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The Minority Business Development Agency: An Overview of Its History and Programs

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SUMMARY

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The Minority Business Development Agency: An Overview of Its History and Programs

The Department of Commerce's Minority Business Development Agency (MBDA) is the lead federal agency dedicated to assisting minority business enterprises (MBEs) in overcoming social and economic disadvantages that have limited their participation in the nation's free enterprise system. The MBDA's mission is to support the growth and global competitiveness of the minority business community. Through a network of local business development centers and other initiatives, the MBDA carries out this mission by providing technical and business assistance, support, and resources, as well as advocacy and research on behalf of MBEs.

The agency was originally established as the Office of Minority Business Enterprise (OMBE) by Executive Order 11458 signed by President Richard Nixon in 1969. In 1979, the Carter Administration reorganized and renamed the OMBE as the Minority Business Development Agency (MBDA). Successive Administrations have changed the agency's focus and reorganized the delivery of its assistance and services. The agency was provided statutory authorization by the Minority Business Development Act of 2021 (Division K—Infrastructure Investment and Jobs Act, IIJA, P.L. 117-58), enacted on November 15, 2021.

- The Carter Administration renamed the agency and refocused its efforts on helping businesses of all sizes develop into medium and large-scale businesses, particularly in growth industries.
- In 1981, the Reagan Administration established the Minority Business Development Center program, which became the MBDA's primary method for delivering technical and management services to minority businesses.
- The George H.W. Bush Administration proposed eliminating the agency and transferring its mission to the Small Business Administration (SBA), but ultimately continued the agency as an entity within the Department of Commerce.
- The Clinton Administration supported substantial increases in the agency's budget to fund the establishment of Rural Business Development Centers and support the activities of the Minority Business Development Centers and Minority Business Opportunity Committees.
- The George W. Bush Administration continued efforts to coordinate the MBDA's programs with the SBA's programs, pledged to focus MBDA's resources on minority firms with at least $500,000 or more in annual revenues, and to increase their presence in the global economy. The Obama Administration placed increased emphasis on quantifying the impact of MBDA activities, increasing the efficient delivery of its services to minority business communities, and increasing coordination with other federal agencies.
- The Trump Administration's first budget request proposed to eliminate the agency, and later budget requests proposed reductions to the agency's budget by approximately 75%.
- The Biden Administration's FY2022 Budget Request included $70 million for the MBDA, an amount that would be $22 million above the FY2021 enacted level, and a new $1 billion grant program to assist MBEs access private capital.
- The Minority Business Development Act of 2021 (P.L. 117-58) statutorily authorized the agency, codified select existing programs, and added new programs and roles.

MBDA's role and its services have shifted over time to address new and emerging challenges and opportunities. Today, the agency's activities are designed to expand access to capital, markets, and contracts through public and private sector programs, policy, and research. Technical assistance and other services are provided to MBEs through specialty projects and a network of business centers. The MBDA also coordinates with other federal agencies, nongovernmental organizations, and private firms to expand capital access and contracting and export opportunities for MBEs. Current issues of congressional interest include the agency's implementation of new programs to reach MBEs, individuals, and communities; the agency's funding; the integration of existing activities; and the nomination and confirmation of the person who will lead the agency. Pending appropriations legislation, MBDA may seek to hire additional staff or otherwise increase its capacity to reestablish regional offices, administer existing and new programs, and activate additional roles, such as coordination among federal agencies and new areas of technical assistance and research activities.

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Introduction

The Department of Commerce's Minority Business Development Agency (MBDA) is the lead federal agency dedicated to supporting growth and global competitiveness of the minority business community.[1] Numerous congressional hearings, undergirded by historical and current academic research, have tried to document the extent to which members of minority groups confront disparities and disadvantages in creating new businesses, expanding markets, and finding opportunities for their business enterprises.[2] Barriers include difficulty in accessing capital, a lack of capacity or expertise, and exclusion from business networks. Given these challenges, Congress and many successive presidential administrations since the Nixon Administration have supported national policies intended to address these disparities through the MBDA.

The MBDA's primary mission is to assist minority businesses in achieving entrepreneurial participation and parity in the nation's free enterprise system and to overcome social and economic disadvantages that have limited their participation. To these ends, the MBDA is charged with formulating and coordinating federal policies and programs to support minority business enterprises (MBEs) by providing technical and managerial expertise and resources through a network of local business development centers. This report includes

- a discussion of the agency's origins and authority;
- a summary of the agency's funding history, including Administration requests and final appropriations;
- a review of the agency's recent programs, initiatives, performance, and accomplishments; and
- a review of current issues and considerations.

For over 50 years, Congress approved legislation to fund the MBDA without providing the agency statutory authorization. For example, in FY2021, the MBDA received $48 million in annual appropriations and an additional $25 million in supplemental appropriations to assist MBEs adversely affected by the Coronavirus Disease 2019 (COVID-19) pandemic.[3] The Minority Business Development Act of 2021 (Division K—Infrastructure Investment and Jobs Act, P.L. 117-58) statutorily authorized the agency, codified selected existing programs, and added new programs and roles.[4]

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[1] 15 C.F.R. §1400.2 "Determination of Group Eligibility for MBDA Assistance, Definitions" defines Minority Business Enterprise as a business that is owned or controlled by one or more socially or economically disadvantaged persons. Socially disadvantaged persons means those persons who have been subjected to cultural, racial, or ethnic prejudice because of their identity as members of a group without regard to their individual qualities. Economically disadvantaged persons means those persons whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities because of their identity as members of a group without regard to their individual qualities, as compared to others in the same line of business and competitive market area. Person means a citizen of the United States or an alien lawfully admitted for permanent residence.

[2] U.S. Congress, House Committee on Small Business, Subcommittee on General Oversight and Minority Enterprise, *Establishment of a Minority Business Development Administration in the Department of Commerce*, 96th Congress, 2nd sess., June 9, 1980, and June 16, 1980 (Washington, DC: GPO, 1980); MBDA, "Demographic Trends Publications," https://www.mbda.gov/page/demographic-trends-publications; and Robert W. Fairlie and Alicia M. Robb, *Race and Entrepreneurial Success: Black-, Asian-, and White-Owned Businesses in the United States* (Cambridge, MA: The MIT Press, 2010).

[3] P.L. 116-260. The MBDA also received $10 million in supplemental appropriations in FY2020. See P.L. 116-136.

[4] P.L. 117-58, 135 Stat. 429, November 15, 2021.

MBDA Origins and Authority

The MBDA was originally established as the Office of Minority Business Enterprise (OMBE) by President Richard Nixon with the signing of Executive Order (E.O.) 11458 on March 5, 1969.[5] During the 1968 presidential campaign, then-Republican candidate Nixon embraced the idea of "Black Capitalism," which promoted increasing minority participation as owners and managers in the U.S. economy as a means of not only promoting economic advancement and parity, but political power as well.[6] Eager to demonstrate his commitment to these goals and pressed by civil rights advocates to fulfill his campaign promise, President Nixon chose to bypass Congress and the legislative process, opting to establish a Cabinet-level committee on minority enterprise.[7] Within the first 100 days of his administration, President Nixon had established the OMBE as a policy prescription for issues of racial inequality and social injustice.

The OMBE's mission, as outlined in E.O. 11458, was threefold:

- encourage the coordination of the plans, operations, and programs of the federal government in ways that strengthen participation of minority businesses in the activities of federal agencies;
- promote the deployment of the resources of state and local governments, businesses, trade associations, and other nongovernmental entities in support of minority businesses; and
- establish a clearinghouse to identify and disseminate information to support the successful operation of MBEs.

E.O. 11458 also established an Advisory Council on Minority Enterprise (ACME), charging it with advising and supporting the Secretary of Commerce on matters affecting the success of minority businesses, including recommendations for further actions. During its first two years, the ACME played a significant role in shaping the OMBE's agenda. The ACME also helped develop efforts to increase minority participation in franchises.[8]

Stymied by organizational difficulties, including a lack of cooperation from other Cabinet-level departments, an inexperienced staff, and the absence of a dedicated budget, the OMBE struggled

[5] Executive Order 11458, "Prescribing Arrangements for Developing and Coordinating a National Program for Minority Business Enterprise," 34 *Federal Register* 4937, March 5, 1969.

[6] Dean Kotlowski, "Black Power-Nixon Style: The Nixon Administration and Minority Business Enterprise," *The Business History Review*, vol. 72, no. 3 (Autumn 1998), p. 411.

[7] Members of the committee included Secretary of Commerce Maurice Stans, Secretary of Health, Education, and Welfare Robert H. Finch, Secretary of Housing and Urban Development George Romney, Secretary of Agriculture Clifford Hardin, and Secretary of Transportation John Volpe. See Dean Kotlowski, "Black Power-Nixon Style: The Nixon Administration and Minority Business Enterprise," *The Business History Review*, vol. 72, no. 3 (Autumn 1998), p. 420.

