

WOMEN'S ENTREPRENEURSHIP: SUCCESSES AND CHALLENGES

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THURSDAY, MAY 12, 2004

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS
Washington, D.C.

The Committee met, pursuant to call, at 2:05 p.m., Room 2360, Rayburn House Office Building, Hon. Donald A. Manzullo presiding.

Present: Representatives Manzullo, Velazquez, Akin, Millender-McDonald, Napolitano.

Chairman MANZULLO. Good afternoon and welcome to this hearing of the Small Business Committee on Women's Entrepreneurship: Successes and Challenges. Women-owned businesses are a dynamic and thriving force in the U.S. economy. In fact, there has never been a better time for women to be in business. That is a nice line that you put in there, pretty good. Thank you.

Women own 40 percent of all small businesses. Furthermore, women-owned businesses are growing at twice the rate of all other businesses. America's 9.1 million women-owned businesses employ 27.5 million people and contribute \$3.6 trillion to the economy. Business ownership has been one of the most effective means of improving women's economic well being. Women's participation in business ownership at all levels is climbing, showing an increasing presence in the U.S. economy, yet women still face many obstacles and challenges. Access to credit, access to affordable quality health care for themselves and their employees, procurement opportunities, regulations and taxes.

We look forward to the testimony of all the witnesses here this afternoon to learn more about their perspective. And I now turn to my colleague, the ranking member, Congresswoman Velazquez, for her opening statement.

[Chairman Manzullo's statement may be found in the appendix.]

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Throughout the past decade, women-owned businesses have flourished in the United States. Since 1997, women-owned firms have grown at nearly twice the rate of all businesses and growth in employment by women-owned businesses has been even more dramatic, 24 percent versus 12 percent for all other firms. It is quite obvious that women entrepreneurs are an increasingly important sector of our economy and their contributions are priceless. Nearly half of all privately owned businesses today are owned 50 percent or more by women, totalling 10.6 million enterprises.

As these women entrepreneurs experience overwhelming growth and expansion, it is unfortunate the Bush administration policies failed their firms. The failure of this administration to provide access to health care, capital and the federal marketplace strongly impact women-owned business, since their firms tend to be smaller. These are the same businesses capable of putting us out of the current economic downturn and, unfortunately, these administration policies are not creating conditions conducive to enabling these women-owned firms to do so.

For example, the SBA has several programs geared toward assisting women entrepreneurs in starting and growing their businesses. The programs that target entrepreneurial development have been either flat funded or cut in President Bush's latest budget proposal.

Another challenge facing women business owners is the lack of access to the federal marketplace. The Women's Procurement Program, which was actually signed into law in 2000 would have allowed federal agencies to lessen competition for contracts by restricting a portion for women-owned businesses. Sadly, it was never implemented by SBA.

Therefore, in 2001, women-owned businesses lost more than \$5.5 billion in federal contracting opportunities and an addition of \$4.9 billion in 2002. These are opportunities that women-owned firms cannot afford to lose. Another major barrier for women entrepreneurs is a lack of access to capital. Access to affordable capital determines their chance of survival among their competitors and without it, women-owned firms can be devastated. That is why the SBA loan programs are a vital tool for women business owners, enabling them to gain access to capital.

Last year, these loan programs provided \$20 billion to our nation's entrepreneurs, accounting for 40 percent of all long-term small business lending. Yet, the Bush administration proposed to eliminate funding for several of these initiatives including two distinct funding sources for women entrepreneurs, the 7(a) and Micro Loan programs. This is a huge loss of the funds provided by the Micro Loan programs that were targeted towards these women business owners. There is no getting around the harsh truth, that our country's women business owners are facing an uphill battle. Despite their tremendous economic growth and strength over the past ten years, this administration continues to fail them by passing policies that do little, if anything, to provide the relief they deserve.

If we want women entrepreneurs to thrive and to create the jobs our economy needs right now, then we must ensure they can overcome these challenges. Our nation's women entrepreneurs are among the fastest growing economic sectors today and we must recognize how the Bush administration policies are negatively affecting their growth and ability.

As we acknowledge the accomplishments and growth of women-owned businesses, we must work to guarantee they are successful and strong. The vitality of our economy depends on it. Thank you, Mr. Chairman.

[Ranking Member Velazquez's statement may be found in the appendix.]

Chairman MANZULLO. Thank you. The light here gives you five minutes to give your testimony. Deputy Administrator Sabelhaus, we'll give you seven minutes. I think you have a little bit longer there because of the details you have to go into. But Deputy Administrator Sabelhaus came out to our district about a year and a half ago and she made sure that she came into the district so she could be there on a Monday, because she wanted to stop at Manzullo's Famous Foods on a Sunday evening. I think about five of you came in and we had a pretty wild time there at the restaurant. That is the family restaurant.

Ms. SABELHAUS. Fabulous food.

Chairman MANZULLO. They specialize in fish on Friday night, lasagna on Saturday night. And it was growing up in the restaurant business where I really learned who ran the Ma and Pa operation. My dad did the general repairs and Ma did the ordering, paid the bills, did the hiring, did the firing. She ran the restaurant and it was a very delightful opportunity in my life to grow up in that business and to see that take place. So Melanie, we really look forward to your testimony and the written testimonies that you have submitted will all be made part of the record. You are not bound to follow them. This is a very conversational type of atmosphere and let us have some fun this afternoon and discover the great things that are going on with women entrepreneurs in America.

STATEMENT OF MELANIE SABELHAUS, U.S. SMALL BUSINESS ADMINISTRATION

Ms. SABELHAUS. Thank you. Chairman Manzullo, Ranking Member Velazquez and Members of the Committee, I appreciate the opportunity to testify today before you and discuss both the successes and the challenges of being a women in small business in this marketplace.

I want to thank my fellow panelists right from the very beginning on their incredible commitment to women in business and for being here today. I feel the energy, I feel the enthusiasm in this room and I know I am with very good friends here. I want to especially recognize from Maria Welch from WIPP. We are fellow members of WIPP and also the Women's Initiative. I want to congratulate her on her recent recognition as being one of Maryland's top 100 women. I am proud of you, Maria.

Chairman Manzullo and Congressman Akin, by the time this panel is through with our testimony, you are going to all want to be women entrepreneurs, so just get ready.

[Laughter.]

Ms. SABELHAUS. I am very proud to serve as the Deputy Administrator of the U.S. Small Business Administration. It is a once in a lifetime opportunity to be a strong advocate for our nation's small businesses. I feel it is absolutely the best job in government. I am passionate about the success of entrepreneurs and especially women entrepreneurs, the economic powerhouse of the 21st Century.

I know how important it can be for an entrepreneur to have just one person stand behind them, encourage them, support them and make sure that they back them up. I know this because after being

turned down six times for a loan as an entrepreneur, I started my own business and I did take it public in 1997. I did not know about the SBA and I do not want that to happen to another small business in America. This kind of real world experience shared by President Bush and Administrator Barreto has shaped the economic philosophy of this administration. Those of us who know what it is like to meet a payroll, those of us who know what it is like to meet a health insurance premium bring a unique perspective to the federal government. We know how hard small business people work, the risk they take and how good it feels to be an entrepreneur and your own boss.

I agree with the President when he says, when it comes to entrepreneurship and job creation, it is becoming a women's world. You bet it is. The numbers prove it. It is 10.6 million entrepreneur women, women again owning up to 40 percent of all U.S. businesses and generating up to \$3.6 trillion in revenue. That is larger than the GDP of Germany. Almost 100,000 women-owned businesses in America have \$1 million more in revenue. Twenty-four million people walk in every morning and look at that smiling woman's face. Women are the purchasing officers of America. We are buying for ourselves, we are buying for our families and we are buying for our companies. We manage 83 percent of the household income and, gentlemen, we are going to inherit 85 to 95 percent of the nation's wealth and I will tell you why. We live seven years longer than you do.

[Laughter.]

So there are five million more of us. With this comes a great deal of responsibility. We are responsible for purchasing 81 percent of all goods and services in the United States and it cannot all be shoes, although the women here would probably debate that.

The point is, we are impacting our country like never before. We are in an unprecedented position of power. The way we think, ladies, the way we behave affects the way America does business. What was once seen as a glass ceiling is now the executive board room of most of the most successful companies in the country. Carly Fiorina of HP, Meg Whitman of eBay are role models and they are also partners with the SBA. But the real economic powerhouse sits here today on this panel, is in this room. It is the 10.6 million women business owners of America.

The President believes that small business is the engine that fuels the economy. I say that we are the heart and soul of America. This is why the President has a small business agenda at the centerpiece of his domestic policy. The President's jobs and growth package, which I know has the support of numerous members on this Committee, accomplished the most important thing government can do for small business and that is let these hard working Americans keep more of their own money so they can earn that money, pay their bills, invest in their business and hire people.

To these men and women, income tax cuts means more money and that is what is important. It is all about jobs, jobs, jobs. Along with it, we quadrupled the deduction for business expenses to \$100,000. This allows them to invest in their businesses, in their futures. In fact, 79 percent of the \$12.4 billion in tax relief will go

to small business owners. This is real impact of tax relief. This is job creation and the investment in our economy.

The latest job figures last Friday showed that these policies have created 280,000 new jobs. That is more than 1.1 million jobs in the last eight months. However, this administration recognizes that there are other hurdles that we need to face, such as the high cost of health care, the high cost of health insurance, the common sense tort reform, the ability to compete in the expanding global market. This administration is taking a proactive approach to addressing these issues. We are all about delivering results. Small businesses are telling us we must eliminate burdensome regulations, cut the red tape and get government out of the way.

Over the last three years, SBA's Office of Advocacy has saved small businesses over \$31 billion in needless red tape. Now that is what I call results. Small business wants their fair share of that \$250 billion government pie and the women at this table want the whole pie, they do not want a piece of it.

Under Hector Barreto's leadership, the SBA has launched a very innovative program to insure that small businesses receive their fair share. It is called business matchmaking. It has given the small businesses in America a chance to meet with the federal, state, and local government officials, as well as the private sector. What this means is results. It means contracts, it means dollars, it means jobs. I am proud to say that the seven matchmaking events have had 4,000 small business people participating and nearly half of them were women. And what we did is we took this program outside the Beltway. We have been all over the United States and it translated into 16,000 one on one meetings between small businesses and potential buyers.

One individual said to me, Melanie, on a scale of one to ten, business matchmaking is a 15. I was very proud to report that.

Last year we celebrated our 50th anniversary. It is scary that I am older than the agency, but I do not look it, do I, Mr. Manzullo? Do I look older than the agency? I may at this point.

Chairman MANZULLO. I think you were born in 1972, or something like that.

Ms. SABELHAUS. Thank you very much. But last year we celebrated our 50th celebration and it was a banner year. We were up 30 percent in our lending, 74,000 loans, over \$14 billion. But what does that mean? That means jobs. Over 500,000 jobs were created or retained.

Loans to every sector in the marketplace increased, double digits. African Americans, Hispanics, Asians, Native Americans and women. Our work is far from finished, believe me. There is still a lot of work to do and there are many entrepreneurs that want to start businesses. They need access to capital, they need technical training and we are here to help. That is where the SBA comes in.

Women last year had increased by 37 percent for fiscal year 2003. In fact, SBA guaranteed 14,378 loans—

Chairman MANZULLO. How are you doing on time, Melanie?

Ms. SABELHAUS [CONTINUING] I am almost ready to end.

Chairman MANZULLO. Good, otherwise I would end you.

Ms. SABELHAUS. Okay, let me just end quickly by saying that on top of this, this is important and I would like to address it. In the

last three years, the percentage of federal prime contract dollars awarded to women has risen. Last year we saw \$9.7 billion. We are up one billion dollars. We know we have a lot of work ahead of us, but we are progressing.

So I am proud to represent this administration. I also want you to know I am glad you gave me this opportunity to highlight this administration's successes and I want to thank you very much, all of you, for your dedication and determination. I certainly look forward to this panel's testimony and I am available for any questions.

[Ms. Sabelhaus' statement may be found in the appendix.]

Chairman MANZULLO. Thank you very much for that excellent testimony. Our next witness is Judy Pike. Judy is from Rockford. Judy's husband and my brother were in the Reserve together and were cooks and somebody has got to do the cooking. My brother went in there right after high school and he has been involved in the restaurant business ever since. Judy, we look forward to your testimony. If you could pull the mike up to you closer.

Ms. PIKE. Sure.

Chairman MANZULLO. You do not all have to be as animated as Melanie. I just want you to be yourselves, okay?

STATEMENT OF JUDITH E. PIKE, PRODUCTION TOOL & SUPPLY, WOMEN OF TODAY'S MANUFACTURING

Ms. PIKE. Good afternoon, Mr. Chairman. My name is Judy Pike and I am from Rockford, Illinois. The name of my company is Production Tool & Supply.

Chairman MANZULLO. Judy, could you pull the mike a little bit closer there? Thank you.

Ms. PIKE. Sure. The name of my company is Production Tool & Supply and until December 31, 2003, I also had another company called Acme Grinding. Both of the companies are in the manufacturing related business. Acme Grinding is a small job shop which does secondary services for the fastener industry and Production Tool & Supply is an industrial distributor. They are a supplier of abrasives, fluids, cutting tools, carbide cutting tools to the metal working industry in our area.

My late husband, John Pike, owned both of these companies. I had the honor of working with John for 29 years until his death in 1996. Since then, I have been the president and owner of both companies.

Even though I had worked in the business for many years, upon John's death, there was a period of time when we, as a company, had to prove we were able to provide the services our customers expected. There was the occasional let me talk to someone who knows something and I would rather talk to one of the guys comments. But for the most part, everyone we dealt with was gracious and helpful. The employees at both Production Tool and Acme had always been our biggest asset. Together we weathered the storm and grew both companies until the economic downturn in 2001.

