



**WRITTEN TESTIMONY OF**

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Before the Senate Committee on Small Business and  
Entrepreneurship

May 8, 2013

Madam Chairwoman Landrieu, Ranking Member Risch, and Members of the Committee,

Thank you for inviting the Minority Business Development Agency (MBDA) to appear before the committee to speak on such a critical topic as strengthening the minority women-owned business community. I ask that my statement in its entirety be submitted for the record.

Minority-owned businesses in general contribute significantly to this nation's economy. According to the *2007 Survey of Business Owners*, minority-owned firms contributed \$1 trillion in total economic output to the economy and employed nearly 6 million Americans.<sup>1</sup>

Additionally, minority-owned firms are a driving force for the global competitiveness of the United States economy. As more than 70 percent of the world's purchasing power and 95 percent of its population live beyond U.S. borders,<sup>2</sup> the ability of firms to compete in the global marketplace is a major source of strength for the national economy. To that end, minority-owned firms have the best export statistics of any segment in the U.S. economy. These firms are more likely to export their products and services as non-minority-owned firms, three times as likely to derive 100 percent of their revenues from global transactions, and three times as likely to transact business in a language other than English.<sup>3</sup> With their ability to break down cultural and linguistic barriers, minority-owned firms are helping lead the way to securing our economic prosperity.

While minority-owned firms on the whole are helping grow this nation's economy, minority women entrepreneurs are a driving force of the minority business community. According to a recent study commissioned by American Express OPEN, there are nearly 3 million firms owned by women of color in the United States, comprising one third of all women-owned firms.<sup>4</sup> Minority women-owned firms also generate \$226.8 billion in total revenue and employ nearly 1.4 million Americans.<sup>5</sup> Indeed, these encouraging numbers represent a tremendous increase over the last 16 years. For example, in 1997 the same American Express report found that in the United States women of color owned fewer than 1 million firms, and comprised less than 17 percent of all women-owned firms.<sup>6</sup> Latina-owned firms in particular have seen tremendous growth over the last 16 years; the number of these firms has tripled, while their employment has risen 74 percent, outpacing all women-owned firms.<sup>7</sup>

We see that the growth of minority women-owned firms is a positive accomplishment, however, there is still much more room to grow. Though the growth of this segment has generally outpaced the growth of non-minority women-owned firms, firms owned by women of color still lag behind in terms of average employment and revenues. For example, in 2007 the average gross receipts of minority female-owned firms amounted to only \$84,000 per firm, less than half

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<sup>1</sup> U.S. Department of Commerce, U.S. Census Bureau, 2007 Survey of Business Owners, Preliminary Estimates of Business Ownership by Gender, Ethnicity, Race and Veteran Status (2010), *available at* <http://www.census.gov/econ/sbo/> (accessed, April 25, 2013). (2007 Survey of Business Owners).

<sup>2</sup> U.S. Department of Commerce, MBDA, Characteristics of Minority Businesses and Entrepreneurs, An Analysis of the 2002 Survey of Business Owners (March 2008)

<sup>3</sup> 2007 Survey of Business Owners.

<sup>4</sup> American Express OPEN, *2013 State of Women-Owned Businesses Report* (accessed April 25, 2013); <http://www.openforum.com/womensbusinessreport>.

<sup>5</sup> Id

<sup>6</sup> Id

<sup>7</sup> Id

the average gross receipts of their non-minority female counterparts (\$181,000).<sup>8</sup> They continue to encounter obstacles to their continued growth and economic success. These obstacles include access to contracts, access to capital, as well as the lack of informal networks to assist in the pursuit of opportunities. MBDA seeks to help firms realize their full economic potential by facilitating business development opportunities act as a strategic partner in their growth and development.

As the committee is aware, MBDA is the only federal agency dedicated exclusively to the growth and global competitiveness of the nation's 5.8 million minority businesses. Created in 1969 through Executive Order 11458 and later enhanced by Executive Order 11625, MBDA has worked with the growing minority business community to expand its economic footprint and impact on U.S. competitiveness.

