

Statement of Senator Olympia J. Snowe
Small Business Committee Hearing
“Minority Entrepreneurship: Assessing the Effectiveness of SBA Programs for
the Minority Business Community”
May 22, 2007

Thank you, Senator Kerry, for calling this timely hearing on the subject of minority entrepreneurship. Just last week, the U.S. Census Bureau announced that over 100 million people – or *one in three* U.S. residents – are classified as an ethnic or racial minority.

According to a study released in last month by the SBA Office of Advocacy, minorities owned approximately 18 percent of the 23 million firms in the United States. Additionally, there are now over four million minority-owned businesses across the country, accounting for over \$591 billion in revenues.

As former Chair and now Ranking Member of this Committee, I have championed an aggressive contracting agenda that promotes entrepreneurship opportunities for minority-owned and women-owned small businesses, as well as for business located in Historically Underutilized Business Zones (HUBZones).

This morning, we will hear from expert witnesses on ways to improve the *vital* entrepreneurship programs and services that the Small Business Administration (SBA) provides to minority-owned small businesses. In the coming weeks, I will work closely with you, Chairman Kerry, to develop a bipartisan small business contracting package that will address ways to promote small business utilization of key SBA entrepreneurship programs – including the 8(a) and HUBZone programs.

The SBA is responsible for administering and implementing programs to ensure that members of minority-owned small businesses achieve economic self-

sufficiency, overcome the vestiges of discrimination, and realize their tremendous potential. The SBA's minority entrepreneurship programs, especially the Small Disadvantaged Business (SDB) and the 8(a) business development program for small disadvantaged businesses, have provided real economic opportunities to minority communities across America. In Fiscal Year 2005, small disadvantaged businesses received \$21.7 billion in prime contracts, or 6.9 percent of total Federal contracts, exceeding the Federal government's goal of 5 percent, and 8(a)-certified small disadvantaged businesses received \$10.46 billion, or 3.3 percent – also exceeding a Federal goal of 3 percent.

Unfortunately, the effectiveness of these programs has been repeatedly called into question. Three recent reports of the SBA Inspector General found that the SBA: (1) does not track compliance with 8(a) regulations; (2) improperly maintains an 8(a) database; (3) improperly supervises mentor-protégé arrangements between 8(a) firms and larger businesses; and (4) fails to ensure that 8(a) contracts go to more than a handful of participating firms.

These conclusions are echoed by the Government Accountability Office, which found that over the last two years, the 8(a) program is vulnerable to “fronting” and fraud by larger business concerns, and that subcontracting opportunities for small disadvantaged businesses were not properly enforced on Katrina reconstruction projects in the Gulf Coast. It is my sincere hope that the SBA will explain to us this morning the specific, corrective remedies the Agency has taken to rectify these problems.

In conclusion, I again look forward to continuing to work closely with you, Chairman Kerry, in developing a bipartisan contracting package that builds on what was included in our SBA Reauthorization bill from last year – and that addresses a number of the concerns raised this morning.

Thank you, Mr. Chairman.