With the multinationals leaving our country to manufacture outside, in the next three years the manufacturing climate in Rockford declined and many of the companies we did business with closed or left the state. We tried our best to keep the business operating.

We worked two years and trimmed schedules of 32 hours a week. My family wanted me out while there was still something to salvage, but when you have worked with people for 34 years, you owe some loyalty to your employees.

I could not see closing. What were these people going to do? There were no manufacturing jobs in Rockford. I had an employee willing to give up his medical insurance so if people left, we could keep the business open a little longer. Health care for small business is in major crisis. But in December, 2003, after months of declining sales and cutting employees' hours and seeing no relief in the future, I decided to sell the manufacturing part of our businesses, which was Acme. If I had been 45, I would have gone to the bank and tried refinancing to keep the business going, but that was not an option. At 64, my financial future was at risk.

As a woman business owner, I have not run into the obstacles that some women seem to have been running into. I believe my situation has been different. My business was in place and I didn't have to go to anyone for help, so I thought. Maybe I should have.

In the latest figures I could find on women owned businesses, only two to three percent of them are in the manufacturing industry, but I believe these numbers are on the rise. I know in Rockford there are several companies that are owned and run by women. With a couple of women I have talked to, the most challenging part of their business was not so much being a woman, but being in the manufacturing industry. The banks are not real kind to the manufacturing world in Rockford, Illinois.

After one of the women said that she had gone to an agency and asked just for a loan, but they never even returned her call, after the move was complete, she did it all on her own and she called the person at the agency and thanked them for nothing. And we wonder is it being a woman or in the manufacturing industry?

In our area, we really are trying to mentor and assist other women who are interested in getting into the manufacturing world. We have taken up the challenge of getting women involved in our industry. In the last year and a half, Melba Bradberry from S&B Jig Grinding, Teresa Beach-Shelow with Superior Joining Technologies and myself have incorporated a not-for-profit organization called Women of Today's Manufacturing. It is an educational organization dedicated to serve the manufacturing in our area. We have now grown to 75 members.

Teresa had an idea of having a camp for kids to introduce them to manufacturing in Rockford. We held our first Manufacturing Camp last summer. We signed up ten boys and girls and took them through a week of introduction to our industry. They are boys and girls that are in the eighth, ninth and tenth grade. It was a hands on week of learning how to operate various machines and software programs. They generated prints on their computers and they actually made their own little hammer to take home at the end of the session.

They toured local manufacturing plants and by the end of the week they were excited to see things that had been made in Rockford and to be aware of their surroundings around them. The group has established our scholarship program through the community

foundation and we are giving out our first scholarships this month, \$500 each, and both boys are going into the engineering industry.

We have to mentor. With nothing but discouraging news in the media——

Chairman MANZULLO. How are you doing on time, there, Judy?

Ms. PIKE [CONTINUING] Oh, geez, I am sorry.

Chairman MANZULLO. That is all right, just finish your thought. That is okay.

Ms. PIKE. Okay, what we have done in our area is Teresa Beach-Shelow has started another location called Manufacturers Alliance of Rock River Valley, just to deal with the federal government. You cannot, as a small business owner, deal with the federal government. So they have started this group to deal with the Lockheed Martin, the Defense Department and Caterpillar.

In the business world of today, we have been asked to be more productive, more cost efficient and in most cases, to reinvent ourselves. Hopefully in Rockford, Illinois, we are giving it our best shot and our best effort. Thank you for your time today.

[Ms. Pike's statement may be found in the appendix.]

Chairman MANZULLO. Thank you. Our next witness is speaking on behalf of Women Impacting Public Policy and Norma Powell Byron, we look forward to your testimony. Byron is the nearest, biggest town to where my farm is. I do not know if you are aware of that.

STATEMENT OF NORMA POWELL BYRON, THE ASHLAWN GROUP, LLC, WOMEN IMPACTING PUBLIC POLICY

Ms. BYRON. Where is your farm?

Chairman MANZULLO. It is near Egan, Lightsville and Myrtle.

Ms. BYRON. Oh, great.

Chairman MANZULLO. You do not know where that is either, do you?

Ms. BYRON. I have no idea where that is.

Chairman MANZULLO. Yes, we raise beef cattle about 25 miles south and west of where Judy lives.

Ms. BYRON. Oh, great. I have been to Rockford. I know where that is.

Chairman MANZULLO. Good. We look forward to your testimony. That will not count towards your time. Go ahead, please.

Ms. BYRON. Good afternoon. Mr. Chairman and Members of the Committee, I am Norma Byron, President of the Ashlawn Group, located in Alexandria, Virginia. I am appreciative you are holding this hearing and its focus on women's entrepreneurship. I am testifying on behalf of Women Impacting Public Policy and the National Association of Women Business Owners.

My entrance into the world of entrepreneurship came about in a sudden and unconventional way. After spending over 20 years in the munitions industry for small and large companies, I was thrust into running a munitions company when my boss died in a small plane crash in the Shenandoah Valley. He had no will and no succession plan, so it was up to me to keep the company running and fulfill its contractual obligations. Since his family did not have any interest in continuing the business in the long term, they suggested

to me that I start my own company and take the existing customers with me and that is how Ashlawn Group was born.

Mr. Chairman, the Ashlawn Group is really one of a kind. There are no other women-owned businesses in this country who design munitions for weapons systems. Thanks to the program managers and contracting officers at the Department of Army's Picatinny Army Arsenal facility, we are slowly but surely building this business to expand its customer base to other services and government agencies. If Picatinny had not been willing to work with us, my business surely would have failed.

So while you hear horror stories of small businesses who contract with the DoD, you should also hear stories such as mine that are positive. Since my first contract with Picatinny, my company's annual contracts doubled after the first year and have continued to hold steady since then. Our newest initiative is our fuel cell for munitions programs. We are capable of reducing a fuel cell to a D size battery and even smaller for weapons usage. This is critical, because it has been shown that standard batteries for weapons are not holding up as needed in Iraq. We have asked Congress for funding in FY 2005. If we secure the necessary funds, we will be able to produce these cells within 24 months. In doing so, we will create much needed manufacturing jobs in this country and insuring our weapons work. They are the first manufacturing jobs in fuel cells in America.

Now let me address the challenges we face going forward. First we have applied for and hope to be awarded 8(a) status. Mr. Chairman, this is absolutely critical to our success in the government contracting arena. Clearly, we are not capable of competing in an open competition with large munitions companies with enormous resources. Without 8(a) status, we lose the ability to grow at a rate necessary to compete effectively.

Second, small businesses like mine are at the mercy of federal contracting policy decisions which can be disastrous for them. Contract bundling continues to create barriers for small business. Small business must win each order separately on a case by case basis, while their large counterparts can win large bundle contracts. This places small government contractors at an immediate disadvantage in seeking contracts with the government.

I know this Committee has been vigilant in its review of federal contracting policy and fought for changes important to small business, such as contract bundling.

Third, the enforcement of Federal Acquisition Regulations and increased scrutiny of subcontracting plans is a key component of whether businesses such as mine will be able to be successful. Unless the secretary of each agency places a high priority on enforcement and attainment of small business goals, nothing will change. By increasing small business participation, we are in many cases asking contracting officers to do things differently. If contracting officers and program managers are not held to their small business goals and if contracting is largely left in the hands of the primes without the proper oversight, small business might well continue to struggle to get its fair share of federal contracts.

Another issue for small business is payment in a timely fashion. As you are aware, cash flow is at the heart of any business. My

experience has been difficult working with the contracting officials to allow for critically needed advance payments or partial payments for work in progress. Of course, the difficulty of collecting payments for work completed becomes even more difficult in a sub-contracting relationship.

The other challenge for women in small business is access to capital. The perception that you can only get an SBA loan if you do not need one is still the perception among women business owners and that one needs to change. As women who own businesses mature and move to the next level of growth, access to capital is a critical component. Thankfully, we no longer have to take our husbands with us to get a loan, but from my personal experience, the amount of loan offered to a woman-owned business in a financial institution can still differ significantly from one given to a male counterpart. I encourage your Committee to continue its good work in ensuring that the SBA loan programs remain intact and percentages loaned to women-owned businesses increase. Thank you for giving me the opportunity to testify and tell my story. I am happy to answer any questions.

[Ms. Byron's statement may be found in the appendix.]

Chairman MANZULLO. Thank you. We might get a series of four votes that could take an hour somewhere between two and three o'clock so I want to get through the testimony in chief here, so if you could keep your remarks to the five minutes, that would help out.

Our next witness is Maria Welch, CEO of Respira Medical, Inc. and we look forward to your testimony.

**STATEMENT OF MARIA WELCH, RESPIRA MEDICAL,
BALTIMORE HISPANIC CHAMBER OF COMMERCE**

Ms. WELCH. Thank you. Mr. Chairman and Members of the Committee, good afternoon. My name is Y. Maria Welch. I am appearing before you today as a national founding partner of Women Impacting Public Policy and a member of the Baltimore Hispanic Chamber of Commerce. I am the CEO of Respira Medical, a respiratory and home medical equipment company located in Baltimore, Maryland. Here is my story.

Three years ago, I applied to Women Entrepreneurs of Baltimore, WEB, an SBA-funded women's business center, which is also funded by the SBA Prime Program. Prior to entering the WEB program, I experienced difficulties including domestic violence, resulting in my becoming homeless. Prior to becoming homeless, my father, Miguel Better, was dying of chronic obstructive pulmonary disease, COPD. He was a career iron worker and was exposed to environmental hazards, such as asbestos, causing his COPD. COPD is a horrible disease which prevents one's lungs from expanding and contracting and results in a long, slow and painful death. The toll of this disease on a patient and caregivers is enormous. As a result of assisting in the care for my father, I realized the difference in services patients received from caring, qualified respiratory therapists as opposed to home medical equipment companies who provide only mediocre services.

Faced with the dual challenge of supporting my family and finding meaningful work, I decided to go into the home health res-

piratory business so I could help people like my father and caregivers like my mother enjoy a much higher quality of life during the precious time they had remaining with us.

When I applied to the WEB program, I expected to learn how to write a business plan and open a business. At that time, I was dealing with a lot of issues which affected my self-confidence and self-esteem. Not only did I learn how to write a great business plan and open my business, I also received immense support, encouragement, resources and tools to overcome my lack of self-confidence and to build my self-esteem.

I am happy to report that in just three years, I employ 24 individuals and have cared for over 4,500 patients throughout a broad geographical area. We have grossed over \$1.4 million this past year and have been honored with numerous awards, including the Small Business Administration Outstanding Woman Entrepreneur.

I can assure you that none of this would have been possible without the highly effective and comprehensive program of WEB. There are no other programs that provide the in-depth and comprehensive training that WEB provides. The Senate recently passed S.2267 and I urge the House to agree to its passage. It is vitally important to the existing women business centers to be able to continue their much needed services. Fifty-three centers are in jeopardy of losing their funding as of July 1, 2004 if this legislation is not passed.

Now that I have addressed my successes, let me address some of the challenges that lie ahead for Respira Medical. An element of the new Medicare law contains a component of the law that can close the doors of Respira forever. The new law requires national competitive bidding for durable medical equipment, which can include oxygen related equipment that Respira Medical provides to its patients. While well intentioned to promote competition among providers and thereby lower prices, I believe it will have unintentional consequences for patients and small businesses. The consequence to small businesses is that service to patients such as my small company can provide will be lost in the frenzy to provide the lowest cost equipment. Patients will not only lose services but will also lose consumer choice.

Respira Medical serves many individuals in isolated locations. We do not pick and choose whom we serve based on the amount of reimbursement for services. We fear that national competitive bidding rules will be set up to favor large, well capitalized providers and jeopardize small companies like mine. We fear patient choice will be limited to a few large companies and, in the end, the patient will lose.

As is the case in many industries, it is a mistake to assume that size and capitalization assure appropriate, timely or legitimate services. After overcoming so many obstacles to be successful, I fear that the government will undo these efforts by imposing an insurmountable obstacle, a federal regulation which is not within my power to change.

Currently, the Centers for Medicare and Medicaid Services are in the process of putting together an advisory Committee to determine the direction of this new requirement. We urge this Committee to protect the interest of small business as the CMS begins this proc-

ess and develops its advisory Committee. At Respira Medical, we consider it a privilege to care for a patient. They have chosen us to provide their care. The secret to our success is that we do the basics very well. I hope my competition hears that loud and clear.

Mr. Chairman and Members of the Committee, thank you for giving me the opportunity to speak today and I am happy to answer any questions.

[Ms. Welch's statement may be found in the appendix.]

Chairman MANZULLO. Thank you very much. Our next witness is Cheryl, is it Mosier?

Ms. MOSIER. Yes.

Chairman MANZULLO. Pinch-hitting for her mom, Ann Belus, who is ill, is that correct?

Ms. MOSIER. Yes, she is.

Chairman MANZULLO. Cheryl, thank you for coming out on such very short notice, speaking on behalf of the Plumbing, Heating, Cooling Contractors of America and we look forward to your testimony.

STATEMENT OF CHERYL MOSIER, FOR ANN BELUS, PRESIDENT OF CABLE PIPE AND LEAK DETECTION AND PLUMBING, HEATING, COOLING CONTRACTORS OF AMERICA

Ms. MOSIER. Okay, thank you, Chairman Manzullo, Ranking Member Velazquez, Members of the Small Business Committee Members and other distinguished guests. First, let me offer that it is a thrill for me to be considered as an entrepreneur and it is indeed a privilege to be serving on a panel with other women that, in your view, have tremendous entrepreneurial spirit. Mr. Chairman, I applaud your Committee's scheduling of a hearing on this topic. It is a most gratifying experience for me to be here representing my company, Cable Pipe and Leak Detection, in Spring Valley, California and for the association of which I am a member, the Plumbing, Heating, Cooling Contractors National Association.