The bulk of our work on behalf of minority-owned firms is accomplished through our integrated nationwide network of 39 MBDA Business Centers. Each center provides businesses with a wide range of services to assist them in accessing contracts, capital, new markets, as well as helping them grow to size and scale. The Centers are located in areas with the largest concentration of minority populations and the largest number of minority businesses. Further each center is staffed by business specialists who have the knowledge and practical experience needed to run successful and profitable businesses. Recently, with cost savings realized through a reorganization of the Agency, MBDA was able to further invest in the centers to enhance their reach and service offering to the minority business community.

Over the course of the last four years, the MBDA Business Centers have been instrumental in the Agency achieving the highest performance in its history. Since 2009, MBDA has assisted clients in accessing \$14.6 billion in contracts and capital, while helping them create and retain over 33,000 American jobs. This performance represents increases of 108 percent and 48 percent respectively over the period between 2005 and 2009.<sup>9</sup>

Some of MBDA's biggest successes in this four-year period resulted from the assistance provided to firms owned by women of color. I would like to take a moment to share some of our success stories with you:

- Crystal Enterprises is an African American woman-owned food service and facilities maintenance firm based in Maryland. In 2012, with the assistance of MBDA, it received a \$6.2 million contract to provide janitorial services for the U.S. Holocaust Memorial Museum. The District of Columbia MBDA Business Center provided support by reviewing the technical and pricing proposal and helping the company to develop a strategy for successfully winning the contract.

Assistance from the MBDA Business Center directly contributed to Crystal's stellar track record, which recently earned it the "Client of the Year" award by the District of Columbia MBDA Business Center. With continued engagement of MBDA, and over \$40

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<sup>8</sup> 2007 Survey of Business Owners.

<sup>9</sup> MBDA performance data is maintained in the Agency's CRM and legacy.

million in potential contracts in the pipeline, Crystal Enterprises is positioned to achieve its increasingly high revenue goals for FY 2013.

- Ashford International is a Native American, woman-owned company that offers strategic sourcing solutions to state and federal agencies. Established in 2008, Ashford International initially only offered office products and medical equipment, but through joint ventures and teaming agreements, was able to add a multitude of products and services.

This was a solid base from which the Indianapolis MBDA Business Center helped expand Ashford's business ventures. The Center has been an invaluable source of consultation and strategic planning that has helped accelerate sales. During 2012, it also helped the company obtain a contract worth \$8 million that will ultimately allowed Ashford to retain a dozen jobs and generate another 400 new jobs.

- When Donnelly & Moore Corp., a technology staffing and recruiting firm, got off the ground in 1997, it was a one-woman operation in one of the most competitive business sectors in the country, system conversions. Today, with revenues in excess of \$10 million, the firm has broadened its services, providing information technology staffing and full life cycle software development solutions to both public and private organizations.

Despite major setbacks from September 11, 2001 to super storm Sandy, the company has continued to grow — in part thanks to the help from the New York (Manhattan) MBDA Business Center. The Center provided marketing, consulting, and access to private contract opportunities, which have helped Donnelly & Moore generate 30 new jobs with \$15 million in contracts during the past year.

- For Mariana Oprea, failure is not an option. After being laid off due to her employer's restructuring, she founded Interavia Spares & Services (ISS) Inc. in 2003 building on what she knows best – selling aircraft parts. Her company is a distributor and reseller of aviation parts and materials to an international market of airlines, repair stations and other brokers abroad, with 95% of her business in exports. As an international supplier, she communicates in six languages: English, Spanish, Italian, French, Portuguese and Romanian.

ISS, Inc. had annual revenues of \$3 million until 2009, when it dropped to \$1.3 million, due in large part to the recession. With the help of the Miami MBDA Business Center, ISS was able to not only recover but double its profits and build a select customer network.

In addition to the work done through MBDA Business Centers, the Agency maintains close relationships with external partners to further our assistance to minority women-owned firms. For example, MBDA works closely with the Women's Business Enterprise National Council, which is the largest third party certifier of women-owned businesses. We have been happy to

have them participate in our event, the National Minority Enterprise Development (MED) Week Conference.

