



September 4th, 2020

Dear Senators,

On behalf of the undersigned organizations and the thousands of Vermont businesses we represent, we're writing to express our continued support for the Women and Minority-Owned Business Program and urge the legislature to expand upon this historic initiative to better serve these business owners for the long term.

The House and Senate's overwhelming support for H.966, which secured \$5 million in grant funds to split between women and minority-owned business enterprises (WMBE's) was a step in the right direction and an acknowledgement that we must do more to support Vermont businesses adversely impacted by systemic racism and gender inequities. We want to take this opportunity to express our gratitude for the creation of this program and celebrate its many successes in delivering critical financial lifelines to historically underserved Vermonters. That said, as with any new program, we have found opportunities for improvement and growth, including:

- **Continued investment in the Women and Minority-Owned Businesses Grant Program**
- **Grace period for outreach and communication**
- **Demographic data collection**
- **Additional technical assistance**

National and State Data

As noted in national data, women and minority business owners have traditionally not been able to access federal programs because of major systemic issues within the banking system, largely due to a lack of existing relationships with lenders. In 2018, the average size loan for women-owned businesses was 31% less than the average size loan for male-owned businesses. Meanwhile, large banks approved 60% of loans by white business owners, compared to 50% of loans by Hispanic business owners and just 29% of loans by Black business owners. As noted in a more recent [study](#), 40% of Black-owned businesses and 32% of Latinx-owned businesses have been forced to close due to COVID-19. These disparities clearly show that even in normal times women and minority business owners face major systemic challenges in keeping their businesses afloat. The COVID-19 pandemic has no doubt exacerbated these challenges and presented several new ones.

Looking more closely at Vermont, according to Change The Story's *2016 Status Report: Women's Business Ownership and the Vermont Economy*, there are 23,417 women-owned businesses in Vermont who together represent almost one third of the privately held firms in the state, employ 12% of Vermont's private sector workers (36,326 people), and generate annual revenues of approximately \$2.2 billion. Notably, between 2007-2011, the number of female-owned businesses grew 15%; during that same period male-owned businesses grew by only 6%. Still, despite their ingenuity, perseverance, and entrepreneurial spirit, women-owned firms in Vermont are fewer in number, smaller in size, and lower in annual revenues. Women

business owners are also significantly underrepresented in 9 of the 10 highest grossing sectors- this limits financial opportunities for individual women and their potential contributions to Vermont's economy.

By and large, there is a lack of comprehensive, current, and accurate data about minority owned businesses in Vermont with only the 2012 economic stimulus data as our most recent source of information. The Vermont Commission on Women reported the distinct challenges that face our minority-owned businesses and their ability to start and grow. Nationally, minority-owned businesses generate only 48% of the revenue that non-minority-owned businesses do and are growing at a rate that's less than that of the minority population as a whole. In Vermont, non-white Vermonters are 6.4% of the population, but minority-owned businesses only make up 3% of all private businesses in Vermont and have less than 75% the number of employees of white-owned businesses.

Continued Investment in Minority and Women-Owned Business

As noted in the Change the Story 2016 report, with 23,417 women-owned businesses in Vermont, if only 931 women-owned businesses utilizing the program provided through ACCD, that shows that only 4% of women-owned businesses were served by this fund. Despite the challenges outlined below, demand for these programs was exceedingly high. Not only was the \$2.5 million allocated for women-owned businesses completely exhausted, it was oversubscribed with 48 Women-Owned Businesses who received false confirmation that they would receive grants when at that point they were no longer available.

"The main reason I completed this survey was to convey that I was told I was eligible for a grant and would receive the funds (around \$600) in the form of a check within about two weeks from the time I spoke with someone on the phone. Then, just recently, I got an email saying that unfortunately the funds had dried up and I would not get anything (at least for now). Had the original email said (which I don't recall it did) that my receipt of the funds was conditional on there being enough money to disburse, I wouldn't have been so confused and disappointed when the second email came, telling me I was getting nothing. So, this is a reminder to please be clear with communication in the future. My business will be okay; very low overhead, but funds would have allowed me to pay for some improvements and expansions that I would not otherwise have done."

The anticipated changes to program eligibility thresholds and the introduction of sole proprietors into the Economic Recovery Grant Program mean that competition for this next round of funding will be incredibly high, meanwhile, as noted below, all of the challenges with outreach, access, and technical assistance for our WMBE's will remain.

Economic Recovery Package for Women and Minority Business Enterprises - Lessons Learned

As noted in an ACCD Report, as of August 17th, the Women and Minority Business Owners Program had awarded 336 grants to women-owned sole proprietor businesses and another 170 grants to minority-owned sole proprietors, completely exhausting the \$2.5 million allocated for the former and leaving roughly \$601,000 for the latter. It is worth noting that recent numbers provided by ACCD look as though the minority-owned business' allocation continues to serve this group and could be fully exhausted. Looking beyond sole proprietorships to the full suite of grants offered by ACCD and the Department of Taxes, minority-owned businesses had received a total of 253 grants and women-owned businesses received a total of 931.

Lack of Grace Period for Outreach and Communication

Leading up to the launch of this program, organizations from around the state rallied together to connect with business owners to make sure that they were aware of these new programs. Communications were centered on outlining programmatic requirements and guidelines and sharing opportunities for technical assistance as needed. This was done via word of mouth, individual emails, social media, statewide radio public service announcements, and direct phone calls to impacted business owners

With very little turnaround time to effectively launch and market the program, there is significant likelihood that many BIPOC-owned businesses were unaware of and/or unable to access this economic assistance at the time the application was launched.

