

Testimony of

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On behalf of the Ewing Marion Kauffman Foundation to the

U.S. House of Representatives
Committee on Financial Services, Subcommittee on Diversity and
Inclusion:

*“Building Opportunity: Addressing the Financial Barriers to
Minority and Women-Owned Businesses’ Involvement in
Infrastructure Projects”*

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Good morning, Chair Beatty, Ranking Member Wagner, and Members of the Subcommittee. My name is Philip Gaskin, Vice President of Entrepreneurship at the Ewing Marion Kauffman Foundation. It is an honor to testify on behalf of the Kauffman Foundation to discuss ways to reduce barriers for women and minority-owned businesses in contributing to advancing the state of American infrastructure.

The Ewing Marion Kauffman Foundation is a private, nonpartisan foundation based in Kansas City, Mo., that focuses on a prepared workforce and entrepreneur-focused economic development. The Foundation uses its \$3 billion in assets to change conditions, address root causes, and break down barriers so that all people – regardless of race, gender, or geography – can achieve economic stability, mobility, and prosperity.

Our founder, Ewing Marion Kauffman, saw himself as a common man who was able to achieve uncommon things in his life – from growing a business that started in his basement to a multi-billion-dollar enterprise, or bringing a Major League Baseball team to Kansas City. He was an entrepreneur and humanitarian whose innovative and long-lasting contributions have benefited millions of people in his hometown of Kansas City and beyond.

Ewing Kauffman established the Foundation with the same sense of opportunity he brought to his business endeavors, and, with the same convictions. He believed, as does the Foundation that, “All the money in the world cannot solve problems unless we work together. And, if we work together, there is no problem in the world that can stop us, as we seek to develop people to their highest and best potential.”

In that spirit of Mr. Kauffman, we seek to create equitable, comprehensive, and sustainable change. And to do that we first must listen to the communities in which we work, develop shared learning and knowledge, and bring people together. Through these collaborations, we champion ideas and support solutions designed to improve education, boost entrepreneurship, and help communities and individuals thrive.

The Kauffman Foundation empowers a network of grantees, partnerships, and organizations who seek to enact systemic positive change towards creating an economy that works for more people across America. While our reach and impact are national, we pride ourselves in a local, incubator approach by innovating, testing, and deploying programs designed to empower the next



generation of entrepreneurs and workforce with the tools they need to succeed right in the heart of Kansas City.

To the Kauffman Foundation, entrepreneurship is not only about business ownership, rather, we believe entrepreneurship embodies the potential towards creating a ripple effect of opportunity in an entrepreneur's community. We know that newer firms create the most net new jobs year after year. The connection with a prepared workforce is clear. New firms are also the engine of innovation and continued reinvention of our economy, opening new sectors and job opportunities.

However, we sometimes forget the impact that entrepreneurs have on the communities in which they start their venture. Like Mr. Kauffman's endeavors, the businesses that start and grow in communities shape those communities. Drive around a community and look at the names on the community institutions. Those names reflect the entrepreneurs who gave back to the community that helped them. What can America become if we tap into more of that innovation, expand the opportunities for more people with a great idea, and open access to communities that have faced historic barriers and disinvestment?

To fully build America's competitiveness, we must empower and engage the entire entrepreneur class. Half of our nation's potential entrepreneurs are sitting on the sidelines. In a competitive global economy, at the heart of our opportunity to rebuild American infrastructure in an inclusive way, America cannot afford to waste the energy and ideas of even one entrepreneur, let alone half of its population. Especially if those entrepreneurs possess the skillsets, market knowledge, industry expertise, and grit and determination required of them. Right now, it is just too hard for too many to start a business and access the supports they need to let it grow.

Black Americans and other people of color, and those in rural communities represent the last, great untapped asset class in America today. And if we can find ways to support them, especially through equal participation in rebuilding American infrastructure, I guarantee our country will be more profitable, more competitive, and more equitable.

Now, let me share a personal story about my father's experience as a Black entrepreneur when I was growing up. My family lived near a long street in Los Angeles that crossed many kinds of neighborhoods. For us, it was more than a boulevard. It was more of a Berlin Wall.