My entrepreneurial vision began in 1976 when my husband, John, was employed as a journeyman plumber for a major contractor. At the time, I was employed as an administrative assistant for a civil engineer. We had comfortable incomes but had higher aspirations, both of us keeping alert for new business opportunities. In John's line of work, he came across the need for a specific, specialized type of work related to plumbing. In Southern California, most of our homes are built on slabs, with the plumbing installed under the foundation. If a problem in the piping, such as leaks or stoppages develop, there was no alternative but to dig and keep digging until the problem was found. He thought there had to be an easier way.

Since his job was more financially lucrative than mine and we had four children under 12 years old to support, we decided he would keep his job and I would do the footwork to see if a business of this type would work. I would like to add at this point that even though my mom was starting her business, she always had time for us. She never missed any of our sporting events and was always there whenever we needed her and she still is to this day.

I spent days researching manufacturers' directories at the library to see if there were instruments being made that could be used to

trace underground pipes. The vision for my company would be to specialize in tracing underground plumbing and pinpointing leaks in those lines. We leveraged ourselves to the maximum by taking out a second mortgage on our home and went out to purchase the equipment and a truck. We settled on taking small steps and went out and hired our first employee, a technician, and trained him on how to use the equipment. Our vision was forming—little did I know at the time that I was well on my way to becoming a successful entrepreneur.

The first two years were extremely difficult to keep my company alive, but I would not give up. I operated in the red but never gave up as I literally pounded the pavement, went door to door visiting anyone that I thought could benefit from my services. I tried all types of advertising, newspaper ads, radio and flyers, but found that word of mouth from satisfied customers worked the best. I established a foundation of sound business practices and committed to my customers a quality product. Eventually my company started to grow.

I never felt that being a woman in a predominantly male-oriented line of work was any disadvantage. I studied hard and learned quickly all the aspects of the plumbing trade so that I could converse with any contractor on an equal basis. When I approached a potential customer, I knew my facts and promised great service.

My small company continued to grow until it reached the point where my husband could quit his job and come work for me. I continued to run the business from all aspects while he worked as a technician. Perhaps the biggest issue affecting my company today is the high cost of health care. It has always been a priority for me to offer my employees the best in health care insurance. The exorbitant increases in my health care premiums are forcing me to consider whether I can continue to provide this benefit to my employees.

My company firmly supports Association Health Plans and I am pleased to learn that both Chairman Manzullo and Ranking Member Velazquez support this legislation with Representative Velazquez taking a leadership role in sponsoring this legislation.

I understand that this week being labeled covering the insured, so it is a thrill for me to be here in town while such an important issue is generating headlines. One would think that with small business providing nearly 70 percent of the economic growth in the country, it seems only fair that we should be able to obtain affordable health care such as that offered by large companies.

In many ways, health care is a job issue. I would like to employ more technicians to meet the growing needs of my company, but I am somewhat reluctant to do so until we can hopefully control these ever increasing health care costs.

In summation, having my own business has indeed been extremely satisfying for me. There have been tough times, good years and bad, problems encountered along the way, but I feel that I have provided a valuable service to society and provided a good working environment for all my employees. I now look forward to my retirement and letting my children take over the business operations. Perhaps now would be a good time to put in my plea for Congress to do away with the death tax, once and for all. I am for-

tunate to be in this industry and I truly value the services I provide, including health, comfort and safety to citizens across the country. Thank you, Mr. Chairman, for the opportunity to allow me to share the story of my dream come true.

[Ms. Belus's statement may be found in the appendix.]

Chairman MANZULLO. Well, thank you very much. Our next witness is Isabelle Hilliard, President and Chief Executive Officer of Old Dominion Home Health Services. We look forward to your testimony.

STATEMENT OF ISABELLE HILLIARD, OLD DOMINION HOME HEALTH SERVICES, U.S. CHAMBER OF COMMERCE

Ms. HILLIARD. Thank you, Chairman Manzullo, Ranking Member Velazquez and members of the Committee. I am Isabelle Hilliard, President and CEO of Old Dominion Home Health Services, a small business headquartered in Richmond, Virginia with another center located in Petersburg, Virginia. Our firm currently employs 125 individuals dedicated to providing highest quality home care services to clients in their homes.

My businesses offer a myriad of health care services, including free home care evaluation, medical skill nursing, Medicaid home health, Medicaid personal care, technology assisted waived, respite care, sitters, live in and companion services, as well as physical, occupational, speech and respiratory services. My business includes a durable medical supply and equipment company and an adult day care center.

I also come to you as a member of the U.S. Chamber of Commerce's Small Business Council. I am deeply honored to speak to you today on issues that are very important to me. I cannot help but think of the millions of women-owned businesses that share similar concerns and challenges as I have in the years of my being in business.

Succeeding as a women-owned business, small business, are not much different than the hurdles presented to all small businesses, though at times they are exaggerated by my gender. Access to capital or the lack of it, the deluge of government regulation and paperwork, navigating through a complicated regulatory process and the ability to attract and keep qualified personnel serve to headline my difficulties in business over the years.

I would like to make the following recommendations to Congress that would not only help my industry but would also help other business owners like myself start, run and expand our businesses.

First, this Committee and the House of Representatives should pass S.2267, the Business Centers Sustainability Recovery Act of 2004. This bill would enable the Small Business Administration to reprogram currently appropriated funds and tap into a pool of funding normally reserved for initial grants to newly-established Women Business Centers. WBCs have been successful in providing assistance to women in all walks of life, including women who once received public assistance and are now operating businesses and creating jobs. Congress must appropriate enough funds to provide a consistent and predictable SBA 7(a) loan program. The SBA 7(a) program and the 504 guaranteed loan programs play a vital role in alternative sources for capital when funding through conven-

tional methods is not available, especially for women business owners.

Third, the Senate must follow the lead of the House and pass association health plan legislation. Access to affordable, high quality health care coverage for small business owners and their employees must be improved, without adding new mandates that require specific coverage.

Chairman MANZULLO. Isabelle, could I interrupt you there? If I could go on to Terry to get her testimony in before we have to run off for some bells, would you mind if I do that?

Ms. HILLIARD. I do not mind at all.

Chairman MANZULLO. Then we will come right back and to the question time, okay?

Ms. WILLIAMS. Talk to me in the future———.

Chairman MANZULLO. Terry, go ahead. I am sorry about these bells, but we will make sure everybody gets enough time.

STATEMENT OF TERRY WILLIAMS, U.S. WOMEN'S CHAMBER OF COMMERCE

Ms. WILLIAMS. Chairman Manzullo, Ranking Member Velazquez, Members of the Committee, thank you for the opportunity to appear before you today. My name is Terry Williams and I am President of the U.S. Women's Chamber of Commerce, representing the over 10 million women business owners of America.

We are pleased to know the Committee on Small Business is looking at the successes and challenges of women in business because, frankly, we need your assistance. The growth of women-owned businesses in the U.S. over the last decade has become one of the great business headlines of our time. Driven by individuality and independence, necessity and practicality, women by the thousands have abandoned the safety net of employment for the new frontier of entrepreneurship. With this feminine entrepreneurial expedition came headline stories and the growth and successes of women in business.

Corporations lined up to fund reports and send press releases to generate headlines about women in business and political leaders held women's summits and gatherings to celebrate the successes of women.

Unfortunately, the financial realities for women business owners are not really so bright. Even though privately held majority, 51 percent or more women-owned businesses make up nearly 30 percent of all privately held firms in the U.S., between fiscal year 1998 and 2003, there was a 7.5 percent decrease in the average value of loans made to women-owned businesses. The share of dollars lent to women-owned businesses increased from an already low of 13.2 percent in 1998 to only 14.3 percent in 2003, while the share of the number of loans and equity investments decreased from 23 percent to 20 percent over the same period.

Women-owned businesses struggle continually to reach through the federal procurement market, reaching the artificial five percent nickel ceiling. The 2001 U.S. Small Business Administration Office of Advocacy Women in Business reports 98,870 women-owned firms or 1.8 percent had receipts of more than \$1 million, compared to

five percent of the market whole. So women-owned businesses are much smaller than the market whole.

The struggle women-owned businesses are facing as they strive to reach strong levels of revenues is hindered by their ability to compete for larger market share. The majority of women-owned firms in the U.S. generate \$1.19 trillion in sales and employ 9.8 million people nationwide. This sounds wonderful, but when the receipts of women-owned businesses are compared to the market whole, we gain a clearer perspective of the constraints women face. A representative sampling of the top metropolitan areas reveals that while there are a significant number of women-owned businesses, their receipts remain small.

For example, the D.C., Maryland, Virginia, West Virginia metro statistical area. In that area, women own 32.3 percent of all firms but their annual receipts are only 10 percent, so they are one third of the size of the market whole.

In Detroit, you can see the numbers are about the same. Detroit, Atlanta, Georgia, they are all in the 30 percent range, while their businesses generate less than ten percent of the receipts.

The question we ask today is, while celebrating the successes of women in business, why is not the President, Congress and the Small Business Administration addressing the clear, competitive issues that our new pioneering women business owners are facing? Women owned businesses receive fewer and smaller SBA loans. Women owned businesses receive far fewer and smaller government procurement contracts. In an unconscionable lack of support for women-owned businesses, the SBA has failed to implement the Women's Procurement Program that was established in 2000. And this Committee has not acted to intercede on our behalf.

I have grown successful businesses and I can attest that without access to markets, capital and technical expertise, businesses flounder. Our dynamic, committed women business owners need you to support them. In this time of focus on job stability, job growth, stability and fostering in competitive America, it is incomprehensible that we are not doing everything within our power to foster and develop this new wealth of entrepreneurial talent.

To date, much has been promised and very little delivered. Modest tax cuts really do very little to help very small businesses.

Chairman MANZULLO. I am going to have to stop you there. We are going to come back. It could be 45, 50 minutes. When we come back, Terry, I will let you finish and then Isabelle, I am going to go back to you, okay. I am not forgetting about you, I just wanted to get everybody in before we go down for what appears to be about four votes. So hopefully, about 45 minutes. Yes, and we will be back.

Oh, no, you do not have to stay seated. If anybody has to catch a plane, feel free to go, okay. I mean, if you are not here, we will understand you are on an airplane. We will be back.

Ms. WILLIAMS. Thank you.

[Whereupon, a short recess was taken.]

Chairman MANZULLO. Call the hearing back to order. Sorry about that. We were in the midst of testimony with Terry Williams and then we want to finish with Isabelle Hilliard.

Deputy Administrator Sabelhaus has to leave at 4:15, is that your calendar there?

Ms. SABELHAUS. Sorry.

Chairman MANZULLO. Let me do this. Let me defer to you, Ms. Velazquez, for some questions, because I know you have some of Ms. Sabelhaus.

Ms. VELAZQUEZ. I have a lot.

Chairman MANZULLO. Okay, we will give you ten minutes there, then at 4:15 I will excuse you. Then we will come back to you ladies and finish your testimony.

Ms. Velazquez?

Ms. VELAZQUEZ. Thank you. And thank you all for being here. It is great to have all these success stories and for my part and I know the Chairman, we are committed to make sure that SBA provides the tools that you need in order to grow and expand.

Ms. Sabelhaus, you know, listening to your testimony and listening to the rest of the witnesses here, I feel like I am in two different hearings. On the one hand, they are talking to us about all the needs of women-owned businesses and the commitment that we need to have in providing the tools that they need for succeeding.

In your testimony and, you know, you are sitting here, you are representing the administration. I know that you are a charming lady, but these are issues that are important to me and to women-owned businesses in this country. In your testimony, you gave the impression that the SBA is meeting capital needs of women entrepreneurs more than ever. However, the average size of the 7(a) loan program, loans to women businesses has declined from 185,000 to 133,000. This is largely due to SBA's single focus on increasing the number of loans that it is making, while not calling for a corresponding increase in funding.

As a result, women entrepreneurs must look to other, more costly sources of capital to compensate for this shortfall. What is SBA doing to insure that it fully meets the needs of women entrepreneurs, rather than just talking about the number of loans that it is making?

Ms. SABELHAUS. Thank you very much for your question and I will respond by saying, I listen, as I do every week, Congresswoman, as I go out into the field and talk to women about what is on their mind and what do they need.

Ms. VELAZQUEZ. Can you answer the question?

Ms. SABELHAUS. Yes, I will. I will answer the question, absolutely. I will just say this to you. This is my focus, Hector and myself, this is what we are driving, is that we can have more access to capital for women entrepreneurs. I will say that the numbers truly speak for themselves and I think that is important to note. Last year, our lending was up 30 percent to women.

Now you mention the fact that loans are lower. The market drives. The women here in this room are driving what they need as far as access. What I am proud to say is what small business owners are saying, they do not need a \$250,000 loan. When we came into office, both Hector and I, that was the average size of a 7(a) loan. We brought that loan size down to \$190,000.

Ms. VELAZQUEZ. Ms. Williams, how do you feel about that, in terms of evidence that you have in front of you and anecdotal expe-

rience? Is this is what we hear from women entrepreneurs, that they need less money, not a larger amount of money? That it is okay that we cut the 7(a) loan from 1.5 to 750 and reinstate it because of all the publicity that was generated?

Ms. WILLIAMS. Thank you, Congresswoman, for the question. Actually, our statistics show that women-owned businesses continue to be about a third of the size of the market whole, which means they cannot compete. And to compete, you need money. You need the same sort of money that the whole market has and that means getting the same size loan. Thank you.

Ms. VELAZQUEZ. Thank you.

Ms. SABELHAUS. Can I respond to that?