[8] In 1969, eager to demonstrate results, the OMBE co-sponsored with the Small Business Administration (SBA) what was dubbed the 25 x 25 x 2 program, which was one of two federal programs focused on increasing minority participation in the franchise industry. The plan involved the OMBE, during eight separate rounds, recruiting 25 national franchisors who each would commit to awarding 25 franchises to minority owners each year for a two-year period. See U.S. Congress, Senate Select Committee on Small Business, *The Economic Effects of Franchising*, committee print, prepared for the Small Business Administration by Urban B. Ozanne, D.B.A. and Shelby D. Hunt. Ph. D, Graduate School of Business, the University of Wisconsin, 92nd Cong., 1st sess., September 8, 1971, committee print (Washington, DC: GPO, 1971), pp. 51-55 and pp. 187-198. Two years later, the franchising initiatives and SBA's commitment to minority business development were criticized in a 1971 committee print released by the Senate Select Committee on Small Business. In addition, the OMBE initiated efforts to increase capital assets in minority-controlled banking institutions to be made available to minority businesses.

during its first years of operation. It was also said to be handicapped in pursuing its mission by the Commerce Secretary's decision "not to become involved in individual cases or with programs at the operational level and not to seek to encroach upon existing programs functions of other federal agencies."

E.O. 11625—Expanding Agency Role

To address concerns raised during the OMBE's initial two years of operations, President Nixon, on October 13, 1971, signed E.O. 11625, Prescribing Additional Arrangements for Developing and Coordinating a National Program for Minority Business Enterprise.[9] The new E.O. was intended to clarify and strengthen OMBE's role. In remarks made at the time the new E.O. was issued, President Nixon noted the following:

> This order gives the Secretary a clear mandate to establish and carry out Federal policy concerning minority enterprise and to coordinate the related efforts of all Federal departments and agencies. It also directs the departments and agencies to develop systematic data collection processes concerning their minority enterprise programs and to cooperate in expanding the overall Federal effort.[10]

In addition to reinforcing the original E.O.'s objectives, the new E.O. called for the OMBE to create a network of minority business centers. These centers would be charged with providing managerial and technical assistance to minority businesses and conducting special projects, including the provision of direct financial assistance to minority businesses. This development marked an evolution in the agency's role from an advisory one undertaken principally through the ACME to an active one, supporting the development of minority business enterprises using public-private partnerships.

Agency Reorganization

During the Carter Administration, Congress considered, but did not pass, enabling legislation authorizing the agency and its mission.[11] In 1979, the Carter Administration reorganized and renamed the OMBE as the Minority Business Development Agency (MBDA). The reorganization was, in part, a response to reports that characterized the agency's efforts to support MBEs as fragmented, heavily focused on small businesses, and favoring the number of firms assisted rather than the quality of assistance provided. The Carter Administration's efforts were intended to refocus the agency on assisting "minority businesses develop into medium- and large-size firms in growth industries that produced jobs, stabilized communities, and improved the overall economy."[12]

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[9] Executive Order 11625, "Prescribing Additional Arrangements for Developing and Coordinating a National Program for Minority Business Enterprise," 36 *Federal Register* 19967-19970, October 13, 1971.

[10] U.S. President (Nixon), "Special Message to the Congress Urging Expansion of the Minority Business Enterprise Program," *Public Papers of the Presidents of the United States: Richard Nixon 1971*, vol. 332 (Washington, DC: GPO, 1972), pp. 1041-1046.

[11] For a summary of legislative activities related to the establishment of a Minority Business Development Administration in the 96th Congress, 2nd sess., see H.Rept. 96-1542, pp. 129-138.

[12] U.S. Congress, House Committee on Small Business, Subcommittee on General Oversight and Minority Enterprise, *Establishment of a Minority Business Development Administration in the Department of Commerce*, 96th Congress, 2nd sess., June 9, 1980, and June 16, 1980 (Washington, DC: GPO, 1980), pp. 2-3.

See "Additional Agency History" in **Appendix A** for information about the MBDA's history since the Carter Administration. See "Legislative Proposals, 96th Congress-117th Congress" in **Appendix C** for a summary of bills related to the MBDA and its activities.

Agency Establishment

Congress considered proposals to codify the MBDA for decades (see **Appendix C**) prior to the enactment of the Minority Business Development Act of 2021. The MBDA's powers and duties are now to be set in accordance with the statute "and without regard to Executive Order 11625 (36 *Federal Register* 19967; relating to prescribing additional arrangements for developing and coordinating a national program for minority business enterprise)."[13]

The Minority Business Development Act of 2021 also established within the agency an Office of Business Centers, an Office on Minority Business Development Grants, and regional MBDA offices.[14] The act directs the agency to submit a report to Congress by March 15, 2022, that describes

- the agency's organizational structure;
- the agency's organizational position within the Department of Commerce (DOC); and
- how the agency will function in relation to the operations carried out by other DOC components.[15]

The MBDA is also required to submit two reports to Congress by November 15, 2022. The first report must include a summary of its efforts to serve MBEs in states without a Business Center, and recommendations for extending outreach to underserved areas. The second report must address the ways that MBEs can address gaps in the supply chain.[16] The act directs the MBDA and the DOC Office of Inspector General to submit reports on the MBDA's grants to nonprofit organizations.[17] In addition to biennial reports, the act further directs the MBDA to submit reports on its entrepreneurship education activities and the study on alternative financing solutions.[18] The Comptroller General of the United States is required to report to Congress on the agency's programs by no later than November 15, 2025.[19]

The Minority Business Development Act of 2021 authorized to be appropriated $110 million for the MBDA for each of FY2021 through FY2025. The act directed the MBDA to allocate the majority of annual appropriations, if approved, to the Business Center program and to reserve $20 million each fiscal year for the Rural Business Center program.[20] As mentioned, the MBDA received $73 million in appropriations for FY2021 and is currently operating, as all federal agencies are, under continuing appropriations for FY2022.

[13] P.L. 117-58, Division K, Title VII, Sec. 100707.

[14] P.L. 117-58, Sec. 100003, Sec. 100001, and Sec. 100401.

[15] P.L. 117-58, Sec. 100003.

[16] P.L. 117-58, Sec. 100303 and Sec. 100304.

[17] P.L. 117-58, Sec. 100401.

[18] P.L. 117-58, Sec. 100705, Sec. 100203, and Sec. 100202.

[19] P.L. 117-58, Sec. 100704.

[20] P.L. 117-58, Sec. 100708.

New Programs, Activities and Expanded Roles, Partnerships

The Minority Business Development Act of 2021 established new MBDA programs and activities, including the following:

- Initiatives to promote economic resiliency for minority businesses (Title II), including
  - An annual diverse business capital formation forum (Sec. 100201),
  - A study on alternative financing (Sec. 100202), and
  - Grants to historically black colleges and universities (HBCUs) and minority-serving institutions (MSIs) for entrepreneurship curriculum development and new partnerships and activities to increase entrepreneurial education and training (Sec. 100203);
- Rural Business Centers to be operated by MSIs (Title III);
- Grants to nonprofit organizations to support the development, growth, or retention of MBEs (Title IV);
- An MBE Advisory Council (Title V); and
- Coordination and convening activities among federal agencies regarding socially or economically disadvantaged businesses (Title VI).

The act established support for—and in some instances expanded the scope of—existing programs and activities, including the MBDA Business Center and Specialty Center programs and the MBDA's research, evaluation, outreach, and informational activities.[21] For instance, the act directed the Under Secretary to ensure center coverage so that the Business Center Program offers services in "all regions of the United States."[22] The act also recommended increased funding for the Business Center program, with the majority of MBDA funding, as appropriated, spent on the Business Center program (including the Specialty Centers). The Rural Business Center program—although a new program—may be viewed as an expansion of the existing MBDA Business Center program to serve MBEs in rural areas.[23]

In terms of research, evaluation, and informational activities, Executive Order 11625 previously directed the agency to establish a center for the "development, collection, summarization, and dissemination of information" to promote the establishment and growth of MBEs, among other monitoring, reporting, and evaluation roles. The Minority Business Development Act of 2021 codified the agency's research, evaluation, and outreach activities, and directed the agency to undertake certain studies and outreach roles.[24] For instance, Section 100103 noted that the agency shall conduct research, studies, and surveys, and shall "provide outreach, educational services, and technical assistance in, at a minimum, the five most commonly spoken languages in the

[21] P.L. 117-58, Division K, Title I.

[22] P.L. 117-58, Sec. 100111. Additionally, the Under Secretary will develop selection criteria for the MBDA Business Center program. The Minority Business Development Act of 2021 provides three options for consideration for the Under Secretary in developing the criteria, including "(i) an area, the population of which is composed of not less than 51 percent socially or economically disadvantaged individuals, as determined in accordance with data collected by the Bureau of the Census; (ii) a federally recognized area of economic distress; or (iii) a State that is underserved with respect to the MBDA Business Center Program, as defined by the Under Secretary." See P.L. 117-58, Sec. 100114.

[23] P.L. 117-58, Division K, Title III.

[24] P.L. 117-58, Sec. 100103.