If you lived on the north side of the boulevard, you were in a zip code that had a very good reputation. But I grew up on the south side of the boulevard, just one block away, in a different zip code. It was the edge of where “those other people” lived.

My dad and I had a ritual starting in the fifth grade. Three or four times a month, he’d pick me up after school and we’d go to a bank. One day I asked, “Dad, why do we go to so many banks?” He said, “I’ll tell you when you get older.” Turns out, he was trying to get that first loan, to open a chain of convenience stores. And he kept striking out.

At these banks, my dad’s barrier to entry was simple: he lived one zip code away from what they considered worthy. He had good credit, but he didn’t have credit experience. Somehow, his score was always seven or ten points too low. He was always the other. This went on for four years. Finally, after hearing “no” dozens of times, he finally heard “yes.” A Black-owned bank saw him as worthy and gave him a loan. I remember how elated he was. He said, “someone finally trusted me.”

He opened a convenience store in South Central Los Angeles, and it did well. He went back to that bank and got another loan and opened a second store just south of the Los Angeles Coliseum. Those investments paid off. My dad wasn’t just a good entrepreneur, he was a good asset for the community. For 20 years, he created jobs while giving back to the neighborhood.

Even after securing the capital needed to open two successful stores, my dad continued to face barriers that kept his business from expanding further, unlike other entrepreneurs who did not look like him. He always said, “I don’t want to be told that I’m not worthy ever again.” Because of this, my dad lost faith in the system that was supposed to help him and never went back for another loan for fear of rejection, because he lived just one block away. In America too many of these assets live that one block away, or that one rural county away. Too many are seen as the “other.” Too many face the same barriers my dad faced years ago.

My father’s experience resembles the experiences that many American entrepreneurs continue to face today. According to our research, 83 percent of entrepreneurs cannot access bank loans or venture capital at the time of



startup.¹ Black-owned businesses are still twice as likely to be rejected for loans, start with three times less in overall capital, and four in ten entrepreneurs of color are “too discouraged” to even try for a loan for fear that they won’t get it, according to the Federal Reserve.² In a country where 55 percent of the population is female, women are 60 percent less likely to secure funding than men when pitching the same business.³ Alarming, of the \$69.1 trillion in global assets under the four major asset classes, including mutual funds, hedge funds, real estate, and private equity, less than 1.3 percent is invested in firms owned by women, Black Americans, and other people of color.⁴

While the landscape is fraught with inequality and uneven access to opportunity and funding, today, we face a unique opportunity to address these issues head on. The endeavor to advance our nation’s infrastructure through the *Infrastructure Investment and Jobs Act* presents a prime opportunity to work together to identify and start to bridge the capital access gap for underserved businesses and firms who stand ready to meet the moment. The problem is plain and clear, when it comes to federal contracting and investing, firms owned by people of color have been left behind.⁵ How can we bring them back into the ecosystem in a way that puts them at parity with their, too oftentimes, white male counterparts who seemingly have no issue accessing those same contracts?

The solution to these problems lies at the heart of access, our core principle which drove us to create the America’s New Business Plan (ANBP), discussed in greater depth below. In our view, successful entrepreneurs have gotten where they are today because they gained access to opportunity, capital and funding, knowledge, and the support needed to help small businesses thrive. In the same way the policies inside the ANBP empower burgeoning entrepreneurs with the

¹ Ewing Marion Kauffman Foundation. *Access to Capital for Entrepreneurs: Removing Barriers*. Apr. 2019, pp. 1–48, https://www.kauffman.org/wp-content/uploads/2019/12/CapitalReport_042519.pdf.

² “The Fed - Availability of Credit to Small Businesses - September 2017.” Board of Governors of the Federal Reserve System, <https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm>.

³ For the Economy to Restart, Everyone Must Have the Opportunity to Participate. <https://www.kauffman.org/currents/rebuild-better-inclusive-economy/>

⁴ Ewing Marion Kauffman Foundation. *Diversifying Investments: A Study of Ownership Diversity and Performance in the Asset Management Industry*. Jan. 2019, pp. 1–21, https://kf-site-production.s3.amazonaws.com/media_elements/files/000/000/281/original/2019_KF_DIVERSITY_REPORT-FINAL.pdf.