Ms. VELAZQUEZ. I have too many questions. Currently through the 7(a) program, SBA guarantees—I asked a question.

Chairman MANZULLO. No, I understand, but she wanted to make a response. We can give you a couple more minutes. Just let her respond to this.

Ms. SABELHAUS. I was just going to say that women are starting businesses and they are smaller businesses, so they require less as far as a loan size is concerned. That is what I am hearing. I am hearing small businesses say that the lower loan size is what is very important. And that is why they want access to \$35,000 or less loans and that is why the average size, which I think I am very happy to say, is about \$190,000.

Ms. VELAZQUEZ. That is exactly why you zero out the micro enterprise——

Ms. SABELHAUS. No.

Ms. VELAZQUEZ [CONTINUING] What you are telling me right here, right now, less amount of money, not more. And so what is the micro loan program? What is it?

Ms. SABELHAUS. Okay, the micro loan program——

Ms. VELAZQUEZ [CONTINUING] It is okay.

Ms. SABELHAUS. Do you want me to answer that or not?

Ms. VELAZQUEZ. No.

Ms. SABELHAUS. Okay.

Ms. VELAZQUEZ. Through the 7(a) program, SBA guarantees up to 85 percent of a loan. If the maximum guarantee is revised to be 50 percent as SBA proposes, what effect will this have on the availability of capital to women entrepreneurs?

Ms. SABELHAUS. With the zero subsidy, which is very important, we are going to be able to offer \$12.5 billion in our FY 2005 budget. What this means is there is no cap. We will never cap, we will not close it. We will not have to go for appropriations, we will not have to operate under a CR. We will have, at no cost to the taxpayer, \$12.5 billion worth of lending, which means we can go up to 90,000 loans, which means women are included in that and that——

Ms. VELAZQUEZ. Okay, I get it. Have you been listening to the banks? Did you hear what they are saying?

Ms. SABELHAUS [CONTINUING] Yes.

Ms. VELAZQUEZ. What does it do in terms of not using taxpayers' money if the banks will not be willing to lend? You know and I know that the biggest problem that small businesses have is accessing capital through conventional loans with commercial banks.

That unless we have a guarantee like the 7(a), we are not going to have those loans.

So do not tell me that if we reduce the guarantee from 85 to 50, that small businesses will be able to access capital through the 7(a) loan program.

Ms. SABELHAUS. What is interesting is that right now, we did come up with a compromise which, I thank you very much, we felt was a very good solution to this plan. And that was, of course, that we were able to offer \$3 billion more in the loan appropriation so that we can have a \$12.5 billion loan program.

But the point I was——

Ms. VELAZQUEZ. Are you willing to support extending that to them next year?

Ms. SABELHAUS [CONTINUING] Our most popular program—we want to go to zero subsidy and then we have the program. We have the \$12.5 billion. That is what is key, that is what is important. We do not have to beg for appropriations. We have the money to lend to these women at this table and all the women entrepreneurs.

Ms. VELAZQUEZ. You know that we reach a compromise because you knew that you would not be able to get the reauthorization passed under suspension, because I would have opposed it. We cannot come here with a great rhetoric while the numbers do not match it.

Ms. WILLIAMS, as you know, the administration has proposed to eliminate funding for the micro loan program, with the understanding that such low income entrepreneurs can be readily served through other avenues. The micro loan program is the only SBA access to capital program where nearly 50 percent of its funds find their way to women entrepreneurs.

Given this reality, how do you believe this cut will affect women entrepreneurs?

Ms. WILLIAMS. We believe this cut, and our members believe this cut would be highly detrimental to the growth of women in business. We don't just need women entering businesses, we need women able to access the funds that they need to get to the next level.

These small loans also come also with technical assistance and other things that are really an intricate part of the micro loan program and we need not to remove these from the opportunities for women.

Ms. VELAZQUEZ. Melanie, most, if not all borrowers obtaining funds through the micro loan program have been turned down by conventional lenders, including those that make 7(a) loans. With this in mind, is it not a bit disingenuous to suggest that the typical micro loan borrower, with a credit score well below what banks will accept, can be served through the 7(a) program?

Ms. SABELHAUS. I would like to say to you that when I look at our numbers last year, I think it is important to note that we did 23,000 7(a) loans that were under \$35,000. We did 2,400 loans, micro loans, that were under \$35,000. So what you are looking at is a program which is 7(a), which is ten times, which means we are getting the program out to the women. We are reaching out to them and in addition to that, I think it is important to note that

when we work for a flagship program, which is the 7(a) SBA express, it is a 50 percent guarantee and the banks are willing. It is the most popular program we have. Forty-seven percent of all the loans that we did with women were through the 7(a) SBA express.

Ms. VELAZQUEZ. That is only five minutes——

Chairman MANZULLO. I gave you ten minutes. I want to conclude this hearing hopefully within a short period of time, but I want to go to Terry to have you finish your testimony and then to Isabelle to have you finish your testimony.

Ms. VELAZQUEZ [CONTINUING] Well, I will come back.

Ms. WILLIAMS. Thank you, Chairman.

Chairman MANZULLO. Thank you. I am sorry for the disruption with the bells, but this is our constitutional obligation——

Ms. VELAZQUEZ. Chairman, I have a question to you.

Chairman MANZULLO [CONTINUING] Well, let them finish their testimony.

Ms. VELAZQUEZ. Well, she is going to leave at 4:15.

Chairman MANZULLO. That is correct.

Ms. VELAZQUEZ. Okay, so I want to ask a question, not a question to her. I have other questions and I will be submitting those questions to you, for you to send the responses in writing.

Ms. SABELHAUS. And I will do that.

Chairman MANZULLO. How much time would you like to respond after you receive?

Ms. SABELHAUS. What would be appropriate?

Ms. VELAZQUEZ. Three days?

Ms. SABELHAUS. Three days? That would be fine.

Chairman MANZULLO. Terry?

Ms. WILLIAMS. Thank you, sir.

Chairman MANZULLO. Deputy Administrator, you have to leave at 4:15. You are excused.

Ms. SABELHAUS. Thank you very much.

Chairman MANZULLO. Thank you for participating. If anybody else has to catch an airplane, please, you know, do not miss a plane because of us. Go ahead, Terry.

Ms. WILLIAMS. Thank you very much. I was just——

Chairman MANZULLO. Where were we? Okay.

Ms. WILLIAMS [CONTINUING] I was just getting to delivering on the promise.

[Discussion held off the record.]

Chairman MANZULLO. That would be fine, thank you.

Ms. WILLIAMS. Thank you, sir. Today, much has been promised to women-owned businesses and very little delivered. A modest tax cut does little to promote the growth of a very small business. The attempt to eliminate micro lending and adding more purloin costs to other loan programs does not help women in business.

Cutting back the budget of important Small Business Administration programs does not help. Eroding the number of procurement center representatives does not help. Cutting the funding for Women's Business Centers does not help. Not implementing the Women's Procurement Program does not help. Failure to provide affordable health care does not help.

Congress has not adequately served women-owned businesses. We strongly need real assistance with access to quality affordable

health care so women business owners can secure and retain quality workers and remain competitive. Tax relief that truly supports the small business marketplace, access to the government marketplace with more realistic goals that are on par with the number of women-owned businesses rather than a portion of a portion of an already too small pie. We need a truly competitive marketplace that fosters competitiveness at all levels of contracting.

Access to capital that is representative of our numbers and growing influence in the marketplace, reductions in the regulatory compliance work to relieve small businesses of wasted time and money so they can focus on growing and sustaining their businesses.

More than anything, this dynamic market needs you to step up to the plate and truly embrace women-owned businesses for all that they can mean to the financial prosperity of our country.

Mr. Chairman, we greatly appreciate your desire to hear of the successes and challenges of women in business. We hope that you and the Members of this Committee will finally help us take these successes to the next level. We hope you will move beyond handshakes and headlines to concrete action that will fully maximize the growth opportunities of women-owned businesses throughout the U.S. Help us complete the great entrepreneurial expedition and bring women-owned businesses to maturity and full contributing partners to a robust and flourishing U.S. economy.

On behalf of the over 10 million women business owners in the United States, thank you for considering our challenges along with our successes.

[Ms. Williams' statement may be found in the appendix.]

Chairman MANZULLO. Thank you. That had to be the longest testimony, yours and Isabelle's stretched over a period of time.

Isabelle, we look forward to your concluding your testimony. Do you know where you left off?

Ms. HILLIARD. Yes, sir, I do.

Chairman MANZULLO. Why do you not go ahead? Again, thank you for patience. Please go ahead.

Ms. HILLIARD. I was at number three. The Senate must follow the lead of the House and pass the association health plan legislation. Access to affordable, high quality health care coverage for small business owners and their employees must be improved without adding new mandates that require specific coverage.

Four, Congress must pass medical malpractice reform. Excessive litigation and high medical malpractice rates have added to employers' health care costs, reduced access to quality medical care—especially in the rural areas—and prompted unnecessary tests by physicians that further drive up health care costs.

Five, federal agencies must reduce excessive federal paperwork burdens. One complete example of an agency where regulation and paperwork has limited my ability to hire people and expand my business is the Centers for Medicare & Medicaid Services. I have found many of the forms by CMS to be duplicative, excessive and unnecessarily time consuming.

Six, over the last three years, Congress has passed and the President has signed into law tax reforms that have reduced marginal income tax rates, eliminated the death tax and increased small business expensing. These reforms must be permanent, thus free-

ing women business owners like myself to make investment decisions based on tax laws that are consistent and predictable from year to year.

Again, I want to thank the Chairman and Ranking Member for allowing me to testify at this hearing.

[Ms. Hilliard's statement may be found in the appendix.]

Chairman MANZULLO. Well, thank you. I have some questions here. Let me start first of all with you, Isabelle. Has your company, and you have what, 125 employees?

Ms. HILLIARD. Yes.

Chairman MANZULLO. Are you the sole owner of it?

Ms. HILLIARD. Yes, sir.

Chairman MANZULLO. Have you had occasion to take advantage of any of the new tax breaks with regard to purchase of equipment or is yours more of a service?

Ms. HILLIARD. No, sir, I am a service company.

Chairman MANZULLO. Okay.

Ms. HILLIARD. I provide service to clients and I have a medical supply equipment company that also, we purchase wheelchairs, walkers, canes and those type of supplies, hospital beds and equipments, and those are services.

Chairman MANZULLO. Okay. In your testimony, you mentioned about, I think it was the last paragraph, that Congress had passed and the President signed tax reforms that reduced marginal income tax rates, limited the death tax and increased small business expensing. To anybody here, what is the significance of eliminating the death tax? What impact does it have on any of your businesses?

Ms. HILLIARD. Well, I think it will help the business grow and expand. I think it will continue to keep employees. And if any employees in our business, we should lose employees, we will be able to work with those employees and their family members. I think that is what is relating to us as far as the death tax.

I think it helps my company, as well as everybody else's company, grow and expand itself.

Chairman MANZULLO. I would venture to state that everybody here is having a horrible experience of the increasing and escalating cost of health care. How do any of you feel about the relationship between the medical malpractice premiums for physicians and the high cost of insurance? Does anybody want to comment on that? Norma?

Ms. BYRON. Well, it is hard for us to say, I think. I mean, unless you are in the health care industry. Maybe they would know. It is sort of invisible to us. We do not know why they are going up, but those things, they are not within our control to change our behavior in any way to affect that. I am sure it has certainly an impact, but it is not something that we see.

Chairman MANZULLO. That is something that you cannot quantify because you cannot draw the distinction on it?

Ms. BYRON. That is right.

Ms. WILLIAMS. And, Chairman, one of the large challenges is really just even the scale of small businesses and their access to health care. We really do not have the ability to have scale in terms of purchasing health care for our businesses.

Chairman MANZULLO. Well, that is what association health plans will do, right.

Ms. WILLIAMS. It will really make a difference with that.

Chairman MANZULLO. And that has been bottled up in the Senate, by the Democrats.

Ms. WILLIAMS. We hope that this will pass.

Chairman MANZULLO. Right, well, we appreciate that, even though Ms. Velazquez and I both are in favor of the association health plans, but it has been an issue that has really stagnated in the Senate and it has hurt us tremendously.

Ms. Napolitano?

Ms. NAPOLITANO. Thank you, Mr. Chairman. I apologize, I had other commitments and somebody twisted my arm to make sure that I got here. Being a micro small business owner myself, I have had the opportunity to ask questions of some of my women-owned business in my area, and I have part of the Los Angeles area, which as you well know, is very diverse.

What I am finding out is that women are having a hard time convincing banks and other lending institutions to loan money to them, because, number one, they are women. Number two, they are small. And number three, they do not want to handle a small loan that is going to cost them in time and money the same as it would a large loan.

What say you to that? How do you feel that we need to put pressure on the banks, whether through the FDIC, which they have been here before us before, this Committee, where we have applied pressure to them and said, look, if you want the protection of the federal government, you need to work with small business.

Now the other thing that I am finding out is that credit unions are beginning to get involved in small micro and small business loans, with the blessing of SBA to a certain point. That, to me, is going to be a boon for women, because those are local vendors, local owners, local business people that know the community.

I would like to hear from you how we can expand this to include other women entrepreneurs that will help our economy rather than hinder that ability, not only to get started, but develop products that will be able to employ and provide the jobs that we so desperately need in this country. Any one of you?

Ms. WILLIAMS. I can speak personally from the lending side for business that I had on my own. SBA was wonderful to work with. We were one of the businesses that qualified for the very high level of backing from SBA and the banks really did not care. And the SBA in our region had very little ability to really coax those folks to really support the program. What we were told was that these programs were costly to the bank, that our loans were very expensive for them and that it was really nothing of importance for them.

