment histories, utility bills, cable bills, cellphone bills, and public record information (e.g., address history). This alternative scoring model may also help give lower lending rates based on a higher credit score. These modernizations in the credit industry hold great promise for women entrepreneurs and should be utilized in government lending programs.

### *Develop Female Fund Managers through “Emerging Managers” SBIC Program*

Venture capital (VC) continues to be elusive to women who need it. Less than 10% of overall VC funding goes to women-owned companies.<sup>13</sup> Data from Small Business Investment Companies (SBICs) licensed by the SBA, show women receive only 3% of investments.<sup>14</sup> Few fund managers are women. In a classic “chicken and egg problem,” many women cannot gain the requisite portfolio managing experience to become a fund manager, leading to a cyclical exclusion of women managers – ultimately preventing women from lending to women.

Creating an “Emerging Managers” track in the SBIC program and allowing these managers to engage in equity-based financing would help develop a generation of female fund managers, who in turn would increase the VC opportunities for women-owned firms.

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<sup>11</sup> Margaret E. Blume-Kohout, “Understanding the Gender Gap in STEM Fields Entrepreneurship,” SBA Office of Advocacy (October 2014).

<sup>12</sup> The Simple Truth About the Gender Pay Gap, American Association of University Women (2017).

<sup>13</sup> JMG Consulting, LLC & Wyckoff Consulting, LLC, Venture Capital, Social Capital, and the Funding of Women-led Businesses, SBA Office of Advocacy (April 2013).

<sup>14</sup> Annual Report Fiscal Year 2014, The Small Business Investment Company Program (2014).

## *Tax Incentives for Angel Investors*

According to the Angel Capital Association, an estimated 300,000 people have made an angel investment in the last several years.<sup>15</sup> The same estimates found a potential of 4 million investors nationwide. Incentivizing this kind of capital should be a priority.

More than half of U.S. states offer tax incentives for angel investors.<sup>16</sup> Creating a federal tax credit mirroring state models would increase angel investment at the critical early stage, such as Connecticut's. Federal support could include: grants, matches, or a dedicated fund. Additionally, to the extent possible, tax credits could be designed to incentivize angel investment in women-owned businesses.

## 2) Supporting Small Lending Institutions

### *Ending a "One-size-fits-all" Approach to Regulation*

Currently, banks and credit unions of all sizes largely face the same requirements under Dodd-Frank reforms. Small regional and community banks have the highest approval rate for small business loans. For example, community banks lent \$2.6 trillion in loans to consumers, small businesses and the agricultural community.<sup>17</sup> Yet, community banks have struggled with compliance and the regulatory environment that allows them to lend to small businesses. Congress should enact legislation to address the regulatory relief needed for smaller lending institutions.

### *Lift the Credit Union Lending Cap*

A cap limits most credit unions to lending no more than 12.25% of their assets to small businesses.<sup>18</sup> Credit unions could lend an additional \$16 billion to small businesses if Congress increased the statutory cap on credit union business lending.

## 3) Strengthening Government Investment

### *Accelerate SBIR Commercialization*

Innovative products are developed for government use through the Small Business Innovation Research (SBIR) program, which has three phases. Federal support generally ends after the second phase of meeting the government needs. The Department of Defense (DoD) has successfully utilized the Rapid Innovation Fund

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<sup>15</sup> FAQ: The Value of Angel Investors and Angel Groups, Angel Capital Association (2013).

<sup>16</sup> State Angel Investor Tax Incentive Programs, Angel Capital Association (accessed March 16, 2017).

<sup>17</sup> Independent Banker 2017 Media Guide, Independent Community Bankers of America (2017).

<sup>18</sup> H.R. 1151, 105th Cong. (1998).

(RIF) to commercialize SBIR technology. A RIF fund should be created at all federal agencies conducting research and development, to enable the government to purchase innovative products and services from small businesses. Additionally, agencies could also model the third stage commercialization of SBIR products on a public-private partnership to bring a pipeline of innovative products – already proven for government use – to market.

### *Modernizing the SBA Microloan Program*

Women are the biggest users of loans under \$50,000, accounting for 45.2% of loans made through the SBA Microloan Program in Fiscal Year 2016.<sup>19</sup> Not only should Congress continue to fund this program, they should also modernize it. WIPP looks forward to working with this Committee to remove limitations on technical assistance and allow for funds to be distributed more effectively.

### *Provide Adequate Resources for Financial & Business Counseling*

Obtaining assistance and coaching is the first key step in the capital access process. Businesses that receive assistance have an 80% success rate, compared to the 50-80% mortality rate for small businesses overall.<sup>20</sup>

Congress should adequately support organizations such as Women’s Business Centers, Small Business Development Centers, and other non-profits that provide financial counseling and prepare women to obtain capital. Traditionally funded by the Small Business Administration, the Department of Agriculture, and the Department of Treasury, investing in these programs will ensure that business owners receive the coaching they need to be a part of the 80% of businesses that succeed.