⁵ “SBA Releases FY 2020 Disaggregated Contracting Data.” *SBA Releases FY 2020 Disaggregated Contracting Data*, <https://www.sba.gov/blog/sba-releases-fy-2020-disaggregated-contracting-data>.



tools to succeed, we must empower women and minority-owned firms with equitable access to resources, opportunities, and lenders that look like them, live in their communities, and understand the local ecosystem in which they operate. We cannot do that through government relief alone, or, without the help of locally trusted organizations, smaller, non-traditional lending partners, and institutions grounded in the historical and cultural implications of a community.

Our passion at the Kauffman Foundation is to change conditions for entrepreneurs by changing the systems in which they operate. Funds within the infrastructure package provide a unique, generational opportunity to funnel capital to underserved communities that need it the most especially as they begin to recover from the economic impacts of COVID-19. For example, as the Kansas City metro area continues to navigate the COVID-19 pandemic, our approximately 153,741 non-employer firms and approximately 50,000 “main street” small businesses (though these categories are not mutually exclusive) remain at extreme risk of economic injury or failure.⁶ In fact, most U.S. small businesses operate on a very tight margin: 29 percent are unprofitable, and 47 percent have two weeks or fewer of cash liquidity.⁷

These businesses still have substantial need for liquidity to make payroll, avoid furloughing employees, and covering other ordinary expenses. In addition, this population of businesses are least likely to be able to access low-interest Small Business Association (SBA) loans given their strict underwriting and eligibility requirements that includes personal credit history, payment history, and collateral. These dynamics mean that businesses owned by women and people of color, often with lower credit scores and needing less capital, are not served through traditional and federal lending institutions and instead must turn to local minority depository institutions (MDIs) (like my father) or community development financial institutions (CDFIs) to meet their debt financing and microlending needs.

We have seen that even massive injections of capital from the federal government had an inequitable impact on access to capital for small businesses. For example, a Kauffman funded study on the variation in PPP lending by race

⁶ *Census Business Builder: Regional Analyst Edition - 4.0.*

https://cbb.census.gov/rae/#view=map&industries=00&clusterName=All+Sectors&geoType=metro&dataVariable=37&dashboardVars=62-17-64-34¢erX=-10531021¢erY=4713496&level=7&geoid=28140&dynHeader=My+Region&dynGeo_metro=28140.

⁷ *Place Matters: Small Business Financial Health in Urban Communities.*

<https://www.jpmorganchase.com/institute/research/small-business/place-matters-small-business-financial-health-in-urban-communities>.



found that Black-owned businesses were more likely to obtain a PPP loan from a fintech lender than a traditional bank. While ultimately, more than 32,000 small businesses in the Kansas City metro area received PPP loans, that funding was much more accessible to entrepreneurs living in affluent areas.⁸ Meanwhile, traditionally redlined neighborhoods received 17 percent fewer PPP loans than their proportionate share of small business ownership. PPP lending was just a small example of the reality we continue to face today: existing capital pools support only a fraction of the need.

Whether the issue is accessing startup capital, disaster relief funding, or preparing smaller, disadvantaged businesses to fully seize the opportunities within the *Infrastructure Investment and Jobs Act*, the gap in capital markets between businesses of color and white-owned businesses is incredibly clear. For women and borrowers of color especially, CDFIs and MDIs play an increasingly important role in bridging the current lending gap as it exists in the marketplace. CDFIs not only service underserved and disinvested communities and areas, but they work to facilitate trust between financial systems and traditionally underbanked populations as well.

CDFIs understand that Black, women, and minority-owned firms face undue burdens and barriers when trying to compete against their counterparts and are more likely to provide pathways to access and opportunities than traditional, redlined, banking systems. For example, Black- and Hispanic-owned firms are more likely to apply for capital with CDFIs than similar white-owned firms.⁹ Similarly, the Federal Reserve's Small Business Credit Survey found that Black-owned firms were more likely than white-owned firms to use CDFIs as financial services providers.¹⁰ One study found that 58 percent of CDFI business loans went to targeted borrower types (including minority, low-income individuals, and women). The survey also found that CDFIs are far more likely to concentrate their lending activity in distressed census tracts than "mainstream" lenders¹¹ This

⁸ MySidewalk. <https://reports.mysidewalk.com/0f064324cc>.