I believe that there needs to be a stronger tie to the SBA and the ability to get those banks to loan. Also, I think any time that we can put in the hands of folks that are much closer to our community the ability to do that lending, that we are going to have a better response.

So the ability to get into associations, those sort of things to do the lending and to some of the SBICs, these sorts of lending insti-

tutions that might be run by women, would be wonderful for the marketplace.

Ms. WELCH. If I may something on a personal note, I think unfortunately many of us women entrepreneurs, a lot of times we actually start our businesses out of need and such in my case. And I was in a divorce where my credit was affected negatively and that was a long time ago, over ten years ago, and to this day, I am still suffering from that. Although my credit history now is wonderful, but the banks look at me very badly. And if were not for my husband, who helps me with his credit, that is how we are able to do some of the funding. But on my own, I should be able to, and that is one of the issues I think many of us women face.

Ms. BYRON. I have a situation. I went to a seminar where one of the leading financial institutions in the metropolitan area mentioned that virtually any business could come up and get a \$50,000 loan, but when I went to go apply for one, they would only give me \$25,000. And they said they went to SBA and that somehow or another, I did not qualify.

There is nothing wrong with my credit, but I just did not qualify. So I do not know what the problems are, but I know that there are some and I have them.

[Laughter.]

Ms. PIKE. One of the things I found after my husband died, we went through some transition, but what I used was his financial officer and I have maintained him over the last eight years. And so I used him as a front man and, you know, he went to the bank and he did the stuff and did the preliminaries. Then when it came down to really talking to them, you know, then I sort of would come into the picture.

But I used that as sort of like to keep myself involved.

Ms. NAPOLITANO. You were able to have somebody front for you. How about the dozens, thousands of women who cannot?

Ms. PIKE. Absolutely.

Ms. NAPOLITANO. And why are we not in SBA creating a program that is going to help these women who have the need? They have the ability, we have shown it over and over again, but yet we cannot get the funding to an agency. They were here saying, oh, no, we have enough money, remember that? Oh, yes, we have enough money for the programs. What happens? They start cutting the programs.

Well, ladies, you need to stand up on your hind legs and start talking to these people and telling all the women business owners and your customers and your providers to put the pressure on Washington. Because without you, this economy is going to go down the tubes. Because women work harder and they maintain longer and they have the staying power that it takes to be successful.

I am very upset because this continues to be a problem. What was it, last year, they came up and asked for \$8 million for the women-owned SBDCs. Eight million for the whole United States, ladies. And I am saying, well, that should be ten times that. They were asking for three, three more, and that was not this budget year, I think it was the last budget.

I mean, it is the way you are treated, the way women—they are not given the recognition of being the backbone of a lot of our economy. And you are the fastest growing segment. Why is it that we have to fight and plead and beg for every cent?

So my response to you is, help. Thank you, Mr. Chair.

Chairman MANZULLO. Let me, if I could just take a minute or so here. I was raised in small business and my heart is in small business. And this Congress has done a remarkable job on helping out the small business people. We will go through just a very short list here. When the tax cuts went through, that increased the bonus depreciation from 30 percent to 50 percent. Increase small business expensing from \$25,000 to \$100,000. And I have talked to a lot of guys with machine shops in Rockford and because of this provision whereby they could get back their money within one year of buying new machinery, as opposed to over a period of years, this helped them acquire the machinery they needed in a very short period of time, without having to wait years and years to depreciate it. A lot of shops have struggled and some have not made it in Rockford, but many of the guys that did make it appreciate the fact that Congress stepped up and did that.

This death tax is extremely important. There is a figure out there that says something like I think it is 40 percent of small machinery, small manufacturing facilities do not get passed down to the children. The figure is staggering because of the tremendous cost of capital that is involved. You know, a father who is a lawyer can pass down his practice as it were to his son who is a lawyer at a very little cost, if any at all, because those are paper transactions. And services have a very difficult time being evaluated for estate tax purposes.

But when we decided to get rid of that death tax, because it was killing the restaurant industry, it was killing the people with machinery and it was also killing the farmers back home. I remember one time when I was practicing law, when I had to tell the family that they had to sell one of their farms just to pay the death taxes. We got rid of that or at least moved down the road towards doing that.

We got involved with the health savings accounts. I mean, any number of things that we have done. There is a difference in philosophy. Programs are good. If you have a program, you should fund it, otherwise you should not have it at all. That is the angst that we see here and I join in that.

Personally, I would rather see small business people have access to capital with the ability to make their own decisions on where they are going to go. I mean, you can only have so many programs after awhile. I think the SBA should concentrate on, for example, making the 7(a) the best program there is, make it open for everybody, keep it at 85 percent and not have to come back here year after year after year. If the flagship program, which is the 7(a) were made so that each year was not subject to an appropriation, then it would be more predictable, more open for people and Congresswoman Velazquez and I would not have to, as it happens every year, have to get into a tango with the Administration to get them to write the check in order to fund it.

So not everything is perfect. And we just try our best, I guess, based upon our philosophies. But, Terry, I am not going to let you leave here until you tell these people what you did prior to becoming President of the Women's Chamber of Commerce.

Ms. WILLIAMS. There is a big change.

Chairman MANZULLO. There is. I want you to tell them.

Ms. WILLIAMS. Well, you are very kind, but then I am going to squeeze in a response to you.

Chairman MANZULLO. I am responding to you, Terry. All right, go ahead.

Ms. WILLIAMS. I appreciate your opportunity to speak.

Chairman MANZULLO. Go ahead.

Ms. WILLIAMS. I was a conductor. So I——

Chairman MANZULLO. Well, not a train conductor, but an——

Ms. WILLIAMS [CONTINUING] Orchestra conductor. No, not a train conductor, an orchestra conductor, it is true. So I am used to like making things happen, so hopefully I can make some things happen today.

One of the things I would really like to articulate to you, sir, I understand your commitment to small business. You would not be the Chair of this Committee if you were not.

Something to really understand about women in business, you talk about, for instance, equipment, size of equipment, manufacturing. There are about two percent of all women-owned businesses that are manufacturers, so we are talking about two percent. About 50 percent are service oriented businesses that do not have equipment. So it is really, really a challenge to us.

And you talk about size and getting cuts and things. Now take the businesses you were talking about and make them a third of the size that you are used to seeing. That is a women-owned business. You know if there are a third of the businesses in the marketplace only getting ten percent of the revenues, then they are a third of the size of the market.

And when we talk about just sort of standardizing loan programs, one of the challenges that we have in the market right now is that there is micro, small, medium, large. There is a breadth of businesses in the marketplace and if we standardize a program, then we need to make sure we are servicing the whole breadth of the market with that one program. That is why we fight so hard to make sure that there are niches of programs that serve the marketplace and serve women. Thank you.

Chairman MANZULLO. Well, the micro loan program was abandoned because of the high rate of default on it. It became an issue of safety and solvency. It is not abolished yet, but that is one of the reasons why——

Ms. VELAZQUEZ. Can I correct the record, Mr. Chairman? The micro loan program has a lower default record than the 7(a) loan program, so that is not the reason.

Chairman MANZULLO [CONTINUING] Well, we would disagree on that point. But one thing we agree on is that you ladies have been tremendous witnesses. You have traveled from long distances. You know, the purposes of these hearings is many-fold. We have to draft legislation that deals with lots and lots of issues and often-

times when we are sitting there trying to figure out where to go in policy, we make our decisions based upon the testimony that we hear here in Washington, the things we see in our congressional districts. The beauty of a congressional hearing is the fact that we have an opportunity, normally within about an hour and a half, to hear testimonies from people all over the country. Different backgrounds, different situations, and that is what we heard today. I cannot tell you how much I appreciate your coming here this afternoon, traveling to Washington. What we are going to do, as I said before, the record will accept your complete statement and as soon as we get a bound volume—I do not know how long it will take—of the testimony, we will make sure that we send it to each of you. Again, thank you for coming and this hearing is adjourned.

[Whereupon, at 4:38 p.m., the Committee was adjourned.]

**Opening Statement
Women's Entrepreneurship: Success and Challenges
May 12, 2004**

Good afternoon and welcome to this hearing of the Small Business Committee on Women's Entrepreneurship: Success and Challenges.

Women-owned businesses are a dynamic and thriving force in the US economy. In fact, there has never been a better time for women to be in business. Women own 40 percent of all small businesses. Furthermore women-owned businesses are growing at twice the rate of all other businesses. America's 9.1 million women-owned businesses employ 27.5 million people and contribute \$3.6 trillion to the economy.

Business ownership has been one of the most effective means of improving women's economic well-being. Female participation in business ownership at all levels is climbing, showing an increasing presence in the US economy. Today there are 5.4 million private majority-owned women businesses and of those, one in six are owned by minority women.

Yet women still face many obstacles and challenges.

But as you know, women-owned firms still face many challenges, including access to credit. While strides are being made, women-owned firms have lower levels of bank credit than men-owned firms and often have had to resort to credit cards to finance their businesses.

Additionally, women have not enjoyed the same procurement opportunities as their counterparts enjoy, not even receiving close to the 5 percent of contracting opportunities mandated by law.

As business owners, you know first hand the difficulties of providing health insurance for your employees.

Exorbitant health care costs are one of the biggest expenses small businesses and the self-employed incur as they struggle to provide coverage for their employees. As Congress continues to examine our nation's health care problems, we need to remember that only 31 percent of businesses with 25 employees or less offer health insurance to their workers. Currently, there are 43.6 million uninsured Americans.

For this reason enactment of Association Health Plan legislation is so important. It would ensure that small business owners and their employees will be able to utilize the same economies of scale, purchasing clout, and administrative efficiencies currently available to employees of large corporations and union members.

I am proud to say that the Small Business Committee was the first House committee to hold a hearing on Association Health Plans in the 108th Congress. I am an original co-sponsor of HR 660 and look forward to the debate and vote on HR 4281 tomorrow.

I hope now that the Senate will follow suit and pass AHP legislation as the House did last year and that the President called for in his State of the Union.

Regulation and taxes remain strangleholds on small businesses and the Small Business Committee fights these issues regularly.

I'm sure that many of you are aware that SBA's Office of Advocacy recently released a report saying the home-based businesses, which make up 53 percent of all small business, are particularly hard-hit by government regulation. Many women-owned businesses are of course home-based business and this disproportionately affects you.

For many, starting a business from one's home allows individuals to open a business without the capital investment of renting or buying office space. It also allows individuals great flexibility in their schedules. Additionally, women often take advantage of having a business at home in order to be available for their children and your government is making that more difficult.

And yet, IRS regulations frequently penalize home-based business, particularly in the area of the home-office deduction. As I'm sure many of you know all too well, to qualify for a deduction, the IRS requires that a home office be used exclusively for a business. This ignores the reality home and family life.

Most business-owners would also like their children to inherit their business and for the second generation to grow that business to become even more successful than it was previously. The estate or "death" tax disproportionately affects women-owned firms, which are more often than not the first generation to own a business. Unfortunately, far too many businesses have to be sold in order to pay the death tax. This is an abomination. The death tax needs to be permanently repealed so that all businesses can be passed along to the next generation without penalty so that the business can continue to grow and prosper.

Too often people forget, or I should say that bureaucrats forget, that the small businesses that you nurture and care for are the ones that pay the taxes and creates the jobs that will boost our economic recovery. Our government needs to do everything it can to help you, not hinder you.

Last week I held a hearing to discuss legislation I have introduced that would put more teeth into the Regulatory Flexibility Act. The Regulatory Flexibility Improvements Act, H.R. 2345, requires federal agencies to complete a more detailed economic impact analysis, including examining the indirect costs, on small business before enacting new regulations.

America's small employers face a heavy regulatory burden which harms their bottom line and makes it much more difficult for them to compete. This legislation simply requires federal agencies to take a closer look at proposed regulations to make sure they are not burdening small employers. We should be doing everything we can to provide a more favorable economic climate for small employers, America's job creators.

I look forward to the testimony of all the witnesses here this morning and I turn to my colleague, the Ranking Member for her opening statement.

COMMITTEE ON SMALL BUSINESS
RANKING DEMOCRATIC MEMBER

COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT

SUBCOMMITTEE ON DOMESTIC AND
INTERNATIONAL MONETARY POLICY,
TRADE AND TECHNOLOGY

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CONGRESSIONAL HISPANIC CAUCUS
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STATEMENT
of the
Honorable Nydia M. Velázquez, Ranking Democratic Member
House Committee on Small Business
Hearing on Women Entrepreneurship: Successes and Challenges
May 12, 2004

Thank you, Mr. Chairman.

Throughout the past decade, women-owned businesses have flourished in the United States. Since 1997, women-owned firms have grown at nearly twice the rate of all businesses. And growth in employment by women-owned businesses has been even more dramatic at 24 percent versus 12 percent for all other firms.

It is quite obvious that women entrepreneurs are an increasingly important sector of our economy, and their contributions are priceless. Nearly half of all privately-owned businesses today are owned 50 percent or more by women, totaling 10.6 million enterprises.

As these women entrepreneurs experience overwhelming growth and expansion – it is unfortunate the Bush administration policies fail their firms. The failure of this administration to provide access to health care, capital and the federal marketplace strongly impact women business owners since their firms tend to be smaller.

These are the same businesses capable of pulling us out of the current economic downturn. And unfortunately, this administration's policies are not creating conditions conducive to enabling these women-owned firms to do so.

For example, SBA has several programs geared towards assisting women entrepreneurs in starting and growing their businesses. The programs that target entrepreneurial development have been either flat-funded, or cut, in President Bush's latest budget proposal.

Another challenge facing women business owners is a lack of access to the federal marketplace. The women's procurement program, which was actually signed into law in 2000, would have allowed federal agencies to lessen competition for contracts by restricting a portion for women-owned businesses. Sadly, it was never implemented by the SBA. Therefore, in 2001, women-owned businesses lost more than \$5.5 billion in federal contracting opportunities, and an additional \$4.9 billion in 2002.