These are just a few of the Agency's successes with minority women-owned business. In the coming days, MBDA will release its Annual Performance Report for Fiscal Year 2012. In it are more examples of the Agency's successes with this sector. I encourage the Members of the Committee to review this document and take notice of our ability to work with a business and grow it into a driver of job creation. For all of our successes, we know that there are many minority women-owned firms out there that are on the verge of taking off and realizing their full potential. All they need is a spark and they will be able to grow, put Americans back to work, and strengthen the national economy. MBDA Business Centers can provide that spark.

President Obama also recognizes the importance of the minority women-owned business community. In terms of women-owned businesses in general, the Obama Administration understands that this sector is a critical part of building a 21<sup>st</sup> century economy, one that is built to last.

The Administration has been committed to putting in place an effective program to support access to federal contracting opportunities for women-owned small businesses. In 2010, the Administration published a comprehensive women's contracting rule that will help federal agencies meet the 5% contracting goal with women-owned firms and assist these firms to compete in more than 80 industries where they are underrepresented. Moreover, in 2012, to further support the President's commitment to parity in federal contracting, MBDA opened its first Federal Procurement Center in Washington, DC. This center has a unique focus on helping minority-owned firms gain access to the federal marketplace. The center accomplishes this through facilitating relationships between businesses and federal acquisition professionals, encouraging teaming arrangements, and leveraging the center's strategic partnerships.

The Obama Administration has also undertaken several initiatives to increase access to capital, which has long plagued not just minority women-owned firms, but the minority business community as a whole. As I noted earlier, access to capital has been an obstacle to the continued growth of minority women-owned firms, preventing them from competing for contracts or making payroll. In January of 2010, MBDA released a report, *Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: the Troubling Reality of Capital Limitations Faced by MBEs*. Some of the key findings of the report include:

1. Minority-owned firms are less likely to receive loans than non-minority owned firms regardless of firm size. According to an analysis of data from the Survey of Small Business Finances, for firms with gross receipts over \$500,000, 52 percent of non-minority-owned firms received loans compared to 41 percent of minority-owned firms.<sup>10</sup>
2. When minority-owned firms receive financing, it is for less money and at a higher interest rate than non-minority-owned firms, regardless of the size of the firm. Minority-

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<sup>10</sup> U.S. Department of Commerce, Minority Business Development Agency, *Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced by MBEs* (2010)

owned firms paid an average of 7.8 percent in interest rates for loans, compared to 6.4 percent for non-minority-owned firms. Among firms with gross receipts under \$500,000, minority-owned firms paid an average of 9.1 percent in interest rates, compared to 6.9 percent for non-minority-owned firms.<sup>11</sup>

3. Minority-owned firms receive smaller equity investments than non-minority owned firms even when controlling for firm size, yet venture capital funds focused on investing in the minority business community are highly competitive. The average amount of new equity investments in minority-owned firms receiving equity is 43 percent of the average of new equity investments in non-minority-owned firms.<sup>12</sup>

In response to this issue, the President has taken steps such as infusing capital into community banks through the Small Business Jobs Act. In addition the President has enhanced and expanded loans through the Small Business Administration (SBA), with a focus on underserved communities.

Finally, the Administration is working to ensure the long-term survival and growth of women-owned businesses particularly through building their competitiveness in the global marketplace. Due to the Small Business Jobs Act, there are now more resources available to women-owned firms looking to export. An additional resource available to minority women is MBDA. The Agency has recently adopted a strategic focus on increasing export capacity of the minority business community. As I referenced earlier, this segment has the best export statistics of any other sector in the economy. Over the last two years, MBDA has been able to work with its clients to execute \$100 million in export transactions.

I want to thank the Committee for holding this hearing on such a critical element of our nation's economy particularly on the 25<sup>th</sup> anniversary of the passage of the Women's Business Ownership Act. Looking ahead, I want to assure each of you that MBDA is committed to strengthening the minority women-owned business community. I would urge these businesses to engage our nationwide network of centers and utilize the resources the Agency can offer them. If we are to create an economy built to last and have a nation that can compete in the global marketplace, the strength of this segment will be a determining factor.

I look forward to working with the committee in the future on this topic and look forward to answering your questions.

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<sup>11</sup> Id.

<sup>12</sup> Id.