United States to ensure that limited English proficient individuals receive culturally and linguistically appropriate access to the services and information provided by the Agency."[25]

The Minority Business Development Act of 2021 also authorizes the MBDA to implement services through partnerships with both private and public sector entities, and directed the agency to engage with specific partners (e.g., HBCUs, MSIs, community-based organizations, national nonprofit organizations, and community-based organizations) on new and existing programs. For example, the act established new roles and activities to expand entrepreneurial education activities specifically with HBCUs and MSIs, among other partners. The entrepreneurial education activities include a grant program to develop and implement entrepreneurship curricula and other education and training opportunities for socially or economically disadvantaged individuals in the fields of business, management, and entrepreneurship.[26]

The Minority Business Development Act of 2021 directs the MBDA to make grants to nonprofit organizations in order to support the growth, development, and retention of MBEs. The act specified that the MBDA may consider nonprofit organizations located in a federally recognized area of economic distress and may award grants with consideration for a diverse array of grantees (e.g., community-based organizations, organizations with annual budgets under $1 million, and organizations that serve low-income and rural communities).[27] Also, once established, the Minority Business Enterprises Advisory Council—composed of both public and private sector members—will advise the MBDA on plans, programs, and activities that relate to socially or economically disadvantaged business concerns.[28]

As noted previously, the act expanded the agency's roles and programs, which may increase awareness of its services and increase access to services by new and previously underserved communities and MBEs.[29] For instance, once established, the new Rural Business Centers will serve lower-density regions that may not have large concentrations of minority populations or MBEs compared to more populous regions or metropolitan areas.[30] The reestablishment of regional MBDA offices may further extend the services of the MBDA through their engagement with the local and regional business development partners, lending partners, and federal, state, and local procurement offices.[31] Additionally, the agency's authorizing statute involves the Under Secretary in partnerships, outreach, and other activities with public sector entities in order to leverage resources and promote the position of MBEs in local economies.[32]

Funding History

During the agency's first 52 years, the MBDA continued to receive annual appropriations while various Administrations considered reorganizing it, authorizing it, defunding its activities, or merging it into the Small Business Administration (SBA) (see **Appendix A**).

[25] Additionally, the bill encouraged the MBDA to use the common languages spoken by the groups served in their outreach and communication efforts regarding the MBDA Business Centers. See P.L. 117-58, Sec. 100116.

[26] P.L. 117-58, Sec. 100203.

[27] P.L. 117-58, Division K, Title IV.

[28] P.L. 117-58, Division K, Title V.

[29] P.L. 117-58, Division K, Title I.

[30] P.L. 117-58, Division K, Title III directs the Rural Business Center program to primarily serve clients that are located 50 miles from an MBDA Business Center.

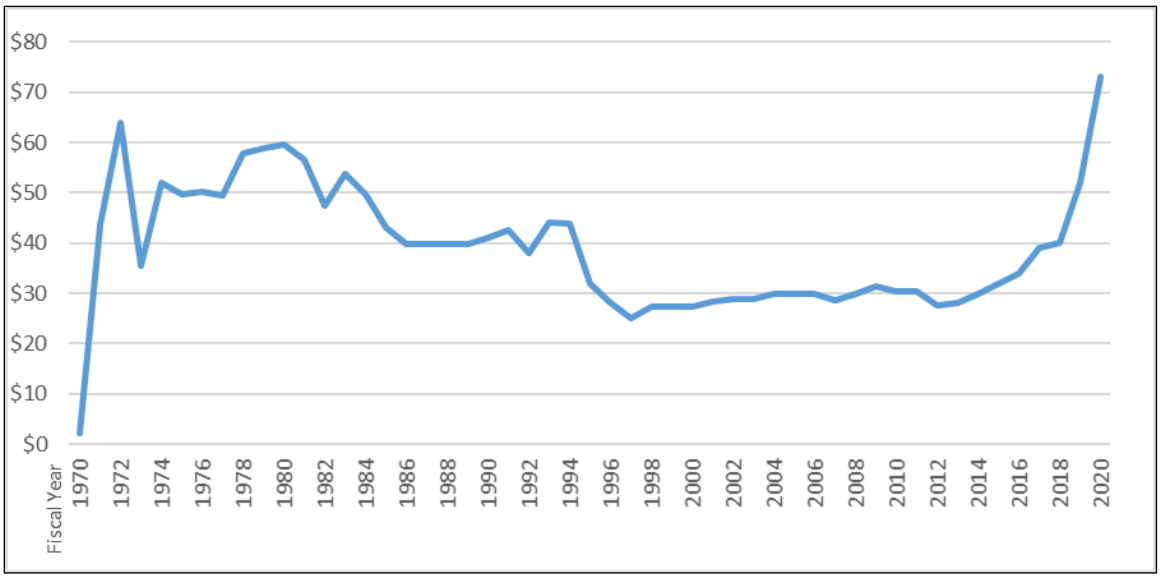
[31] P.L. 117-58, Sec. 100003.

[32] P.L. 117-58, Sec. 100102.

Figure 1 provides a visual representation of OMBE/MBDA appropriations from FY1970 to FY2021. **Table A-1** provides a history of Administrations' annual budget requests and enacted appropriations for the agency since FY1970.

Figure 1. OMBE/MBDA Appropriations History: FY1970 to FY2021

(in millions of dollars)



Source: Budget Appendices of the United States.

Note: Includes supplemental appropriations.

FY2020 and FY2021 Appropriations

The Consolidated Appropriations Act, 2020 (P.L. 116-93) funded MBDA at $42 million. In the explanatory statement accompanying the FY2020 agency appropriations report, Congress directed the MBDA to allocate no less than $18 million to the business center and specialty project center program and $7 million for the Broad Agency Announcements (BAAs).[33] In FY2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-136) provided the MBDA an additional $10 million in supplemental funding to assist MBEs with preventing, preparing for, and responding to the COVID-19 pandemic through education, training, and advising grants to minority business centers and minority chambers of commerce.[34]

[33] Rep. Nita Lowey, "Explanatory Statement Submitted by Mrs. Lowey, Chairwoman of the House Committee on Appropriations Regarding H.R. 1158, Consolidated Appropriations Act, 2020," *Congressional Record*, vol. 165, No. 204-Book II (December 17, 2019), p. H10961.

MBDA may use Broad Agency Agreements (BAAs) to solicit responses to specific challenges or opportunities. According to MBDA, a BAA "is a competitive mechanism to encourage new programs, education, outreach, innovative projects or sponsorships that are not addressed through the MBDA business center program." See MBDA, "Frequently Asked Questions—2018 MBDA Broad Agency Announcement," https://www.mbda.gov/sites/default/files/2018baafrequentlyaskedquestions070918.pdf, and Department of Commerce, *FY2021 MBDA Congressional Budget Justification*, p. 17, https://www.commerce.gov/sites/default/files/2020-02/fy2021_mbda_congressional_budget_justification.pdf.

[34] P.L. 116-136. Recipients of MBDA's CARES Act funding are listed online at https://www.mbda.gov/mbda-and-cares-act-funding. According to the MBDA's *FY2020 Annual Performance Summary*, CARES Act grants supported "education, training, and advising small and minority-owned businesses in their recovery from the effects of the

The Consolidated Appropriations Act, 2021 (P.L. 116-260) funded the MBDA at $48 million. In the explanatory statement accompanying the act, Congress directed the agency to allocate no less than $18 million to the business center and specialty project center program and $9 million for the BAA program, with an emphasis on "innovation and entrepreneurship, formerly incarcerated persons, global women's empowerment, virtual business development, and access to finance." Congress further directed the agency to allocate $1.5 million of the BAA funding to Historically Black Colleges and Universities (HBCUs) and Hispanic Serving Institutions (HSIs) Entrepreneurship Pilot and to "include Tribal Colleges and Universities and Alaska Native and Native Hawaiian Serving Institutions."[35] The FY2021 appropriations bill also provided $25 million for business centers to assist MBEs with preventing, preparing for, and responding to the COVID-19 pandemic, including "identifying and accessing local, state and Federal government assistance related to such virus."[36]

Recent Administration's Budget Requests and Related Activities

The Biden Administration has proposed increased annual appropriations, a dedicated Assistant Secretary, and expanded programs and activities for the agency. The Biden Administration's FY2022 Budget Request included $70 million for the MBDA, an amount that would be $22 million, or almost 46%, above the FY2021 enacted level for annual appropriations.[37] The Biden Administration also recommended, as part of its American Jobs Plan, a new $1 billion grant program to assist minority-owned manufacturers access private capital as one of several, proposed initiatives to address the racial wealth gap.[38] Additionally, on May 28, 2021, President Biden signed an executive order establishing the White House Initiative on Initiative on Asian Americans, Native Hawaiians, and Pacific Islanders (AA and NHPI), which is designed, in part, to ensure "that AA and NHPI communities are empowered and equitably served by Federal funding, grants, and contracts."[39]

COVID-19 crisis." See https://www.mbda.gov/performance.

[35]Rep. Nita Lowey, "Explanatory Statement Submitted by Mrs. Lowey, Chairwoman of the House Committee on Appropriations Regarding H.R. 133, Consolidated Appropriations Act, 2021 (Division B—Commerce, Justice, Science, and Related Agencies)," *Congressional Record*, vol. 166, No. 218-Book III (December 21, 2020), p. H7923.