⁹ "Understanding Community Development Financial Institutions and Their Impact in Low- and Moderate-Income Neighborhoods." *Federal Reserve Bank of San Francisco*, <https://www.frbsf.org/community-development/publications/community-development-investment-review/2021/may/community-development-financial-institutions-impact-low-moderate-income-neighborhoods/>.

¹⁰ Federal Reserve Bank. *Small Business Credit Survey: 2021 Report on Firms Owned by People of Color*. The Federal Reserve, 2021, pp. 21, <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/sbcs-report-on-firms-owned-by-people-of-color>.

¹¹ Swack, Micheal, et al. *CDFIs Stepping into the Breach: An Impact Evaluation—Summary Report*. The Carsey School of Public Policy University of New Hampshire, Aug. 2014, pp. 4–57, <https://scholars.unh.edu/cgi/viewcontent.cgi?referer=https://scholar.google.com/&httpsredir=1&article=1235&context=carsey>.



is because CDFIs are currently bridging a market gap between white-owned businesses and minority-owned businesses; a gap that arose from years of compounded systemic inequities. This is not because white business owners do not need capital, but because white business owners are far more likely to be able to obtain that capital from a traditional bank, the way our system was initially established.

Today, there are many local contractors who are well-positioned to rebuild infrastructure in their own community who have the capability and the drive, but oftentimes lack the ability to access those contracts because they lack the tools to identify the opportunity, or like my father, lack a lending institution who will lend to them. Those same entrepreneurs might also lack the support they need, including access to organizations, including CDFIs, whose mission is built around the prospects of their success. Those entrepreneurs may also lack the knowledge to go after contracts, projects, or opportunities that have been laid out for them in the *Infrastructure Investment and Jobs Act* necessary to benefit from the newly authorized funding for rebuilding infrastructure. At the Kauffman Foundation, we have identified several models worthy of replication at the federal level that can connect entrepreneurs and struggling businesses, including contractors, with the access to capital, knowledge, opportunity, and support that they need.

Kauffman Capital Access Lab

Our work through the Capital Access Lab has shown that entrepreneurs like my father are investable, they are not a risk, and they show immense potential for growth both individually and in their immediate communities. The Capital Access Lab is a national pilot initiative that aims to find, promote, and scale innovative investment managers, providing new kinds of capital to underserved entrepreneurs and communities in the United States. For this pilot, the Kauffman Foundation worked in conjunction with ImpactAssets to create a new vehicle for Foundations and donors to aggregate and deploy charitable funding.¹² To date, Kauffman's investment of \$3M into six funds has catalyzed other investments totaling \$177M that has been raised by the funds. The funds have to date deployed more than \$25M in funding to entrepreneurs across 40 companies.

Across all six Capital Access Lab funds, we saw approximately 40 entrepreneur founders invested in entrepreneurs from diverse backgrounds including 97

¹² <https://impactassets.org/>



percent underrepresented founders, 86 percent founders of color, 61 percent female founders in 75 percent cities outside major venture capital hubs such as New York City, Boston, and California. The results from our efforts only continue to underscore the systemic inequity faced by business owners and entrepreneurs of color or those owned by women. With proper capital, managed and distributed by people who look and live like them, entrepreneurs face higher chance for success when they have access to institutions who understand their needs most intimately.

We believe that the results from our Capital Access Lab point towards a greater need in the American marketplace. While there are various programs across government which provide much-needed support for entrepreneurship and capital access, more must be done. We urge Congress to consider new and innovative models of equitable financing proven through our Capital Access Lab that can be made accessible to entrepreneurs eager to rebuild American infrastructure but who may lack the supports necessary to go after prime contracts.