This issue could be resolved with the development of a comprehensive communications plan and a designated period for marketing and outreach leading up to the launch of the application to ensure that more businesses are aware of the program, prepared to file, and able to access funds in an equitable manner.

Challenges with Available Demographic Data

In addition to a short outreach period at the onset of the grant program, the lack of state level data on our minority-owned businesses proved to be yet another hurdle. Without a comprehensive list of and contacts for our minority-owned businesses, as noted above, there were little other options but to conduct outreach in a very labor intensive and time-consuming fashion.

Currently, the only publicly available database of Minority and Women-Owned Business Enterprises (MWBE) is through the Agency of the Administration. This list includes only 225 businesses, nearly half of which are not based here in Vermont. As ACCD awarded a combined 1184 grants to Women and Minority Sole Proprietors, this indicates a major discrepancy between the total number who have self-certified with the Agency and the actual number of MWBEs across the state.

Had a list of self-identified women and minority-owned businesses been made available, communications and technical assistance could have been provided more efficiently and effectively and would have supported better subscription and access.

In a time where data is critical to the state's ability to identify needs, isolate trends, and ensure the equitable distribution of funds and resources, we call on the legislature to ensure that our governmental agencies collect demographic data in any and all applications.

Additionally, we ask that we take further steps to capture this data to support outreach and communications to ensure equity of access to resources including:

- **Prioritize developing quantitative and qualitative data related to Vermonters whose experiences are typically skewed by aggregated information, including Black, Indigenous, People of Color (BIPOC); people living with disabilities; and those who identify as LGBTQIA.**

- **Change Vermont incorporation forms and software to identify whether a business is woman- or minority-owned.**
- **Track and report on the number of state contracts awarded to women- and minority-owned businesses.**

High Demand for Technical Assistance

In addition to the need for bolstered outreach, data collection, and marketing, there is also a significant demand for technical assistance from local businesses struggling to navigate the application process for the Minority and Women-Owned Business Grant Program.

The Center for Women and Enterprise (CWEVT), a non-profit economic empowerment organization, worked closely with state partners to help with technical assistance for the Program. CWEVT reports that they have served over 150 business owners to date. With three counselors on-call for in-depth assistance in addition to the three CWEVT full-time staff members, they reported that the majority of inquiries they received were either application-based issues (EIN vs. VT Tax Account, signing in, etc.) or problems with income statement preparation. While CWEVT staff spent an average of 30 min with each business owner and hosted 9 live counseling sessions, approximately 30% of clients who contacted them needed more than an hour's worth of assistance and most individuals felt they needed individual counseling time.

The Vermont Partnership for Fairness and Diversity, was contracted by the state to support outreach and technical assistance, they reported that they fielded 75 technical assistance inquiries focused on questions of eligibility, how to present a profit and loss statement, how to update information on an already submitted application, and how to create .pdf files. They noted that common challenges for business owners centered around their indecision between the Department of Taxes and ACCD, eligibility questions; inability to upload requested information for an incomplete application; and more.

Additionally, MSA-VT and VBSR conducted a survey on the full package of economic recovery grant programs available. 18.5% of respondents said that they needed technical assistance to complete their applications and 14.3% said that they weren't able to get their paperwork together--again indicating that **additional technical assistance is crucial to ensure that all businesses are able to access these programs.**

Delayed Vendor Contracts and Payment

Current vendors who have been supporting the outreach and technical assistance aspects of the Minority and Women-Owned Businesses did not receive contracts or any financial compensation for their services until well over a month after the Program's launch. VCLF received an executed grant agreement from ACCD for the outreach and technical assistance as well as translation work on August 24th and received the first payment on that contract on August 31st. Those funds are now being distributed to partner groups. While we understand and respect that these are difficult times and demand for assistance is high, these organizations, who were tasked with outreach and technical assistance, hired additional employees and/or contracted staff to support their efforts but have been forced to pay them out of their own pockets. **We must do more to compensate those who are doing this critically important work in a timely fashion to ensure the financial burden of this work isn't rested on their shoulders.**

The Longer Vision: Establishment of a Commission for BIPOC Vermonters

The Minority and Women Owned Business Grant Program was a marked step toward racial and economic justice, but it is just one part of a broader effort needed to confront systemic racism here in the Green Mountain State. **We are urging the legislature to create a formalized Commission akin to the Vermont Commission on Women to provide accountability, outreach, technical assistance, and advance opportunities for Vermont's Black, Indigenous and People of Color (BIPOC) community—who continue to face significant inequities in employment, education, health, safety, leadership, and countless other areas.** Let's build upon the foundation we've laid with the MWBE Program and create an organization that can put a spotlight on these disparities, explore economic opportunities in the multicultural marketplace, and provide leadership in creating a fair and welcoming Vermont.

Conclusion

While we recognize that state coffers are more stressed than ever and you as legislators are being forced to make difficult choices when allocating limited funds, we have seen both here in Vermont and across the country, the importance of building strong programs and making systemic changes that create an economy that works for everyone. We applaud the legislature for its leadership in delivering critical aid to women and minority owned business owners during these exceptionally challenging times. Our organizations stand ready to assist you in this endeavor and thank you for the opportunity to provide comment.

Sincerely,

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