These are opportunities that women-owned firms cannot afford to lose. Another major barrier for women entrepreneurs is a lack of access to capital. Access to affordable capital determines their chance of survival among their competitors, and without it, women-owned firms can be devastated.

That is why the SBA loan programs are a vital tool for women business owners, enabling them to gain access to capital. Last year these loan programs provided \$20 billion to our nation's entrepreneurs, accounting for 40 percent of all long-term small business lending.

Yet the Bush administration proposed to eliminate funding for several of these initiatives, including two distinct funding sources for women entrepreneurs, the 7(a) and Microloan programs. This is a huge loss for women entrepreneurs – over the past five years, nearly half of the funds provided by the Microloan program were targeted towards women business owners.

There is no getting around the harsh truth – that our country's women business owners are facing an uphill battle. Despite their tremendous economic growth and strength over the past ten years, this administration continues to fail them by passing policies that do little, if anything, to provide the relief they deserve.

If we want women entrepreneurs to thrive, and to create the jobs our economy needs right now, then we must ensure they can overcome these challenges. Our nation's women entrepreneurs are among the fastest-growing economic sectors today. And we must recognize how the Bush administration's policies are negatively affecting their growth and ability. As we acknowledge the accomplishments and growth of women-owned businesses, we must work to guarantee they are successful and strong – the vitality of our economy depends on it.

Thank you.

**Deputy Administrator Melanie Sabelhaus
Testimony before the
House Committee on Small Business
May 12, 2004**

Chairman Manzullo, Ranking Member Velazquez, Members of the Committee, I appreciate the opportunity to testify before you today and discuss both the successes and the challenges of being a woman in today's small business marketplace.

I am proud to serve as the Deputy Administrator of the U.S. Small Business Administration, and act as a strong advocate for our nation's small businesses.

I know how important it can be for an entrepreneur to have just one person who believes in them; just one encouraging supporter to back them up. I know this because, after being turned down 6 times for a loan, I started my own small business, and took it public in 1997.

This kind of real world experience, shared by Administrator Barreto and President Bush, has shaped the economic philosophy of this Administration. Those of us who know what it is like to fill out a pay stub and pay health insurance premiums bring a unique perspective to the federal government.

The President believes that "the role of government is not to create wealth, but to create an environment where entrepreneurs can thrive, take risks, and achieve the American dream."

That is why the President's small business agenda is the centerpiece of his domestic policy.

The President's jobs and growth package----which I know had the support of numerous Members on this Committee----accomplished

the most important thing government can do for small businesses; it let these hard working Americans keep more of the money *they* have earned.

Most importantly for small businesses, the jobs and growth package reduced the income tax rate. So many small business owners file their “business” taxes with a 1040 form; they don’t have an army of accountants to find tax breaks or loopholes. To these men and women, income tax cuts mean more money for their business.

Along with that, we quadrupled the deduction for business expenses from \$25,000 to \$100,000.

In fact, 25 million small businesses will see an average tax savings of \$3,001 because of the President’s jobs and growth package.

It is estimated that 79% of the value of the tax relief package will go to small businesses. And, these businesses will hire more workers, invest in new equipment and upgrade their facilities, and continue to make our economy grow.

This is the real impact of tax relief, this is job creation and investment in our economy. The latest job figures released last Friday show that these policies have created 288,000 jobs in April alone and more than 1.4 million jobs in the last 8 months!

However, this Administration recognizes that there are other hurdles to be faced by the small business community, and this Administration is taking a pro-active approach to addressing these issues.

Health care continues to be one of the largest burdens our small businesses must bear. Time and again, as I meet with

entrepreneurs around the nation, they talk to me about the cost of health insurance, and it is only getting worse.

We are making some headway in this important issue. In the Medicare reform bill that was signed into law last year, Congress included language creating Health Savings Accounts (HSA). HSAs allow Americans to set aside money in health care accounts, tax free, to be used for their own health care needs.

But there is still much to do. That is why we have been advocating Association Health Plans (AHP). I know the House had already addressed this issue, and we remain anxious for the Senate to take up this most important piece of legislation.

AHPs allow small businesses to pool their resources, across state lines if necessary, and thus increase their purchasing power and save money on their health insurance premiums.

Big companies already have this magnified purchasing power, and so do labor unions, but small businesses are denied the right to make their own place in the health insurance market.

Tort reform is another issue that is very important to America's small businesses. Frivolous lawsuits trumped up by trial lawyers not only hurt the companies who are being sued, but drive up the insurance premiums for honest, hard-working Americans. While certain people get rich off of these settlements, small businesses and consumers are left holding the bag.

That's why this Administration has worked to pass meaningful, common-sense tort reform legislation, and we are pleased that the House has taken up this effort successfully.

International trade is an arena in which American businesses must engage, and must do so successfully. We as a nation cannot afford

to be isolationists, and that is why this Administration supports free and fair trade policies.

Small businesses represent 96% of American exporters, and that translates into more jobs this country.

To compete in the global market, we must make sure that America's workforce has the best skills and education. The President's FY 2005 budget includes **\$23 billion** for job training and employment assistance.

I am also proud to say that the President recently nominated Al Frink to be the nation's first Assistant Secretary for Manufacturing and Services. This signals this Administration's continued commitment to this vital sector of our economy.

Before I move on, however, I would remiss if I failed to note that Al Frank is small businessman, who got his start with an SBA loan, and will soon be inducted into the SBA Hall of Fame.

Also, in order to compete effectively, we must relieve our small businesses of excessive government regulation and red tape. In FY 2003, SBA's Office of Advocacy saved small businesses from over \$6 billion in needless red tape and over **\$31 billion** in the last 3 years!

The SBA has also been active in ensuring that small businesses receive their fair share of the federal contracting opportunities. Our Business Matchmaking events have given small businesses the chance to meet with federal and local government officials, as well as large business interests, who have business contracting opportunities available.

I am proud to say that these matchmaking events have been a great success, with over 4,000 small business people participating,

nearly half of which were women. These events have resulted in 16,000 face-to-face between small businesses and potential contractors. We are taking government contracting outside the beltway and bring the small businesses to the contracting officers.

The economy of America is strongest when small businesses succeed, and the SBA is here to help make sure that happens.

Last year, SBA guaranteed a record 74,000 small business financings totaling over **\$14 billion**.

Loans to every sector of the marketplace increased significantly; African-Americans; Hispanics; Asians; Native-Americans; and women.

That last point provides a nice transition for me.

Now that we have addressed issues confronting the small business community, let's talk about my favorite subject; women-owned small businesses.

As you may know, women are the fastest growing segment of the business community.

Women own close to 40 percent of all U.S. businesses, and generate **\$3 trillion** in revenues.

Almost 100,000 women-owned small businesses in America have \$1 million or more in revenues.

24 million people in America work for women, and 1-out-of-5 Americans go to work each day for a woman-owned business.

In fact, women are starting new businesses at twice the rate of men.

What was once seen as the glass ceiling is now the executive boardroom of some of the most successful companies in country: Carly Fiorina at HP; Betsy Holden at Kraft; and Anne Mulcahy at Xerox; just to name a few.

But this success doesn't mean that the job is done. There are still countless Americans who want to start their own business and follow through on their dreams, but they need access to capital, or technical assistance to steer them in the right direction.

And, that is where the SBA comes in.

The number of SBA loans to women-owned businesses was up 37% in FY 2003. In fact, in FY 2003, SBA guaranteed 14,300 7(a) loans to women, the highest in our history. This totaled to more than \$2 billion for women-owned businesses last year.

So far in the current fiscal year, SBA has done 9,830 loans to women entrepreneurs, totaling close to **\$1 billion**.

In some instances, even after a small business owner has secured the necessary capital, she may need a little guidance or direction to get moving.

SBA has a core infrastructure established to provide technical assistance to all small businesses. This infrastructure consists of our 68 district offices, located in every state and territory; a network of over 1,000 Small Business Development Centers (SBDCs); 10,500 SCORE volunteers; and 87 Women's Business Centers (WBC).

Through these programs SBA and our partners served over 515,000 women entrepreneurs in FY 2003.

We are on track to surpass that figure in FY 2004, and I am confident that we will do so.

Another avenue to success for women-owned small businesses is government contracting.

In the last 3 years, the percentage of Federal prime contract dollars awarded to women-owned small businesses has risen every year. FY 2003 saw \$9.7 billion in federal contracts go to women-owned small businesses – that's **\$1.1 billion** more than in the previous year.

While the Administrator and I are proud of these improvements, we know that these contracting numbers must continue to rise, and we remain committed to continuing our record of achievement.

Mr. Chairman, Congresswoman Velazquez, I am grateful for the opportunity you have just given me to highlight this Administration's priorities for small business in America, and women-owned businesses in particular.

The Committee's continued efforts to support our nation's most valuable economic resource are always appreciated.

I look forward to hearing the rest of the panel's testimony, and at this time I'd be happy to answer any questions you may have.

Thank you.

**CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
108TH CONGRESS**

**COMMITTEE ON SMALL BUSINESS
2361 RAYBURN HOUSE OFFICE BUILDING**

WASHINGTON, DC. 20515-6315

Women's Entrepreneurship:

Successes and Challenges

Presented By:

***Judith E. Pike
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Production Tool & Supply Co.
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61109***

My name is Judith E. Pike. I am from Rockford, Illinois. The name of my company is, Production Tool & Supply Company. Until December 31, 2003 I was also the owner of Acme Grinding, Inc. Both of the companies are in the manufacturing related business. Acme Grinding is a small job shop, which does secondary services for the fastener industry, and Production Tool & Supply is an industrial distributor. They are a supplier of abrasives, fluids, cutting tools, and carbide cutting tools to the metalworking industries in our area.

My late husband John G. Pike III owned both of these companies. I had the honor of working with John for 29 years until his death in 1996. Since then I have been the President and owner of both companies.

Even though I had worked in the business for many years, upon John's death, there was a period of time where we as a company had to prove we were able to provide the services our customers expected. There were the occasional "let me talk to someone who knows something," and "I'd rather talk to one of the guys", comments, but for the most part everyone we dealt with was gracious and helpful. The employees at both Production Tool and Acme Grinding had always been our biggest assets. Together we weathered the storm, and grew both companies until the economic down turn started in 2001.

In the next three years the manufacturing climate in Rockford declined and many of the companies we did business with closed or left the state. We tried our best to keep the business operating. We worked for 2 years on a trimmed schedule of 32 hours a week. My family wanted me to get out while there was still something to salvage, but when you have worked together for 34 years you owe some loyalty to your employees. I just couldn't see closing. What were these people going to do? There are very few manufacturing jobs left in Rockford. I had an employee willing to give up his medical insurance so the employees we had left could keep their jobs. Health care for small businesses is a major crisis. In December of 2003 after months of declining sales and cutting employees hours and seeing no relief in the near future, I decided to sell Acme Grinding. If I were 45, I would have gone to the bank and re-financed to keep the business going. But that was not an option. At 64, my financial future was at risk

As a woman business owner I have not run into the obstacles that some women seem to have run into. I believe my situation has been different. My business was in place and I didn't have to go to anyone for help. Maybe I should have.

In the latest figures I could find of Women Owned Business, only two to three percent of them are in the manufacturing industry, but I believe these numbers are on the rise. I know in Rockford there are several companies that are owned and run by women. With a couple of women I have talked to, the most challenging part of their business, was not so much being a woman, but being in the manufacturing industry. One woman said she was in the process of moving to a larger facility and needed temporary funds for the move. She contacted an agency and told them her needs and they never even returned her call. She said she wasn't looking for free money, just a low cost loan that she would pay back. After the move was complete, and she did it all on her own, she called the person at the agency and thanked them for nothing.

But, there is a need in our area to mentor and assist other women who are interested in getting into the manufacturing world.

We have taken up the challenge of keeping women involved in our industry.

In the last year and five months Melba Bradberry with S&B Jig Grinding, Teresa Beach-Shelow, with Superior Joining Technologies, and myself have incorporated a not-for-profit organization called **"Women of Today's Manufacturing."** It is an educational organization dedicated to serve the manufacturing field in our area.

Teresa had an idea of having a camp for kids to introduce them to manufacturing in Rockford. We held our first **"Manufacturing Camp"** last summer. We signed up 10 boys and girls and took them through a week of introduction to our industry. They are boys and girls that are in the 8th, 9th, and 10th grade. It was a hands on week of learning how to operate various machines, and software programs. They generated prints on their computers, and actually made their own hammer to take home at the end of the session. They toured local manufacturing plants and by the end of the week they were excited about seeing things in their surroundings that are manufactured in Rockford.

The group has also established through our local Community Foundation, a scholarship program for graduating seniors. We have been able to do enough fundraising in the last year to enable us to grow our scholarship fund to present two graduating seniors \$500.00 each for their first year of college. Both of the recipients are going into the engineering field.

We have to mentor. With nothing but discouraging news in the media about the loss of manufacturing jobs in this country, as women in the industry, we owe it to our young people to pass on our knowledge and try to maintain their interest in our manufacturing world.

Doing business with the Federal Government. The majority of small businesses in our area are unable to do business with our government. Most of us are companies with fewer than 20 employees. We are specialized job shops. To qualify for contracts with, lets say, the Defense Department, you have to be able to quote on complete projects. This means manufacturing a product through one complete purchase order. These can be million dollar contracts. But as a small business there is no way they can get involved in that quoting process.

In Rockford, there is a group of people that have been meeting for eighteen months, with the idea of building trust and networking among the small business owners in our area. They started with breakfast meetings, and were calling it the Flexible Network. Their plan was to be able to come together as a group and present themselves as one entity and be able to contact large companies and the defense department with the ability to do a completed project.