Kansas City CDFI Capitalization

Another key initiative worthy of mention is our partnership with AltCap in our hometown of Kansas City. AltCap is a community development financial institution (CDFI) that invests in underestimated communities throughout the Kansas City metro area. AltCap deploys capital through innovative financing products, targeted small business and economic development programming, and partnerships that help build an inclusive ecosystem of entrepreneurship. Since 2005, AltCap has delivered nearly \$200 million in New Markets Tax Credits and \$7 million in small business financing to community-driven real estate development projects and to entrepreneurs who have been left out of the financial mainstream. AltCap believes that aligning financial, social, environmental, and human capital creates stronger communities and a thriving, inclusive economy. Since 2016, AltCap has made more than \$9 million in microloans to disadvantaged businesses, including those of color or owned by women and minorities, with an average loan size of \$27K.

Understanding the market need, in 2020, Kauffman provided an initial, catalytic investment to AltCap for the establishment of the Kansas City COVID-19 Relief and Recovery Loan Fund. AltCap in turn made more than 150 microloans in 8

months and they maintained a 0 percent default rate on the portfolio.¹³ We believe these results prove not only the effectiveness of CDFIs and their relationships with the community, but also prove that investing in entrepreneurs from underrepresented populations is less risky than perceived.

One entrepreneur who benefitted from a Kansas City COVID-19 Relief and Recovery loan from AltCap is Chris Evans. Mr. Evans grew up in Kansas City, working part-time in his family's T-shirt printing business, T-Shirt King. He moved away to attend Morehouse College, build a career in consulting, and later earned his MBA at the University of Michigan. After graduating, Chris took over the family business. Then, COVID-19 came and negatively impacted his business. The community and sports team events that drove his business ceased entirely.



T-Shirt King received a Kansas City COVID-19 Relief and Recovery Fund loan from Kauffman grantee AltCap. The loan allowed Mr. Evans to retain employees and keep his doors open through the pandemic. Today, he has maintained his employee count and his business. As Mr. Evans put in his own words "Knowing that somebody, like AltCap, is really looking out for your business and knows that you are on the map, is the huge, huge part."¹⁴

Now building off the success of this fund and wanting to build more CDFI capacity in Kansas City, Kauffman beginning this year will grant an additional \$13.9M into three CDFIs in Kansas City (including an additional \$5.3M to AltCap) to help capitalize their loan funds, build internal capacity, increase the overall pool of funding available for entrepreneurs in the region, and help more entrepreneurs start and grow business and create jobs. The funds will provide microloan and alternative financing for businesses operating within the Kansas City metropolitan area's low-income and distressed census tracts. Alternative forms of lending may include revenue-based investment and character lending as appropriate to meet entrepreneur needs.

Kauffman is not only an incubator or grantor, but we also conduct real world research into what succeeds and what fails. Because of this, Kauffman should be viewed by the Committee as an unbiased source of information for them to make better decisions in increasing access to capital and opportunity necessary for entrepreneurs to benefit from legislation such as the infrastructure package.

¹³ <https://www.alt-cap.org/covid-relief-fund>

¹⁴ <https://www.alt-cap.org/covid-relief-fund>

Much like we empower grantees in their communities to drive impact, we liken our model to how CDFIs and MDIs work to bridge gaps in access to capital in their own communities. However, to do so, they require additional support from Congress.

The America's New Business Plan: A Model for Improving Access

At the Kauffman Foundation, we think of our work in four pillars through our flagship entrepreneurial development toolkit, the America's New Business Plan, a research-vetted policy platform that is updated annually, providing recommendations and the current landscape characteristics of American small businesses.



The first pillar is equitable access to opportunity. We need to provide access to networks, mentors, and support organizations who can help overcome barriers and cut through red tape to turn good ideas into reality. Unfortunately, market concentration and the outsized influence of established businesses too often block entrepreneurs from seeking federal, state, and local procurement contracts. In addition, many entrepreneurs encounter a confusing web of outdated regulations, ordinances, and permits. Unlike big, established corporations, entrepreneurs lack the means to hire teams of consultants, attorneys, and available resources to shape and navigate these complicated systems. Especially in procurement and government contracting spaces, larger firms and corporations who can afford the supports necessary will have long identified how to navigate the regulations and licensing and permit requirements necessary to win contracts easily, thus reinforcing a cycle that consistently crowds out those who are not as well resourced.