[36] P.L. 116-260.

[37] OMB "Appendix: Budget of the U.S. Government, Fiscal Year 2022" (2021), p. 205, https://www.whitehouse.gov/wp-content/uploads/2021/05/com_fy22.pdf. In FY2021, P.L. 116-260 provided the MBDA $25 in supplemental funding for assistance in response to the COVID-19 pandemic, in addition to $48 million in annual appropriations, for a total of $73 million.

[38] White House, "FACT SHEET: Biden-Harris Administration Announces New Actions to Build Black Wealth and Narrow the Racial Wealth Gap," June 1, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/01/fact-sheet-biden-harris-administration-announces-new-actions-to-build-black-wealth-and-narrow-the-racial-wealth-gap/. The Appendix to the President's FY2022 Budget Request also notes that, "The American Jobs Plan proposes $1 billion to support small business access to credit, venture capital, and research & development dollars. Ensuring equitable access to capital is essential to supporting the growth of entrepreneurship in communities of color and undeserved communities." See OMB "Appendix: Budget of the U.S. Government, Fiscal Year 2022" (2021), p. 205, https://www.whitehouse.gov/wp-content/uploads/2021/05/com_fy22.pdf.

[39] White House, "FACT SHEET: President Biden Establishes the White House Initiative on Asian Americans, Native Hawaiians, and Pacific Islanders," May 28, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/28/fact-sheet-president-biden-establishes-the-white-house-initiative-on-asian-americans-native-hawaiians-and-pacific-islanders/.

Agency Overview

Mission and Structure

MBDA's mission is to foster the economic growth and global competitiveness of MBEs. The agency's activities are designed to expand access to capital, markets, and contracts through public and private sector programs, policy, and research. Technical and managerial assistance and other services are principally provided to MBEs through a network of Business Centers, Specialty Centers, and other projects and initiatives.[40] The MBDA and its network partners coordinate with other agencies, such as the Department of the Treasury, Department of Commerce International Trade Administration, the Export-Import (EXIM) Bank, and other federal agencies, nongovernmental organizations, and private firms to expand capital access and contracting and export opportunities for MBEs.[41]

Minority Businesses Face Distinct Challenges

According to MBDA and other sources, MBEs have unique challenges in accessing capital, contracts, and other areas of business development. Below are findings from a FY2020 MBDA summary of key challenges:

- Overall, minority-owned firms are smaller in size and scale than their nonminority counterparts. The gap in combined gross receipts is 10:1, with only 2% of minority firms generating gross receipts of more than $1 million and only 11% of minority-owned firms having paid employees.
- In terms of capital access, minority firms are more likely to be denied loans at a rate nearly three times higher than nonminority firms, and minority firms are likely to pay higher interest rates of, on average 7.8%, while nonminority firms pay on average 6.4%. Additionally, minority firms are less likely to receive loans, and when approved, receive lower loan amounts.
- In terms of contracts, minority firms secure a lower number and dollar amount of contracts in proportion to the number of available minority firms in the relevant market. Additionally, studies indicate that market and other barriers impact minority firms' access to contracts.[42]

Source: MBDA, "The Minority Business Development Agency—Vital to Making America Great," https://www.mbda.gov/sites/default/files/migrated/files-attachments/MBDAVitaltoMakingAmericaGreat_170330.pdf.

Before the Minority Business Development Act of 2021's enactment, the MBDA was composed of offices focused on business development, Native American business development, policy analysis and development, management, administration, and education, legislative, and intergovernmental affairs.[43] The Office of Business Development coordinated the agency's

[40] MBDA, "Overview," https://www.mbda.gov/who-we-are/overview.

[41] MBDA, "2020 Year in Review," https://www.mbda.gov/2020-year-in-review; MBDA, "Global Business: Strategic Partners," https://www.mbda.gov/page/global-business-strategic-partners; and Testimony of MBDA Director, Alejandra Castillo, in U.S. Congress, Senate Committee on Indian Affairs, *Accessing Capital in Indian Country*, 114th Congress, 1st sess., June 17, 2015, S.Hrg. 114-97 (Washington, DC: GPO, 2015), https://www.congress.gov/event/114th-congress/senate-event/LC34122/text?s=5&r=29.

The SBA, for instance, is a source of funding for minority small businesses, and it partners with MBDA in providing assistance to minority firms. Technical and management assistance from MBDA and its partners may facilitate minority business entities to qualify for SBA's Section (8)(a) small disadvantage business and other programs.

[42] As noted in MBDA's summary of key challenges facing minority businesses. See MBDA, "The Minority Business Development Agency: Vital to Making America Great," https://www.mbda.gov/page/minority-business-development-agency-vital-making-america-great.

[43] U.S. Department of Commerce (DOC), *FY2021 MBDA Congressional Budget Justification*, p. 2, https://www.commerce.gov/sites/default/files/2020-02/fy2021_mbda_congressional_budget_justification.pdf, and MBDA, "Organization Chart," https://www.mbda.gov/images/organizationchartjpg.

business center activities, and plans and implements business development strategies (e.g., strategies related to access to capital, contracts, emerging domestic and international markets, and global supply chains).[44] In 2005, MBDA established the Office of Native American Business Development within the Office of Business Development.[45] In FY2020, MBDA completed its launch of the Office of Policy Analysis and Development (OPAD). OPAD works with other agencies to expand data, research, analysis, and policy recommendations for minority business development based on economic and industry trends.[46]

The organization and duties of MBDA offices and the location of regional offices will likely shift following the Minority Business Development Act of 2021's enactment (see "Agency Establishment"). Additionally, the MBDA will be led by an Under Secretary of Commerce to be selected by the President and confirmed by the Senate.[47]

MBDA Clients

MBDA clients include U.S. minority business enterprises (MBEs) that are not less than 51 percent-owned by one or more socially or economically disadvantaged individuals; and the management and daily business operations of which are controlled by one or more socially or economically disadvantaged individuals. According to the agency's authorizing statute, the term "socially or economically disadvantaged individual" means

> an individual who has been subjected to racial or ethnic prejudice or cultural bias (or the ability of whom to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities, as compared to others in the same line of business and competitive market area) because of the identity of the individual as a member of a group, without regard to any individual quality of the individual that is unrelated to that identity.[48]

The agency's authorizing statute also noted that the Under Secretary may presume that the term "socially or economically disadvantaged individual"' includes any individual who is

- Black or African American;
- Hispanic or Latino;
- American Indian or Alaska Native;
- Asian;

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[44] MBDA, "Chief of the Office of Business Development," https://www.mbda.gov/who-we-are/leadership/Chief%20of%20the%20Office%20of%20Business%20Development.

[45] DOC, *FY2016 MBDA Congressional Budget Justification*, p. 17, https://www.osec.doc.gov/bmi/budget/FY16CJ/MBDA_FY_2016_CJ_Final.pdf.

[46] Testimony of MBDA Director Henry Childs, in U.S. Congress, Senate Committee on Indian Affairs, *Building Out Indian Country: Tools for Community Development*, 116th Cong., 1st sess., April 10, 2019, S.Hrg. 116-16 (Washington, DC: GPO, 2019), https://www.congress.gov/event/116th-congress/senate-event/LC63799/text?s=2&r=33.

In terms of data, MBDA and researchers have noted that existing data on MBEs, which is generally survey-based and incomplete, is insufficient. See MBDA, "How 11 Million Minority-Owned Firms Can Close the Wealth Gap and Drive the U.S. Economy," September 16, 2019, https://www.mbda.gov/news/press-releases/2019/09/how-11-million-minority-owned-firms-can-close-wealth-gap-and-drive-us, and Lucas Misera, *An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms*, Federal Reserve Bank of Cleveland, October 8, 2020, https://www.clevelandfed.org/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx.

[47] P.L. 117-58, Sec. 100003. For additional context, see CRS Report RS21412, *Temporarily Filling Presidentially Appointed, Senate-Confirmed Positions*, by Henry B. Hogue.

[48] P.L. 117-58, Sec. 100002.

- Native Hawaiian or other Pacific Islander; or
- A member of a group that the agency determines under part 1400 of title 15, Code of Federal Regulations, as in effect on November 23, 1984, is a socially disadvantaged group eligible to receive assistance.[49]

The agency provides services to MBEs through a network of business centers and other programs and initiatives. The agency's events and referral services are available to minority businesses of any size. In its FY2021 Notice of Funding Opportunity (NOFO), the MBDA primarily focused its Business Center services on businesses with revenues of at least $500,000 annually.[50]

Programs

Congress authorizes MBDA to foster, promote, and develop MBEs through grants, contracts, and other agreements with public or private organizations.[51] The agency's programs and activities focus on addressing MBDA and U.S. Department of Commerce (DOC) priorities, and include the Business Center Program, among other projects and partnerships.[52] Through the Business Center network and partnerships, the agency facilitates export opportunities, contracts, and financings for minority clients.[53] MBDA does not provide loans or grants for business formation or expansion purposes.[54]

Business Centers

The purpose of the MBDA Business Center Program is to

> create a national network of public-private partnerships that—
>
> (1) assist minority business enterprises in—
>
> (A) accessing capital, contracts, and grants; and
>
> (B) creating and maintaining jobs;

[49] P.L. 117-58, Sec. 100002. In 15 C.F.R. Part 1400, the term "socially disadvantaged persons" has the meaning of "those persons who have been subjected to cultural, racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities."