Teresa Beach-Shelow has taken the lead in the project and in April they formed the "**Manufacturers Alliance of Rock River Valley**". They have incorporated and in the next few weeks they will be opening their offices in the Eigar Center on the Ingersoll Machine campus in Rockford, Illinois. Their vision for **MARRV**, is to fulfill customer needs with cost effective, innovative single-source solutions. They are now able to start looking at their first opportunity to qualify to receive information on quoting for the government and large companies like Boeing, Lockheed Martin, and Caterpillar.

In the business world today we have been asked to be more productive, more cost efficient and in most cases to re-invent ourselves. Hopefully in Rockford, Illinois we are giving it our best effort to do that. At least in our opinion we are giving it our best shot.

Thank you for your time today.

Sincerely,

Judy Pike
President
Production Tool & Supply Co.



**Statement of Ms. Norma Byron
President, The Ashlawn Group**

**On Behalf of
Women Impacting Public Policy
and
Coalition Partner
National Association of Women Business Owners**

**Submitted to
House Small Business Committee**

May 12, 2004

**"Women's Entrepreneurship: Successes and
Challenges"**

Good Afternoon. Mr. Chairman and Members of the Committee, I am Norma Byron, President of The Ashlawn Group, located in Alexandria, Virginia. I am appreciative of your holding this hearing and its focus on women's entrepreneurship. I am testifying on behalf Women Impacting Public Policy and the National Association of Women Business Owners.

My entrance into the world of entrepreneurship came about in a sudden and unconventional way. After spending over 20 years in the munitions industry for large and small companies, I was thrust into running a munitions company when my boss died in a small plane crash in the Shenandoah Valley. He had no will and no succession plan. So, it was up to me to keep the company running and fulfill its contractual obligations.

Since his family did not have any interest in continuing the business in the long term, they suggested to me that I start my own company and take the existing customers with me. And that is how Ashlawn Group was born.

Mr. Chairman, The Ashlawn Group is really one of a kind. There are no other women owned businesses in this country who design munitions for weapons systems. Thanks to the program managers and contracting officers at the Department of the Army's Picatinny Arsenal facility, we are slowly but surely building this business to expand its customer base to other Services and government agencies. If Picatinny had not been willing to work with us, my business surely would have failed. So, while you hear horror stories of small businesses who contract with the DOD, you should also hear stories such as mine that are positive. Since my first contract with Picatinny, my

company's annual contracts doubled after the first year and have continued to hold steady since then.

Our newest initiative is our fuel cell for munitions program. We are capable of reducing a fuel cell to a "D" size battery and even smaller for weapons usage. This is critical because it has been shown that standard batteries for weapons are not holding up as needed in Iraq. We have asked Congress for funding for FY05. If we secure the necessary funds, we will be able to produce these cells within 24 months. In doing so, we will create much needed manufacturing jobs in this country and ensuring our weapons work.

Now, let me address the challenges we face in going forward. First, we have applied for, and hope to be awarded, 8(a) status. Mr. Chairman, this is absolutely critical to our success in the government contracting arena. Clearly, we are not capable of competing in an open competition with large munitions companies with enormous resources. Without 8(a) status, we will lose the ability to grow at a rate necessary to compete effectively.

Second, small businesses like mine are at the mercy of federal contracting policy decisions which can be disastrous for them. Contract bundling continues to create barriers for small business. Small business must win each order separately on a case-by-case basis while their large counterparts can win large bundled contracts. This places small government contractors at an immediate disadvantage in seeking contracts with the Government. I know this Committee has been vigilant in its review of federal contracting policy and fought for changes important to small business, such as contract bundling.

Third, enforcement of federal acquisition regulations and increased scrutiny of subcontracting plans is a key component of whether businesses such as mine will be able to be successful. Unless the Secretary of each agency places a high priority on enforcement and attainment of small business goals, nothing will change. By increasing small business participation, we are, in many cases, asking contracting officers to do things differently. If contracting officers and program managers are not held to their small business goals and if contracting is largely left in the hands of the primes without the proper oversight, small business will continue to struggle to get its fair share of federal contracts.

Another issue for small businesses is payment in a timely fashion. As you are aware, cash flow is the heart of any business. In my experience, it has been difficult working with the contracting officials to allow for critically needed advance payments or partial payments for work in progress. Of course, the difficulty of collecting payments for work completed becomes even more difficult in a subcontracting relationship.

The other challenge for women owned small businesses is access to capital. The perception that “you can only get an SBA loan if you don’t need one” is still the perception among women business owners and one that needs to change. As women owned businesses mature and move to the next level of growth, access to capital is a critical component. Thankfully, we no longer have to take our husbands with us to get a loan, but from my personal experience, the amount of the loan offered to a woman owned company from a financial institution can still differ significantly from one given to a male counterpart. I encourage your Committee to continue its good work in ensuring that the

SBA loan programs remain intact and percentages loaned to women owned businesses increases.

Thank you for giving me the opportunity to testify and tell my story. I am happy to answer any questions.



**Statement of Ms. Y. Maria Welch
CEO, Respira Medical Inc.**

**On Behalf of
Women Impacting Public Policy**

**Submitted to
House Small Business Committee**

May 12, 2004

**"Women's Entrepreneurship: Successes and
Challenges"**

Mr. Chairman and Members of the Committee, good afternoon. My name is Y. Maria Welch. I am appearing before you today as a national founding partner of Women Impacting Public Policy (WIPP) and a member of the Baltimore Hispanic Chamber of Commerce (BHCC). I am the CEO of Respira Medical, a respiratory and home medical equipment company located in Baltimore, Maryland. Here is my story.

Three years ago I applied to Women Entrepreneurs of Baltimore, Inc. (WEB), an SBA funded Women's Business Center, which is also funded by the SBA PRIME program. Prior to entering the WEB program, I experienced difficulties including domestic abuse, resulting in my becoming homeless. At that low point in my life I was at a loss as to what to do to support myself and my family. I was searching my soul to find meaningful work where I could make a difference in people's lives.

Prior to becoming homeless, my father, Miguel A. Better, was dying of Chronic Obstructive Pulmonary Disease (COPD). He was a career ironworker and was exposed to environmental hazards such as asbestos, causing his COPD. COPD is a horrible disease, which prevents one's lungs from expanding and contracting and results in a long, slow and painful death. The toll of this disease on the patient and caregivers is enormous. As a result of assisting in the care for my father, I realized the difference in services patients receive from caring, qualified respiratory therapists as opposed to home medical equipment companies who provide only mediocre services.

Faced with the dual challenge of supporting my family and finding meaningful work, I decided to go into the home health respiratory care business so I could help people like my father and their caregivers, like my mother, enjoy a much higher quality of life during the precious time they have remaining with us.

When I applied to the WEB program, I expected to learn how to write a business plan and open a business. At that time, I was dealing with a lot of issues which affected my self-confidence and self-esteem. Not only did I learn how to write a great business plan and open my business, I also received immense support, encouragement, resources and tools to overcome my lack of self-confidence and to build my self-esteem.

I am happy to report that just three years later, I employ 24 individuals and have cared for over 4500 patients throughout a broad geographical area which includes Maryland, DC, Northern Virginia, Southern Pennsylvania, Northern Delaware. We have grossed over \$1.4 million this past year and have been honored with numerous awards, including the Small Business Administration, *Outstanding Woman Entrepreneur*.

I can assure you that none of this would have been possible without the highly effective and comprehensive program of WEB. There are no other programs that provide the in-depth and comprehensive training that WEB provides. The Senate recently passed S. 2267 and I urge the House to agree to its passage. It is vitally important to existing Women's Business Centers who have a proven record of success to secure funding through the SBA to be able to continue their much-needed services. Fifty three Centers are in jeopardy of losing their funding as of July 1, 2004, if this legislation is not passed.

Now that I have addressed my successes, let me address some of the challenges that lie ahead for Respira Medical.

An element of the new Medicare law contains a component of the law that can close the doors of Respira, forever. The new law requires national competitive bidding for durable medical equipment, which includes oxygen related equipment that Respira Medical provides to its patients. While well intentioned to promote competition among

providers and thereby lower prices, I believe it will have unintentional consequences for patients and small businesses.

The consequences to small business is that services to patients, such as my small company can provide, will be lost in the frenzy to provide the lowest cost equipment. Patients will not only lose services but will also lose consumer choice. A dollar driven system will discourage serving patients in isolated areas and ones that do not have the highest dollar reimbursement. Respira Medical serves many individuals in isolated locations. We do not pick and choose whom we serve based on the amount of reimbursement for services.

We fear that national competitive bidding rules will be set up to favor large, well-capitalized providers and jeopardize small companies like mine. We fear patient choice will be limited to a few large companies and, in the end, the patient will lose. As is the case in many industries, it is a mistake to assume that size and capitalization assure appropriate, timely, or legitimate services. After overcoming so many obstacles to be successful, I fear that the government will undo these efforts by imposing an insurmountable obstacle—a federal regulation which is not within my power to change.

Currently, the Centers for Medicare and Medicaid Services (CMS) are in the process of putting together an Advisory Committee to determine the direction of this new requirement. We urge this Committee to protect the interests of small businesses as the CMS begins this process and develops its Advisory Committee.

I relish the opportunity to be involved in making Medicare work better by fostering real competition based on service quality and reasonable prices to improve care to the elderly. At Respira Medical we consider it a privilege to care for a patient. They

have chosen us to provide their care. The secret to our success is that we do the basics very well. I hope my competition hears that loud and clear.

Mr. Chairman, thank you for giving me the opportunity to speak today. I am happy to answer any questions.



Plumbing-Heating-Cooling Contractors--National Association

Pride In Our Past--Faith In Our Future

WRITTEN TESTIMONY

OF

MS. ANN BELUS
President and CEO
Cable Pipe and Leak Detection
Spring Valley, California

and a member of the
Plumbing-Heating-Cooling Contractors--National Association

BEFORE THE

COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES

May 12, 2004
Room 2361
House Committee on Small Business



We Employ Technicians Certified by
North American Technician Excellence

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Thank you Chairman Manzullo, Ranking Member Velázquez, members of the Small Business Committee Members, and other distinguished guests. First, let me offer that it is a thrill for me to be considered as an entrepreneur and it is indeed a privilege to be serving on a panel with other women that, in your view, have tremendous entrepreneurial spirit. Mr. Chairman, I applaud your Committee's scheduling of a hearing on this topic. It is a most gratifying experience for me to be here representing my company, Cable Pipe and Leak Detection, and for the association of which I am a member, the Plumbing-heating-Cooling Contractors – National Association.

My name is Ann Belus and I am President of Cable Pipe and Leak Detection in Spring Valley, California, which neighbors San Diego.

My entrepreneurial vision began in 1976, when my husband, John, was employed as a journeyman plumber for a major contractor. At the time, I was employed as an administrative assistant for a civil engineer. We had comfortable incomes, but had higher aspirations, both of us keeping alert for new business opportunities. In John's line of work, he came across a need for a specific, specialized type of work related to plumbing. In Southern California, most of our homes and many buildings are built on slabs with the plumbing installed under the foundation. If a problem in the piping such as leaks or stoppages develops, there was no alternative but to dig and keep digging until the problem was found. He thought there had to be an easier way.

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Since his job was more financially lucrative than mine and we had four children under twelve years old to support, we decided he would keep his job and I would do the footwork to see if a business of this type would work. I spent days researching manufacturers' directories at the library to see if there were instruments being made that could be used to trace underground pipes. After many consultations with firms all over the United States, I decided on a company in Los Angeles County that produced several instruments that would fit the needs of my company. The vision for my company would be to specialize in tracing underground plumbing and pinpointing leaks or problems in those lines. We leveraged ourselves to the maximum by taking out a second mortgage on our home and went out to purchase the equipment and a truck. We settled on taking "small steps" and went out and hired our first employee, a technician and trained him on how to use the equipment. Our vision was forming - little did I know at the time but I was well on the way to becoming successful entrepreneur.

The first two years were extremely difficult to keep my company alive, but I wouldn't give up. I operated in the "red," but never gave up as I literally pounded the pavement and went door to door visiting anyone that I thought could benefit from my services. I concentrated on contractors, architects, and apartment owners. I tried all types of advertising, newspapers ads, radio, and flyers, but found that "word of mouth" from satisfied customers worked the best. I established a foundation of sound business practices and committed to my customers a quality product. Eventually my company started to grow.

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I never felt that being a woman in a predominantly man-oriented line of work was any disadvantage. I studied hard and learned quickly all the aspects of the plumbing trade so that I could converse with any contractor on an equal basis. When I approached a potential customer, I knew my facts and promised great service.

My small company continued to grow until it reached the point where my husband could quit his job and come work for me. I continued to run the business from all aspects while he worked as a technician. Today, I am still running the day to day aspects of the company, my husband is retired, and I employ a staff of fourteen who service all types of businesses through San Diego, Los Angeles, Orange, San Bernardino, Riverside, and Imperial Counties in Southern California.

When I reflect upon the success of our business, I realize that it simply started with our company's solid commitment to quality service at a fair price. As I mentioned above, the true growth of company didn't come from advertising but from our customers who told others of the quality of the services provided by our company.

I also found that one of the best ways to learn about improving my business was by joining our industry trade association, the Plumbing-Heating-Cooling-Contractors National Association (PHCC). While our office located here in Virginia serves us well by constantly keeping us advised of legislative matters pertaining to small businesses, the local chapters keep us current on local matters. One issue that comes to mind is when our local apprenticeship schools lost their accreditation because of a controversial political

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situation. Our advocates in California and in Washington worked with lawmakers to help rectify this situation.