The second pillar is equitable access to funding. That means closing the credit gap for entrepreneurs like my father and making sure early-stage entrepreneurs have access to the right kind of capital at the right time to start and grow a business. Unfortunately, capital seldom flows to all deserving entrepreneurs. At least 83 percent of entrepreneurs do not access bank loans or venture capital when launching a business, tilting the scales in favor of those who have the wealth to create new enterprises.¹⁵ Women, Black, and Latino entrepreneurs must overcome additional bias and barriers to raise the funds their businesses need. While 45 percent of men say that getting the money to start a new

¹⁵ Victor Hwang, Sameeksha Desai, and Ross Baird, "Access to Capital for Entrepreneurs: Removing Barriers," Ewing Marion Kauffman Foundation: Kansas City, 2019.



business is difficult, 63 percent of women report the same.¹⁶ On average, Black entrepreneurs start with much less capital, have less family wealth to rely on, and are much less likely to get bank loans or other forms of investment than equivalent applicants who are white or of other racial identities.¹⁷

The third pillar is equitable access to support. When entrepreneurs strike out on their own, they leave behind the salary and benefits an employer provides. Assuming the full risk of failure, they are responsible for health care, retirement savings, and other necessities they, their families, and their employees depend on. In addition, entrepreneurs, especially those who are women or of minority groups need access to childcare, transportation, and high-speed broadband internet – critical infrastructural barriers to entry that are crying out for transformational change. The balance that entrepreneurs must strike each day to keep their families and businesses afloat can be likened to a high-wire act: they need a safety net to rely on when the going gets tough. The simple truth is that this issue does not exist in a vacuum and affects every American citizen. The challenges posed by the COVID-19 pandemic has only worsened and uncovered the inequities that women and minorities face when it comes to accessing support.

Lastly, we focus on equitable access to knowledge, the know-how to start and grow a business, including gaining real world learning experiences and credentials in high school. Aspiring entrepreneurs have fewer connections to relevant resources than existing business owners do. More than half (55 percent) of established business owners reported knowing more than five other business owners, but only 39 percent of entrepreneurs who had started a business in the past year reported the same.¹⁸ New business owners are more likely to have challenges finding networks, connections, and mentors than owners of mature businesses.¹⁹ To succeed, new businesses also need access to high-quality workers. Fifty-two percent of businesses less than a year old reported difficulty

¹⁶ “America’s Voice on Small Business: Generational Views of Entrepreneurship and Small Business,” America’s Small Business Development Centers and the Center for Generational Kinetics, May 2017

¹⁷ Sterling A. Bone, Glenn L. Christensen, Jerome D. Williams, Stella Adams, Anneliese Lederer, and Paul C. Lubin. “Detecting Discrimination in Small Business Lending,” Jon M. Huntsman School of Business at Utah State University, 2017. And Joyce A. Klein, “Bridging the Divide: How Business Ownership Can Help Close the Racial Wealth Gap,” FIELD at the Aspen Institute, January 2017.

¹⁸ “Breaking Barriers: The Voice of Entrepreneurs,” Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies, February 2018.

¹⁹ Jessica Looze and Sameeksha Desai, “How has COVID-19 Changed Challenges for Entrepreneurs? Implications for Entrepreneurship Support,” Ewing Marion Kauffman Foundation: Kansas City, November 2020.

finding skilled employees during the COVID-19 pandemic.²⁰ This is particularly a challenge in rural areas that have suffered “brain drains” as their labor pools have migrated to urban centers. In a 2019 Small Business Majority study, all 21 focus groups of rural business owners stressed that good employees were difficult to find.²¹

We believe the ANBP provides solutions to remedy the lack of access to capital, opportunity, knowledge, and support needed for minority firms to benefit from the dollars available to them in the infrastructure bill. We also believe entrepreneurs should be able to rely on local, community development financial institutions, minority depository institutions, and fintech providers to empower their business with a competitive advantage tailored to their community needs. While tackling systemic inequity in government procurement is a long-term goal, CDFIs, MDIs, and non-traditional lenders will play a critical role in bridging the capital access, knowledge, and support gaps in the short-and long-term.



Our model of empowering our grantees, local organizations, and associations on the ground with existing cultural expertise to enact systemic change across the nation is exactly what Congress should seek to do by integrating the use of institutions that already exist to serve disadvantaged entrepreneurs who are long overdue their shot at the American Dream.