Prior to the Minority Business Development Act of 2021's enactment and pursuant to Executive Order 11625, MBDA clients included U.S. minority business enterprises owned or controlled by members of one or more of the following groups: African Americans, Asian Americans, Hasidic Jewish Americans, Hispanic Americans, Native Americans, and Pacific Islanders. See also 15 C.F.R. §§1400.1 and 1400.2, https://ecfr.federalregister.gov/current/title-15/subtitle-B/chapter-XIV/part-1400; and MBDA, "Who We Are," https://www.mbda.gov/who-we-are/overview.

[50] MBDA, *MBDA Notice of Funding Opportunity (NOFO)—Business Center Program, FY2021*, https://www.grants.gov/web/grants/search-grants.html?keywords=MBDA-OBD-2021-2006809. The NOFO notes that, "This NOFO is focused on capacity building for firms with revenues of $500,000 or more."

[51] See P.L. 117-58 and P.L. 116-260.

[52] The DOC strategic goals are outlined in the 2018-2022 Strategic Plan, *Helping the American Economy Grow*, and include (1) accelerating American leadership through commercial space activities, foundational research investments, and protecting intellectual property; (2) enhancing job creation through increased exports and foreign direct investment; (3) strengthening U.S. economic and national security; (4) fulfilling Constitutional requirements and supporting economic activity with reliable data; and (5) excelling in the delivery of customer-centric services. See https://www.commerce.gov/sites/default/files/us_department_of_commerce_2018-2022_strategic_plan.pdf.

[53] U.S. Department of Commerce, *FY2021 MBDA Congressional Budget Justification*, https://www.commerce.gov/sites/default/files/2020-02/fy2021_mbda_congressional_budget_justification.pdf.

[54] MBDA, "Grants," https://www.mbda.gov/grants.

(2) provide counseling and mentoring to minority business enterprises; and

(3) facilitate the growth of minority business enterprises by promoting trade.[55]

MBDA provides financial assistance to organizations that operate Business Centers. In turn, MBDA Business Centers provide management and technical assistance to minority-owned firms seeking to expand to new domestic and international markets. According to MBDA's funding procedures, Business Center services focus on business development and capacity building by assisting MBEs to

- improve operational efficiencies;
- increase resources;
- build scale;
- manage risk and increase liability thresholds;
- strengthen management teams;
- access and secure financing, equity, and venture capital;
- raise online capital;
- increase profits and owner equity; and
- implement and integrate new technology and equipment.

Applicants eligible to compete to operate an MBDA Business Center include nonprofit organizations, for-profit firms, state and local governments, educational institutions, and Native American tribal entities. Operators are expected to contribute nonfederal cost share funding.[56] The MBDA's "List of MBDA Centers" currently includes 35 Business Centers in 29 states and Puerto Rico, including nine locations new as of FY2021.[57] MBDA Business Centers provide services on a fee-for-services basis.[58] In light of the COVID-19 pandemic, MBDA and its network of Business Centers increased or shifted more activities to online events and fora and other virtual communications tools.[59]

Specialty Centers

The MBDA also supports Business Centers that provide specialized business development services and technical assistance ("Specialty Centers"). The Minority Business Development Act of 2021 defines Specialty Centers as MBDA Business Centers that provide specialty services focusing on specific business needs, including assistance relating to

[55] P.L. 117-58, Sec. 100111.

[56] Operators are expected to contribute one-third of the amount of the financial assistance. Operators may request a reduced cost share requirement based on need. P.L. 117-58, Sec. 100111.

[57] For a list of Business Centers, see https://www.mbda.gov/mbda-programs/business-centers. See also MBDA, *MBDA Notice of Funding Opportunity (NOFO)—MBDA Business Center Program, FY2021, MBDA-OBD-2021-2006809*, https://www.grants.gov/web/grants/search-grants.html?keywords=mbda; and MBDA, "Business Services," https://www.mbda.gov/page/business-services.

[58] P.L. 117-58, Sec. 100111. Prior to the Minority Business Development Act of 2021's enactment, the FY2021 NOFO for the MBDA Business Center program indicated that programs should be located in areas with the largest concentration of minority populations and the largest number of minority businesses. MBDA Business Centers were directed to serve MBEs in any U.S. state or territory. Following the Minority Business Development Act of 2021, the Under Secretary will develop criteria for selection of MBDA Business Centers.

[59] By example, see the online 2021 Minority Enterprise Development Week event, https://www.mbda.gov/medweek-2021.

- capital access;
- federal procurement;
- entrepreneurship;
- technology transfer; or
- any other area determined necessary or appropriate based on the priorities of the agency.[60]

In FY2021, MBDA administered Notices of Funding Opportunity for Specialty Centers focused on exports, advanced manufacturing, and federal procurement.[61]

- **Export Centers** seek to expand access to new and global markets and to help identify, screen, promote, and refer MBEs to exporting resources. MBDA export centers are located in Mesa, AZ; Houston, TX; Miami, FL; and San Antonio, TX.[62]
- **Advanced Manufacturing Centers** provide "[t]argeted assistance for manufacturers that aim to employ new technologies to increase the number of "Made in America" products that can be sold domestically and globally."[63] MBDA advanced manufacturing centers are located in East Hartford, CT; Baltimore, MD; Louisville, KY; and San Antonio, TX.[64]
- **The Federal Procurement Center** provides services designed to generate increased federal procurement and acquisition opportunities for MBEs. In FY2021, the federal procurement center was located in Washington, DC.[65]

[60] P.L. 117-58, Sec. 100002. See also MBDA, "Specialty Centers," https://www.mbda.gov/mbda-programs/specialty-centers.

[61] Prior to the announcement of the FY2021 Business Center and Specialty Center awards, there were four MBDA export centers, four MBDA advanced manufacturing centers, and one federal procurement center. Prior to the FY2021 awards,

- the export centers were previously located in Chicago, IL; Miami, FL; San Antonio, TX; and Sacramento, CA;
- the advanced manufacturing centers were previously located in Atlanta, GA; Detroit, MI; Baltimore, MD; and San Antonio, TX; and
- the federal procurement center was located in Alexandria, VA.

[62] MBDA, "MBDA Programs," https://www.mbda.gov/mbda-programs; and MBDA, MBDA NOFO—Export Project, FY2021, MBDA-OBD-2021-2006815, https://www.grants.gov/web/grants/search-grants.html?keywords=mbda. The NOFO states that prospective funding is contingent upon the availability of funds from Congress, satisfactory performance, and continued relevance to program objectives, and Export Center operators are expected to contribute nonfederal cost share funding (pp. 6-7).

[63] MBDA, "Specialty Centers," https://www.mbda.gov/mbda-programs/specialty-centers.

[64] MBDA, "MBDA Programs," https://www.mbda.gov/mbda-programs; and MBDA, MBDA NOFO—Advanced Manufacturing Project, FY2021, MBDA-OBD-2021-2006811, https://www.grants.gov/web/grants/search-grants.html?keywords=mbda. The NOFO states that prospective funding is contingent upon the availability of funds from Congress, satisfactory performance, and continued relevance to program objectives, and Advanced Manufacturing Center operators are not required to contribute nonfederal cost share funding (pp. 7-8).

[65] MBDA, "MBDA Programs," https://www.mbda.gov/mbda-programs; and MBDA, MBDA NOFO—Federal Procurement Project, FY2021, MBDA-OBD-2021-2006824, https://www.grants.gov/web/grants/search-grants.html?keywords=mbda. The NOFO states that prospective funding is contingent upon the availability of funds from Congress, satisfactory performance, and continued relevance to program objectives, and Federal Procurement Center operators are expected to contribute nonfederal cost share funding (p. 7).

Rural Business Centers

The Minority Business Development Act of 2021 established a new Rural Business Center program to be implemented by MSIs for services to MBEs in rural areas.[66] The program will provide education, training, and legal, financial, and technical assistance to MBEs with a focus on issues relating to

- the adoption of broadband internet access service, digital literacy skills, and e-commerce;
- advanced manufacturing;
- the promotion of manufacturing in the United States;
- ways for MBEs to meet gaps in the supply chain for the United States;
- improving the connectivity of rural MBEs through transportation and logistics;
- promoting trade and export opportunities;
- securing financial capital;
- facilitating entrepreneurship in rural areas;
- creating jobs in rural areas; and
- any other issue relating to the unique challenges faced by rural MBEs.[67]

Entrepreneurship Education Development Activities

The Minority Business Development Act of 2021 also authorized new entrepreneurship education development activities, including the Parren J. Mitchell Entrepreneurship Education Grants Program for grants to eligible institutions (e.g., HBCUs, MSIs, tribal colleges or universities, among others). The act also directed the MBDA to partner with public and private sector entities and educational institutions to support opportunities for business and management education, apprenticeships, entrepreneurship training, and related activities for the benefit of socially or economically disadvantaged individuals.[68]

Related Initiatives, Events, and Partnerships

To further increase MBE's access to capital, contracts, and markets, MBDA partners with other federal agencies and private sector partners on business development services, cross-sector initiatives, annual events, and interagency groups and commissions. For instance, technical and management assistance from MBDA Business Centers may assist MBEs in qualifying for SBA's Section (8)(a) Business Development program for socially and economically disadvantaged small businesses (as well as other SBA programs), or to transition from the 8(a) program to the private sector.[69] MBDA works with other Department of Commerce agencies and the EXIM Bank of the

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[66] The Minority Business Development Act of 2021 authorized to be appropriated $20 million to the program each year for FY2021 through FY2025. Rural areas are defined in statute as having the meaning given the term in Section 343(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. §1991(a)). See P.L. 117-58, Sec. 100301.