Perhaps the biggest issue affecting my company today is the high cost of health care. It has always been a priority for me to offer my employees the best in health care insurance. Therefore, it was an extremely difficult decision for me to ask for my employees to increase the amount of their co-pay, but I was left with no other choice. The exorbitant increases in my health care premiums are forcing me to consider whether I can continue to provide this benefit to my employees.

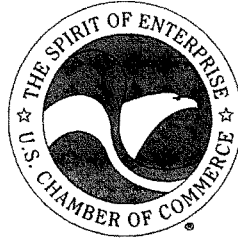
My company firmly supports Association Health Plans and I am pleased to learn that both Chairman Manzullo and Ranking Member Velasquez support this legislation, with Representative Velasquez taking a leadership role in sponsoring this legislation. I understand that this week is being labeled "covering the insured" so it's a thrill for me to be here in town while such an important issue is generating headlines. This legislation would benefit small businesses, such as my company, through its ability to allow associations to offer rich benefit packages like those offered by large companies. Small businesses represent the fuel of economic growth in our country. One would think that with small businesses providing nearly 70% of the economic growth in the country, it seems only fair that we should be able to obtain affordable health care.

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In many ways, health care is a jobs issue. I would like to employ more technicians to meet the growing needs of my company but I'm somewhat reluctant to do so until we can hopefully find an end to these ever-increasing health care costs.

In summation, having my own business has indeed been extremely satisfying for me. There have been tough times, good years and bad, problems encountered along the way, but I feel that I have provided a valuable service to society, and provided a good working environment for my employees. I now look forward to my retirement and letting my children take over the business operation. Perhaps now would be the time to put in my plea for Congress to do away with the death tax, once and for all. I'm fortunate to be in this industry and I truly value the services I provide, including health, comfort, and safety to citizens across the country.

Thank you Mr. Chairman, for the opportunity to allow me to share the story of my dream come true.



Statement of the U.S. Chamber of Commerce

ON: Women's Entrepreneurship: Success and Challenges

TO: HOUSE COMMITTEE ON SMALL BUSINESS

DATE: May 12, 2004

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 98 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

STATEMENT
on
Women's Entrepreneurship: Successes and Challenges
before the
HOUSE Committee on Small Business
on behalf of the
U.S. Chamber of Commerce
by
Ms. Isabelle Hilliard
President and Chief Executive Officer
Old Dominion Home Health Services
May 12, 2004

Chairman Manzullo, Ranking Member Velazquez and members of the Committee, I am Isabelle Hilliard, President and Chief Executive Officer of Old Dominion Home Health Services, a small business headquartered in Richmond, Virginia with another center located in Petersburg, Virginia. Our firm currently employs one hundred and twenty-five individuals dedicated to providing top-notch home health care services to my clients. My businesses offer a myriad of health care services, including free home care evaluation, Medicare skilled nursing, Medicaid personal care, respite care, sitters, live-in and companion services, as well as physical, occupational, speech and respiratory therapies. My business also includes a durable medical supply and equipment company and a adult day care center. I also come before you as a member of the U.S. Chamber of Commerce's Small Business Council. I request that both my written and oral statements be made part of the record.

I am deeply honored to be able to speak to you today on issues that are very important to me. I can't help but think of the millions of women-owned businesses that share similar concerns and challenges as I have had in my years of being in business.

When I began my business in 1995, it was more out of necessity rather than fulfilling a dream. With one company that I worked for going out of business and the other bought out, I simply needed a job and decided to create one for myself. I knew from my past experience that success depended on quality service, quality staff and exceeding the expectations of my clients. So with that mission in mind, I started out with one office, one desk, one typewriter, a phone and one employee, myself. Obviously quality control was not a problem back then. Today, I still believe that providing personal attention to each of my customers is of utmost importance so I still make it a point to meet personally with every client. My dedication to these principles has earned me accreditation by the Joint Committee on Home Care Accreditation since 2000.

I think women-owned businesses have made tremendous strides over the past years, both in the scope of their opportunities and their staying power. We all know the statistics of how many small businesses fail in their infancy. I think more and more women business owners are beating those odds, and I am very proud to be among those who have survived ten years and, hopefully, will survive another ten.

Not only am I a woman business owner, one of the fastest growing segments of small business, but I also operate in the health care arena, a much-regulated industry. This certainly at times provides me with my share of challenges. Even so, the difficulties of succeeding as a woman-owned small business are not much different than the hurdles presented to all small businesses, though at times are exacerbated by my gender. Access to capital, or lack of it, the deluge of government regulation and paperwork, navigating through a complicated regulatory process, and the ability to attract and keep qualified personnel serve to headline my difficulties in business over the years. The two things that I always seem to come up in short supply of are time and money.

My initial challenges in starting my business were finding the capital necessary to get started. From a lender's point of view I was a high-risk startup. One accountant informed me that without adequate funding my small business was destined for failure. As I proceeded to grow, complying with state, local and federal regulation and paperwork requirements was a full time job in itself.

Looking back on my experiences, I would like to make the following recommendations to Congress that will not only help my industry, but also help other women business owners like myself start, run and expand our businesses.

1. This Committee and the House of Representatives should pass S. 2267, the "Business Centers Sustainability Recovery Act of 2004." This bill would enable the Small Business Administration (SBA) to reprogram currently-appropriated funds and tap into a pool of funding normally reserved for initial grants to newly-established Women Business Centers (WBC). WBCs have been successful in providing assistance to women in all walks of life, including women who once received public assistance and are now operating businesses and creating jobs.

2. Congress must appropriate enough funds to provide a consistent and predictable SBA 7(a) loan program. The SBA 7(a) and 504 guaranteed loan programs, play a vital role as alternative sources for capital when funding through conventional methods is not available, especially for women business owners. However, in the past, the 7(a) program has been under funded resulting in severe restrictions that deny women business owners access to the funds needed to start, grow and expand their businesses.

3. The Senate must follow the lead of the House and pass association health plan legislation. Access to affordable, high-quality health care coverage for small business owners and their employees must be improved, without adding new mandates that require specific coverage. Small business owners have faced five successive years of double-digit increases in health care premiums, which have eroded their ability to attract and keep qualified workers, decreased their international competitiveness, and limited their ability to grow and expand domestically.

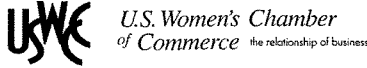
4. Congress must pass medical malpractice reform. Excessive litigation and high medical malpractice rates have added to employers' health care costs, reduced access to quality medical care – especially in rural areas, and prompted unnecessary tests by physicians that further drive

up health care costs. The attrition of doctors due to the soaring medical malpractice insurance costs cuts across all sectors of health care. Hospitals need physicians to admit patients. Companies that manufacture medical devices and pharmaceuticals need physicians to use and prescribe their products.

5. Federal agencies must reduce excessive federal paperwork burdens. When government burdens small businesses with excessive, time-consuming, duplicative, paperwork requirements, entrepreneurs have less time to do what they do best—create jobs, grow their businesses, and increase economic prosperity. One example of an agency where regulation and paperwork has limited my ability to hire people and expand my business is the Centers for Medicare & Medicaid Services (CMS). I have found many of the forms required by CMS to be duplicative, excessive and unnecessarily time-consuming. In many cases small processing errors made by the agency has resulted in payments due me delayed and in some cases not even paid at all.

6. Over the last three years, Congress has passed and the President has signed into law tax reforms that have reduced marginal income tax rates, eliminated the death tax, and increased small business expensing. These reforms must be made permanent, thus freeing women business owners like myself to make investment decisions based on tax laws that are consistent and predictable from year to year.

Again, I want to thank the Chairman and Ranking Member for allowing me to testify at this hearing.



Testimony of

**Terry Williams
President**

U.S. Women's Chamber of Commerce

**U.S. House of Representatives
Committee on Small Business**

**May 12, 2004, 2:00 P.M.
Rayburn House Office Building, Room 2360
Washington, D.C.**

on

Women's Entrepreneurship: Successes and Challenges

Chairman Manzullo, Ranking Member Velazquez, Members of the Committee, good afternoon and thank you for the opportunity to appear before you today to address Women's Entrepreneurship: Successes and Challenges. My name is Terry Williams and I am President of the U.S. Women's Chamber of Commerce representing the over ten million women business owners of America. With me today is our CEO, Margot Dorfman.

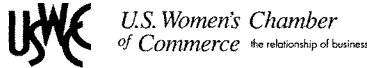
We are pleased to know that the Committee on Small Business is looking at the successes and challenges of women in business because; frankly we need your assistance.

The growth of women-owned businesses in the U.S. over the last decade has become one of the great business headlines of our time. Driven by individuality and independence, necessity and practicality - women by the thousands have abandoned the safety net of "employment" for the new frontier of entrepreneurship.

With this feminine entrepreneurial expedition came headline stories about the growth and success of women in business. Corporations lined up to fund reports and send press releases to generate headlines about women in business. And political leaders held women's summits and gatherings to celebrate the successes of women.

The Hype of Women-Owned Businesses

Invariable, the reporting of the statistics about women-owned businesses always emphasize growth and prosperity. Three very recent headlines report similar viewpoints - "Women-Owned Businesses Growing Twice National Average" (Center for Women's Business Research), "Women-Owned Business Soar" (U.S. Department of Labor), and "SBA Lending Improves to Women-Owned Businesses" (National Women's Business Council).



The Realities

Unfortunately the financial realities for women business owners aren't nearly so bright. Even though privately-held, majority (51% or more) women-owned businesses makeup 29.9% of all privately-held firms in the U.S.:

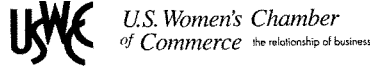
- Between FY1998 and FY2003, there was a 7.5% decrease in the average value of loans made to women-owned businesses.
- The share of dollars lent to women-owned businesses increased from an already low 13.2% in FY1998 to only 14.3% in FY2003, while the share of the number of loans and equity investments decreased from 22.9% to 20.5% over the same period.
- Women-owned businesses continue to be clearly challenged in federal procurement markets – still struggling to reach the artificial 5% "nickel ceiling."
- The 2001, U.S. Small Business Administration Office of Advocacy "Women in Business" reports, 98,870 women-owned firms (1.8 %) had receipts of more than \$1 million (compared to 5.04% for the market whole). These businesses accounted for 68.3 % of total women-owned business revenues.

Women-Owned Businesses are Struggling

The struggle women-owned businesses are facing as they strive to reach strong levels of revenues is hindering by their ability to compete for larger market share. Privately-held, majority (51% or more) women-owned firms in the U.S. generate \$1.19 trillion in sales and employ 9.8 million people nationwide. This sounds wonderful. But when the receipts of women-owned businesses are compared to the market whole, we gain a clearer perspective of the constraints women face.

A representative sampling of top metropolitan areas reveals that while there are a significant number of women-owned businesses, their receipts remain small.

- In the DC-MD-VA-WV Metro Statistical Area, women own 32.3% of all firms, but generate only 10% of the receipts.
- In Detroit, women own 30.5% of all firms, but generate only 7.9% of the receipts.
- In Atlanta, women own 29% of all firms, but generate only 7% of the receipts.
- In Chicago, women own 30.5% of all firms, but generate only 10.7% of the receipts.



It is Time to Address the Issues

The question we ask today is - while celebrating the successes of women in business, why isn't the President, Congress and the Small Business Administration addressing the clear competitive issues that our new pioneering women business owners are facing?

- o Women-owned businesses receive fewer and smaller SBA loans.
- o Women-owned businesses receive far fewer and smaller government procurement contracts.
- o In an unconscionable lack of support for women-owned businesses - the SBA has failed to implement the Women's Procurement Program that was established in 2000 - and this committee has not acted to intercede on our behalf.

I have grown successful businesses and I can attest that without access to markets, capital, and technical expertise - businesses flounder. Our dynamic, committed women business-owners need you to support them.

In this time of focus on job growth, stability and fostering a competitive America, it is incomprehensible, that we are not doing everything within our power to foster and develop this new wealth of entrepreneurial talent.

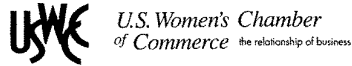
Deliver on Promises

To date much has been promised and very little delivered:

- A modest tax cut does little to promote the growth of a very small business.
- The attempt to eliminate micro lending and adding more per loan costs to other loan programs does not help.
- Cutting back the budget of important Small Business Administration programs does not help.
- Eroding the number of Procurement Center Representatives does not help.
- Cutting the funding of Women's Business Centers does not help.
- Not implementing the Women's Procurement Program doesn't help.
- Failure to provide affordable health care does not help.

Congress has not adequately served women-owned businesses. We strongly need real assistance with:

- o Access to quality, affordable health care so women business owners can secure and retain quality workers and remain competitive.
- o Tax relief that truly supports the small business marketplace.
- o Access to the government marketplace with more realistic goals that are on par with the number of women businesses rather than a portion of a portion of an already too small pie. We need a truly competitive marketplace that fosters competitiveness at all levels of contracting.



- Access to capital that is representative of our numbers and growing influence the marketplace.
- Reductions in the regulatory compliance work to relieve small businesses of wasted time and money so they can focus on growing and sustaining their businesses.

More than anything, this dynamic market needs you to step up to the plate and truly embrace women-owned businesses for all that they can mean to the financial prosperity of our country.

Conclusion

Mr. Chairman, we greatly appreciate your desire to hear of the successes and challenges of women in business. We hope that you and the members of this committee will finally help us take these successes to the next level. We hope your will move beyond handshakes and headlines to concrete action that will fully maximize the growth opportunities of women-owned businesses throughout the U.S. Help us complete this great entrepreneurial expedition and bring women-owned businesses to maturity as full contributing partners to a robust and flourishing U.S. economy. On behalf of the over ten million women business owners in the United States, thank you for considering our challenges along with our successes.