For women and minority-owned businesses to succeed in obtaining prime contracts for infrastructure improvement projects, our ecosystem must support the following requirements:

Community banks, community development financial institutions (CDFIs), and minority depository institutions (MDIs) are important sources of capital for new and small businesses. Yet consolidation in the banking industry has exacerbated gaps in capital access for new and small businesses, especially those owned by entrepreneurs of color. The number of community banks declined by more than 2,000 from 2008 to 2018; the number of MDIs went from 164 at the end of 2001 to 143 at the end of the third quarter of 2020. The number of Black-owned banks declined by more than half between 2001 and the third quarter of 2020, from 48 to 20. To improve access to capital, policymakers should:

²⁰ Jessica Looze and Sameeksha Desai, “How has COVID-19 Changed Challenges for Entrepreneurs? Implications for Entrepreneurship Support,” Ewing Marion Kauffman Foundation: Kansas City, November 2020.

²¹ “Examining the Unique Opportunities and Challenges Facing Rural Small Businesses,” Small Business Majority, February 12, 2019.



- Expand the U.S. Treasury Department’s CDFI Fund to help CDFIs scale and lend to more new and small businesses in their communities.
- Encourage the capitalization of local financial institutions by backstopping “equity-like” investment in CDFIs and MDIs and strengthening investor tax credits.
- Provide technical assistance and funding to help CDFIs expand operations.
- Work with philanthropic organizations to create funding pools that reduce risk and interest of CDFIs’ short-term lending to businesses not eligible for SBA loans.
- Establish community deposit programs or expand existing community deposit programs to facilitate greater lending to new and small businesses.²²

While we understand that CDFIs, MDIs do not exist solely to service entrepreneurs in procurement spaces, we understand that a majority of women and minority-owned firms who struggle to gain access to opportunities have and will continue to rely on these institutions for support. For that reason, they must be supported to the fullest extent possible necessary to prepare the next generation of contractors to fully benefit from opportunities like the *Infrastructure Investment and Jobs Act*.

In closing, we once again thank for your time and consideration in receiving our perspective, recommendations, and market-ready solutions towards addressing the barriers that women, Black, and minority-owned firms face when accessing capital, opportunities, supports, and knowledge needed to benefit from the *Infrastructure Investment and Jobs Act*.

While the *Infrastructure Investment and Jobs Act* certainly provides a myriad of opportunities for American contracting firms, not all firms have an equal chance of accessing the award funding, and therefore, will miss out on an incredible opportunity to develop, grow, and scale their businesses as a result. While remedying these gaps for all business owners will require a long-term dedicated effort towards reducing barriers to access, much like the Kauffman Foundation’s approach, it is important to gain a clear understanding of the task at hand. We

²² Start Us Up Coalition. America’s New Business Plan. Ewing Marion Kauffman Foundation, Mar. 2021, <https://www.startusupnow.org/wp-content/uploads/sites/12/2021/03/AmericasNewBusinessPlan.pdf>.

hope that our testimony has provided just that. Even if firms cannot access the opportunities in this infrastructure package, policymakers must take these barriers into account and work towards addressing them so that in the long-term, all groups will have the same opportunity and chances to thrive in the federal contracting marketplace with any new infrastructure reauthorization package.

Although the role for private industry including organizations like ours is clear, entrepreneurship is a team sport. While private philanthropy possesses some of the tools to break down these barriers to access and provide solutions towards remedying them, the role of the federal government cannot be understated. Private philanthropy, industry, and like-minded corporations that share our values still need the federal government to do its part to help those on the ground doing the work to enable a greater and more inclusive environment. In essence, a thriving entrepreneurial landscape will require a robust public-private commitment towards change.



The Kauffman Foundation would like to remain a resource to policymakers and members of the Committee as a go-to partner for premier research, industry knowledge, and case studies on what works what fails when expanding access to economic opportunity to America's greatest untapped asset through entrepreneurship. We once again thank you for your time and would appreciate any opportunity to follow-up with Members on the Committee to share more of our research, progress, and endeavors in this space.