[67] P.L. 117-58, Sec. 100302.

[68] P.L. 117-58, Sec. 100203.

[69] MBDA, "The Minority Business Development Agency: Vital to Making America Great," https://www.mbda.gov/page/minority-business-development-agency-vital-making-america-great.

For more information on the SBA's Section (8)(a) program, see CRS Report R44844, *SBA's "8(a) Program": Overview, History, and Current Issues*, by Robert Jay Dilger.

United States to encourage MBE participation in international trade, and partners with the Department of Energy's Office of Economic Impact to expand opportunities for MBE business in the energy supply chain.[70] Through the InVision Tour initiative, MBDA has partnered with several agencies to support minority innovation and entrepreneurship in space technology, smart cities, satellites, aerospace, and related industries. InVision Tour partners include NASA's Johnson Space Center, the Environmental Protection Agency (EPA), and agencies of the Departments of Commerce, Defense, Energy, Health and Human Services, the Interior, and Homeland Security, among others.[71]

Additional MBDA initiatives have involved partners such as the U.S. India Small Medium Entrepreneurs (SME) Council, the U.S. Pan Asian American Chamber of Commerce (USPAACC), the National Minority Supplier Development Council, the National Business League, U.S. Chamber of Commerce, and others.[72] MBDA's participation in interagency groups and commissions includes the President's Advisory Commission on Asian Americans and Pacific Islanders, among others.[73]

MBDA assistance may also address specific challenges or opportunities, support proof of concept program models, meet presidential or departmental priorities, and facilitate the programs and initiatives not addressed through the MBDA business center program.[74] For instance, in FY2019 and FY2020, the MBDA funded projects designed to increase MBE participation in advanced technology and innovation sectors. In FY2020, MBDA grants funded a capital formation initiative and the Minority Growth Equity Fund Initiative (MGEFI), among others.[75] Additional, targeted MBDA initiatives include the Enterprising Women of Color (EWOC) initiative and centers, the American Indian, Alaska Native, and Native Hawaiian (AIANNH) projects, the Entrepreneurship Education Programs for Formerly Incarcerated Persons, and the Inner-City Innovation Hub Program.[76]

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[70] EXIM Bank, "EXIM Signs Memorandum of Understanding with U.S. Department of Commerce Minority Business Development Agency," September, 14, 2020, https://www.exim.gov/news/exim-signs-memorandum-understanding-department-commerce-minority-business-development-agency, and MBDA, "2020 Year in Review," https://www.mbda.gov/2020-year-in-review.

[71] MBDA, "InVision Tour," https://www.mbdainvision.com/.

[72] MBDA, "2020 Year in Review," https://www.mbda.gov/2020-year-in-review, and Black Enterprise, "Black Enterprise, Minority Business Development Agency Partner to Help Black Businesses Gain Access to Innovation and Financing," April 19, 2019, https://www.blackenterprise.com/black-enterprise-minority-business-development-agency-black-businesses/.

[73] MBDA, "White House Initiative on Asian Americans and Pacific Islanders," https://www.mbda.gov/WHIAAPI, and Black Enterprise, "Black Enterprise, Minority Business Development Agency Partner to Help Black Businesses Gain Access to Innovation and Financing," April 19, 2019, https://www.blackenterprise.com/black-enterprise-minority-business-development-agency-black-businesses/.

[74] MBDA may use Broad Agency Agreements (BAAs) and unsolicited proposals to respond to specific challenges or opportunities. See MBDA, "Frequently Asked Questions—2018 MBDA Broad Agency Announcement," https://www.mbda.gov/sites/default/files/2018baafrequentlyaskedquestions070918.pdf, and Department of Commerce, *FY2021 MBDA Congressional Budget Justification*, p. 17, https://www.commerce.gov/sites/default/files/2020-02/fy2021_mbda_congressional_budget_justification.pdf.

[75] MBDA, *MBDA FY2021 Congressional Budget Justification*, pp. 12-20, 23, https://www.commerce.gov/sites/default/files/2020-02/fy2021_mbda_congressional_budget_justification.pdf; and MBDA, "MBDA Awards $5.1 Million in Grants," October 23, 2020, https://www.mbda.gov/news/news-and-announcements/2020/10/minority-business-development-agency-awards-51-million-grants.

The American Indian, Alaska Native, and Native Hawaiian (AIANNH) projects are also awarded through BAAs.

[76] MBDA, "MBDA Awards $5.1 Million in Grants," October 23, 2020, https://www.mbda.gov/news/news-and-announcements/2020/10/minority-business-development-agency-awards-51-million-grants.

Minority Growth Equity Funds Initiative and Equity Multiplier Project

Barriers to capital—including, but not limited to growth capital—limit expansion and scale opportunities for many MBEs. In FY2020, an MBDA award established the Minority Growth Equity Fund Initiative (MGEFI). The MGEFI is to expand access to capital by facilitating the aggregation and deployment of $1 billion in growth equity capital to MBEs.[77] In FY2021, MBDA announced the Equity Multiplier Project, which will fund technical assistance to expand MBE's access to capital. The Equity Multiplier Project focuses on capacity building, venture capital readiness, and increasing access to equity and venture investment and investors.[78]

Enterprising Women of Color (EWOC)

Entrepreneurship is often viewed as a strategy for economic growth and individual economic independence. Minority women are considered the fastest growing population of entrepreneurs.[79] MBDA-supported entrepreneurship programs include activities designed to support minority women business owners. Through the Enterprising Women of Color (EWOC) initiative, launched in 2019, MBDA has provided assistance to expand access to capital, business education, and professional networks. The EWOC initiative also provided assistance to five projects focused on minority women business enterprises beginning in FY2020.[80]

American Indian Alaska Native / Native Hawaiian (AIANNH) Initiatives

MBDA provides assistance to entities with an expertise in American Indian, Alaska Native, and Native Hawaiian (AIANNH) business for projects that focus on one or more of the following three strategic initiatives: (1) innovation and entrepreneurship; (2) strategic planning; and/or (3) transformative projects.[81] AIANNH projects may provide a range of services including, but not limited to: entrepreneurial assistance, training, capital access, federal procurement assistance, networking and relationship management, deal sourcing, joint ventures and partnerships, strategic infrastructure and economic planning assistance, and education for entrepreneurial and tribal

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[77] MBDA, "MBDA Awards NAIC Million Dollar Grant to Raise $1 Billion for Investment in Minority Entrepreneurs," October 4, 2019, https://www.mbda.gov/news/press-releases/2019/10/mbda-awards-naic-million-dollar-grant-raise-1-billion-investment, and MBDA, "2020 Year in Review," https://www.mbda.gov/2020-year-in-review.

[78] MBDA, *FY2021 Notice of Funding Opportunity—Equity Multiplier Project*, MBDA-OBD-2021- 2006868, https://www.grants.gov/web/grants/search-grants.html?keywords=mbda.

[79] American Express' *State of Women-Owned Businesses Report, 2019* (see https://about.americanexpress.com/all-news/news-details/2019/Woman-Owned-Businesses-Are-Growing-2X-Faster-On-Average-Than-All-Businesses-Nationwide/default.aspx). The report is based on data from the U.S. Census Bureau Survey of Business Owners (SBO). The report noted that although SBO "is conducted every year in years ending in two and seven. Data from the 2012 Census surveys were collated, analyzed and extrapolated forward to 2019, factoring in relative changes in Gross Domestic Product (GDP) not only nationally but also at industry, state and metropolitan statistical area levels. All GDP data was obtained from the U.S. Bureau of Economic Analysis (bea.gov)."

[80] MBDA, "Enterprising Women of Color (EWOC)," https://www.mbda.gov/enterprising-women-of-color, and MBDA, "Grant Awards," https://www.mbda.gov/grantawards.

In the FY2020 EWOC Notice of Funding Opportunity (NOFO), MBDA cited measures of growth in levels of minority women entrepreneurship as reported by American Express' *State of Women-Owned Businesses Report, 2019* (see https://about.americanexpress.com/all-news/news-details/2019/Woman-Owned-Businesses-Are-Growing-2X-Faster-On-Average-Than-All-Businesses-Nationwide/default.aspx). Highlights include "as of 2019, 6.4 million minority-owned women businesses employed nearly 2.4 million people and generated $422.5 billion in revenue, and women-owned businesses represent 42% of all businesses, among others."