WIPP appreciates the efforts of this committee to enable women entrepreneurs to secure the capital necessary to start and expand businesses. We look forward to working with this Committee to make changes necessary to support all entrepreneurs.

## **Procurement**

In FY2015, for the first time, 5.06% of all government contracts were awarded to women-owned businesses.<sup>21</sup> While reaching the contract goal is certainly a milestone, a report issued by the U.S. Department of Commerce showed that

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<sup>19</sup> U.S. Congressional Research Service, Small Business Administration Microloan Program (R41057, Dec. 6, 2016) by Robert Jay Dilger.

<sup>20</sup> Bridging the “Pioneer Gap”: The Role of Accelerators in Launching High Impact Enterprises, Aspen Network of Development Entrepreneurs (accessed March 21, 2017).

<sup>21</sup> SBA Press Release: Federal Government Breaks Contracting Record for Women-Owned Small Businesses (March 2, 2016) available at <https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-federal-government-breaks-contracting-record-women-owned-small-businesses>.

women-owned businesses are still 21% percent less likely than male counterparts to be awarded a federal contract.<sup>22</sup> Below are WIPP's suggestions to correct that inequity.

### 1) Ensure Acquisition Reforms Support Women-Owned Businesses

Last year, WIPP published a report, [\*Do Not Enter: Women Shut Out of U.S. Government's Biggest Contracts\*](#). The report showed that women have limited opportunities to win some of the government's largest contracts, also known as Multiple Award Contracts (MACs). We urge Congressional action to require the SBA to conduct a comprehensive study on the participation of all small businesses on MACs. WIPP will work to ensure that agencies structure MACs to include all socio-economic groups, including women.

The continued effort to implement broad reforms in government procurement has not fully taken into consideration the damaging impact on small businesses. WIPP urges Congress to ensure that procurement reforms, including government-wide acquisition initiatives like category management, take into consideration impacts on government contractors, while also supporting the government's fundamental goal of getting "best value" in federal procurement.

### 2) Adequately Support and Train the Contracting Workforce

Procurement professionals struggle to keep up with changes to acquisition policy. Often these changes are designed to benefit small, minority, or women-owned businesses. New contracting policies, like sole source authority in the WOSB Program, should be explained to the government acquisition workforce to ensure changes passed by Congress are fully utilized by federal buyers.

### 3) Sole Source Parity

In 2015, WIPP pressed for – and achieved – the swift implementation of sole source authority to the WOSB Procurement Program. The WOSB sole source is limited to contracts valued at \$6.5 million or less for manufacturing and \$4 million or less for all other procurements.<sup>23</sup> While the WOSB sole source was being finalized, the amount for manufacturing sole source was increased from \$6.5 million to \$7 million for other socio-economic groups. We urge the Committee to ensure that WOSB sole source for manufacturing is also raised to \$7 million.

## **Healthcare**

Small businesses face higher administrative and premium costs for health insurance. This puts women entrepreneurs at an inherent disadvantage, as health

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<sup>22</sup> David N. Beede, Robert N. Rubinovitz, Utilization of Women-Owned Business in Federal Prime Contracting, Report Prepared for the Women-Owned Small Business Program of the Small Business Administration (December 31, 2015).

<sup>23</sup> 80 C.F.R. § 251(2015).



insurance is an important benefit to attract and retain employees. Congress and the Administration should implement the healthcare reforms targeting this inequity.

1) Implement a Strong Pooling Mechanism for the Small Group Market

The Affordable Care Act (ACA) established SHOP exchanges, but only on a statewide basis. Prior to the ACA, WIPP supported the concept of Association Health Plans (AHPs), which would have allowed small businesses to pool their buying power through associations in order to purchase healthcare across state lines. While WIPP supported the mechanism of state exchanges in the ACA, WIPP urges Congress to consider structuring the purchasing pools to maximize small business participation by revisiting the ability to shop across state lines.

2) Define Work Week as 40 hours

The Affordable Care Act defined a full-time worker as working thirty hours a week. The definition matters for defining whether a business is exempt from the employer mandate (under 50 FTEs is exempt). WIPP supports efforts to define the workweek traditionally, as forty hours. When revising health care legislation, WIPP urges Congress to define the workweek as 40 hours, if the employee mandate is retained.

3) Allow Health Insurance Deductions for the Self-Employed

WIPP supports reforming the tax code to make deductions and credits equitable, no matter what the structure of the company.

WIPP looks forward to working with Congress to ensure that any reform to health care addresses challenges for women business owners.

**Conclusion**

Opportunities for the nation's ten million women entrepreneurs have never been stronger, but challenges still remain. WIPP's economic blueprint outlined in this testimony, provides solutions to improve in a number of key areas including: tax, access to capital, health care, and procurement. This Committee has always acted in a bipartisan manner to support women entrepreneurs and we appreciate your interest in our input, making sure that the challenges of women entrepreneurs are considered.

Thank you for the opportunity to testify and I am happy to answer any questions.