[81] MBDA, "AIANNH Projects," https://www.mbda.gov/aiannhprojects.

entities. In FY2019-FY2021, the agency supported 13 projects designed to address specific needs of Native American businesses.[82] In FY2021, MBDA funded 13 AIANNH projects.[83]

Entrepreneurship Education Programs for Formerly Incarcerated Persons

The Entrepreneurship Education Programs for Formerly Incarcerated Persons are designed to provide individuals with skills and a business network to enable them to start their own business after incarceration. The programs also aim to reduce the rates of recidivism. According to MBDA and other sources, researchers have linked recidivism to unemployment, education level, and inability to reintegrate into communities after prison.[84]

Inner City Innovation Hub Program

The Inner City Innovation Hub program supports new and established entrepreneurs in inner cities and urban areas with high concentrations of minority populations and MBEs. The program focuses on entrepreneurship, digital innovation, artificial intelligence, and research and technology transfer. Recent awards facilitate the growth of MBEs in regionally-specific industry concentrations, such as the aerospace industry, and by providing technical assistance to MBEs through accelerators, incubators, and co-working spaces and university-focused technology, artificial intelligence, technology, research, mergers, and acquisitions.[85]

National Minority Enterprise Development (MED) Week

According to MBDA, since 1983, every president has issued a Presidential Proclamation designating one week as National Minority Enterprise Development (MED) Week.[86] The event highlights the role of minority entrepreneurs in creating jobs, products, and services, and contributions to local economic activity. Features of recent MED Week events include a conference panel focused on global markets and the National Minority Business Awards Program.

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[82] MBDA, *FY2019 Notice of Funding Opportunity—AIANNH Projects*, MBDA-OBD-2019-2006047, https://www.grants.gov/web/grants/view-opportunity.html?oppId=315200. For a list of current AIANNH projects, see MBDA, "AIANNH Projects," https://www.mbda.gov/aiannhprojects.

A list and map of prior AIANNH projects is available at https://www.mbda.gov/sites/default/files/aiannh_2.pdf. See also MBDA, "Minority Business Development Agency Awards $3.6 Million for Business Development in Indian Country," September 26, 2019, https://www.mbda.gov/news/press-releases/2019/09/minority-business-development-agency-awards-36-million-business, and "Native American Success Stories," https://www.mbda.gov/native-american-success-stories.

[83] MBDA, "AIANNH Projects," https://www.mbda.gov/aiannhprojects; and MBDA, *FY2021 Notice of Funding Opportunity—AIANNH Projects*, MBDA-OBD-2021-2006916, https://www.grants.gov/web/grants/search-grants.html?keywords=mbda.

[84] MBDA, *FY2020 Notice of Funding Opportunity—Entrepreneurship Education Programs for Formerly Incarcerated Persons*, MBDA-OBD-2020-2006457, April 2020, https://www.mbda.gov/sites/default/files/2020-10/Entrepreneurship%20Education%20Program%20for%20Formerly%20Incarcerated%20Persons_Full%20Announcement%20%28April%202020%29.pdf.

[85] MBDA, *Notice of Funding Opportunity—Inner City Innovation Hubs*, MBDA-OBD-2020-2006442, April 2020, https://www.mbda.gov/sites/default/files/2020-10/Inner%20City%20Innovation%20Hubs_Full%20Announcement%20%28April%202020%29.pdf, and MBDA, "Grant Awards," https://www.mbda.gov/grantawards.

[86] MBDA, "MBDA Announces 2019 National MED Week Award Winners," https://medweek.mbda.gov/awards-program.

MBDA also coordinates, sponsors, and participates in other national events, such as Buy Minority Business Enterprises Day, among others.[87]

Other Initiatives

The Minority Business Development Act of 2021 established a Minority Business Enterprise Advisory Council and authorized the Under Secretary to coordinate on matters relating to federal MBE programs. The act also authorized grants to nonprofit organizations to support MBEs.

Additional initiatives and activities support the MBDA mission and priorities of the Department of Commerce. For instance, MBDA initiatives include global and domestic Business-to-Business (B2B) efforts to expand MBE access to domestic and global markets. In March 2020, in collaboration with Amazon Business, the MBDA launched the Minority Business and Technology Initiative, to expand MBE participation in e-commerce and the use of digital technology for domestic and international sales.[88] MBDA and Business Center partners participate in Global B2B efforts in Africa, Asia, Latin America, and the Caribbean. MBDA has also joined trade missions and partnered with the Department of Commerce International Trade Administration, the EXIM Bank, and other agencies and organizations to expand export opportunities for MBEs.[89]

Performance Metrics

The MBDA uses several performance metrics to measure its effectiveness, including

- dollar value of contracts secured for MBDA clients,
- dollar value of capital secured for MBDA clients,
- number of jobs created, and
- number of jobs retained.

According to the latest data available, in FY2020, the MBDA reported 27,317 jobs were created or retained with the assistance of MBDA resources.[90] MBDA's measure of jobs created or retained included the number of new full-time and/or part-time positions reported on the client's payroll, and positions MBDA clients would have eliminated without the contract and/or financing obtained with the MBDA's help.[91] Although the value of contracts measures both public and private sector activity, in FY2020, approximately 70% of contracts that MBDA helped MBEs to

[87] U.S. Department of Commerce, "Minority Business Development Agency: Agency Information Collection Activities; Submission to the Office of Management and Budget (OMB) for Review and Approval; Comment Request; National Minority Business Awards," 86 *Federal Register* 10544-10545, February 22, 2021, and MBDA, "Minority Enterprise Development Week," https://www.mbda.gov/MEDWeek.

[88] MBDA, "Minority Business and Technology Initiative," https://www.mbda.gov/page/minority-business-and-technology-initiative, and "The Minority Business Development Agency Launches the 'Minority Business and Technology Initiative' with Amazon Business," March 17, 2020, https://www.mbda.gov/news/press-releases/2020/03/minority-business-development-agency-launches-minority-business-and.

[89] DOC, *FY2020-2022 Annual Performance Plan and Report*, p. 61, https://www.commerce.gov/sites/default/files/2021-01/DOC-FY20-22-APPR-Final.pdf, and MBDA, "Global Business: Strategic Partners," https://www.mbda.gov/page/global-business-strategic-partners.

[90] MBDA, "Annual Performance Summary, FY2021," https://www.mbda.gov/sites/default/files/2021-04/MBDA_FY%202020%20APR%20Summary_042121.pdf.

[91] For definitions of MBDA measures, see "MBDA Performance Metrics," https://www.mbda.gov/sites/default/files/2020-11/MBDA%20Performance%20Metrics.pdf.

secure were for private sector deals.[92] See **0** for a summary of assessments and evaluations of the agency.

Table 1. MBDA Performance Metrics, FY2016–FY2020

	FY2016	FY2017	FY2018	FY2019	FY2020
Total Value of Contracts	$1.4 billion	$3 billion	$3.4 billion	$3.1 billion	$6.9 billion
Total Value of Capital	$1.3 billion	$4.9 billion	$1.2 billion	$1.8 billion	$967 million
Jobs Created	5,784	10,191	10,196	10,366	11,597
Jobs Retained	5,689	8,364	9,277	11,764	15,720

Source: MBDA, "MBDA Annual Performance Reports," https://www.mbda.gov/performance.

Notes: The source of data regarding contracts, financial transactions, and jobs created/retained are reported by MBDA Business Centers and are verified by MBDA headquarters staff. The performance data date of retrieval was April 30, 2021.

Considerations for Congress

In considering the Minority Business Development Act of 2021's implementation, Congress may continue its oversight role, focusing on the new and expanded activities authorized by the agency's enabling legislation. Congress may also consider appropriations legislation and the confirmation of an Under Secretary of Commerce for Minority Business Development. A perennial issue of congressional interest involves debates about the agency's role in supplementing (or duplicating) other forms of federal assistance for businesses. In addition, there has been continued interest in developing strategies to use the MBDA to promote individual economic mobility, as well as broader national economic growth, especially with regard to reducing inequities and advancing minority entrepreneurship, innovation, and business expansion activities.

Implementation of Enabling Legislation

As mentioned, the Minority Business Development Act of 2021 created several new programs and reporting requirements for the agency and authorized the appropriation of $110 million each fiscal year from FY2021 through FY2025 (see **Table A-1** for recent MBDA appropriations). Pending appropriations legislation, MBDA may seek to hire additional staff or otherwise increase its capacity to reestablish regional offices, administer existing and new programs, and activate additional roles, such as coordination among federal agencies and new areas of technical assistance and research (e.g., workforce development services, supply chain opportunities, and other priorities outlined in the act). Congress will have an opportunity to oversee all of these activities. For example, Congress may seek to monitor key milestones and engage with MBDA as it implements new structures, roles, and programs.[93] Congress may also seek to monitor the

[92] David Byrd, National Director, MBDA, "Meeting Notes—President's Advisory Commission on Asian Americans and Pacific Islanders Fourth Quarterly Meeting and AAPI Town Hall," January 13, 2021, https://www.commerce.gov/sites/default/files/2021-02/PAC-AAPI%20Fourth%20Quarterly%20Meeting%20Minutes%20Final_January%2013%202021.pdf.

[93] P.L. 117-58, Sec. 100003 and Sec. 100401.

agency's performance metrics, which may be revised to reflect expanded service areas and/or different types of outcomes.[94]

Additionally, the Senate may receive and consider a presidential nominee for the MBDA's Under Secretary position.

Other issues of congressional interest include

- the degree to which MBDA services may be available to previously unserved or underserved minority communities and MBEs (e.g., rural areas and areas not served by existing programs). As noted, the act directed MBDA to apply revised criteria to define MBEs, and Congress may be interested in the impact of a revised MBE definition on the agency's outreach and program activities (see "MBDA Clients").
- the MBDA's efforts to coordinate with other federal agencies in the "establishment, preservation, and strengthening of socially or economically disadvantaged business concerns."[95]
- the MBDA's required reports (see "Agency Establishment").

The MBDA is further tasked with evaluating the impact of federal support of socially or economically disadvantaged business concerns.[96]

Duplication of SBA Activities

Whether the MBDA complements or duplicates the SBA's programs, especially those programs targeted to minority populations (e.g., the Microloan program[97]) or the socially and economically disadvantaged (e.g., the 8(a) Business Development Program[98]), has been a perennial issue of congressional interest. There have been several proposals in the past to terminate the MBDA transfer its activities to the SBA. There have also been proposals to transfer SBA programs that support minority business development to the MBDA (or a reorganized version of the agency within the Department of Commerce).[99] MBDA's proponents have argued that the agency complements rather than conflicts with the SBA's programs. The SBA focuses on small businesses. The MBDA does not restrict its activities, referrals, or events based on business size. However, MBDA Business Centers have recently focused on providing technical and business development services to minority firms with employees and revenues that exceed $500,000.[100] Additionally, Title VI of the Minority Business Development Act of 2021 directs the Under

[94] The Minority Business Development Act of 2021 requires a report on the organizational structure of the agency and reports on other activities.

[95] P.L. 117-58, Division K, Title IV.

[96] Ibid.

[97] For further information and analysis of the Microloan program, see CRS Report R41057, *Small Business Administration Microloan Program*, by Robert Jay Dilger.

[98] For further information and analysis of the 8(a) Business Development program, see CRS Report R44844, *SBA's "8(a) Program": Overview, History, and Current Issues*, by Robert Jay Dilger.

[99] See U.S. Commission on Minority Business Development (CMBD), *Final Report*, 1992 (Washington, DC: GPO) and U.S. Congress, House Committee on Small Business, *Minority Business Development*, H102-91, 102nd Cong., 2nd sess., September 24, 1992, pp. 7-8, 16 (Washington, DC: GPO, 1992). The commission was established by P.L. 100-656 to assess and review federal programs designed to promote minority business development.

[100] MBDA, *MBDA Notice of Funding Opportunity—Business Center Program, FY2021*, https://www.grants.gov/web/grants/search-grants.html?keywords=MBDA-OBD-2021-2006809.

Secretary "to ensure consistency with program goals and to avoid duplication" by reviewing all proposed federal training and technical assistance activities in direct support of the programs carried out under the Business Center program and the Rural Business Center program.[101]

Additional Considerations

MBDA financial and technical assistance has been designed to build wealth, expand employment opportunities, and increase MBE capital access and economic activity in order to improve individual outcomes and build local and national economies. Over the years, due to the unique set of challenges and circumstances faced by minority business owners, some analysts and policymakers have called for the MBDA to take on new or expanded roles, services, and partnerships. The Minority Business Development Act of 2021 expanded the MBDA's scope of activities by providing it several new roles and programs. As Congress reviews options to support economic development, the MBDA may continue to offer existing and potentially new avenues for providing financial and technical assistance to MBEs. For instance, in light of COVID-19's disproportionate impact on MBEs, Congress may further consider economic recovery policy options to address the unique challenges faced by MBEs as well as other options to involve MBDA in additional convening, coordinating, and assistance roles.[102]

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[101] P.L. 117-58, Division K, Title IV.

[102] Prior to the COVID-19 pandemic, researchers identified challenges and outcomes that are unique to MBEs and small MBEs in particular. For reports on aspects of minority business ownership, including capital access and entrepreneurship, see MBDA, "Demographic Trends Publications," https://www.mbda.gov/page/demographic-trends-publications; Robert W. Fairlie, Alicia Robb, and David T. Robinson, "Black and White: Access to Capital Among Minority-Owned Startups," NBER Working Paper No. 28154 (November 2020); V. Hwang, S. Desai, and R. Baird, "Access to Capital for Entrepreneurs: Removing Barriers," Ewing Marion Kauffman Foundation: Kansas City (2019). Timothy Bates, W.D. Bradford, and Robert Seamans, "Minority Entrepreneurship in Twenty-First Century America," *Small Business Economics*, 50, pp. 415-427 (2018); Robert W. Fairlie and Alicia M. Robb, *Race and Entrepreneurial Success: Black-, Asian-, and White-Owned Businesses in the United States* (Cambridge, MA: The MIT Press, 2010); and Robert W. Fairlie, Alicia M. Robb, and David Hinson, "Disparities in Capital Access Between Minority and Non-Minority-Owned Businesses," Minority Business Development Agency (2010), https://www.mbda.gov/sites/default/files/migrated/files-attachments/DisparitiesinCapitalAccessReport.pdf.

Studies indicate that the economic impact of the coronavirus pandemic has affected minority business owners more severely than nonminority business owners. For a summary of research on the economic impact of the coronavirus pandemic on MBEs, see Lucas Misera, *An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms*, Federal Reserve Bank of Cleveland, October 8, 2020, https://www.clevelandfed.org/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx.

For analysis of metrics related to small businesses, including disparities between small MBEs and small nonminority firms, see *Small Business Credit Survey: 2021 Report on Employer Firms*, Federal Reserve Banks, February 2021, https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms; and Mels de Zeeuw, *Small Business Credit Survey: 2019 Report on Minority-Owned Firms*, Federal Reserve Bank of Atlanta, December 2019, https://www.fedsmallbusiness.org/survey/2019/report-on-minority-owned-firms, among others.

For additional analysis of the economic impact of the coronavirus pandemic on small businesses, see Daniel Wilmoth, "The Effects of the COVID-19 Pandemic on Small Businesses," SBA, Office of Advocacy, Issue Brief Number 16, March 2021, https://cdn.advocacy.sba.gov/wp-content/uploads/2021/03/02112318/COVID-19-Impact-On-Small-Business.pdf; Robert Fairlie, *The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey*, National Bureau of Economic Research, Working Paper 27309, 2020, doi.org/10.3386/w27309; and Alexander W. Bartik, et al., *How Are Small Businesses Adjusting to COVID-19? Early Evidence from a Survey*, National Bureau of Economic Research, Working Paper 26989, 2020, doi.org/10.3386/w26989, among others.

Researchers have also proposed additional roles, services, outreach, and partnerships for the agency in recent years. Some suggest that MBDA resources could be directed to focus on minority serving-institutions (MSIs) that would administer business incubators and accelerators or operate business centers; administer an equity grant program to fund municipal capital projects; and develop and administer a minority business investment company (MBIC)—similar to

the SBA's small business investment company (SBIC) program—to allow the agency to license lenders and lend capital for business investments, among other activities. For an example of these perspectives, see Connor Maxwell, Darrick Hamilton, Andre M. Perry, and Danyelle Solomon, "A Blueprint for Revamping the Minority Business Development Agency," July 31, 2020, https://www.americanprogress.org/issues/race/reports/2020/07/31/488423/blueprint-revamping-minority-business-development-agency/.

Appendix A. Additional Agency History

Successive Administrations since the Carter Administration have changed the agency's focus and reorganized the delivery of its assistance and services. Among other shifts, the agency expanded its services through the Business Center program in the 1980s and focused on enhancing global competitiveness of MBEs in the 1990s and early 2000s. During the Obama Administration, the agency continued to enhance global competitiveness and coordinated inter-agency minority business initiatives. Beginning in FY2017, the Trump Administration proposed cuts to the agency's budget and proposed orienting the agency's initiatives away from services for individual businesses. The Biden Administration has proposed increased annual appropriations, a dedicated Assistant Secretary, and expanded programs and activities for the agency.

Evolving Delivery System

In 1981, the Reagan Administration established the Minority Business Development Center program (MBDC), which became the MBDA's primary method for delivering technical and management services to minority businesses. The centers, located in metropolitan areas, were designed to serve as "one-stop" service centers intended to address the needs of minority entrepreneurs. The centers focused on recruiting and encouraging private corporations to do business with minority firms, including creating a directory of minority firms and their capabilities. President Ronald Reagan also issued E.O. 12432, *Minority Business Enterprise Development*, which required federal agencies with substantial procurement and grant-making authority to develop plans that encourage minority business participation in federal procurement, contracts, and grants.[103] President George H.W. Bush proposed eliminating the agency and transferring its mission to the SBA, but ultimately continued the agency as an entity within the Department of Commerce.[104]

In 1994, President Clinton issued E.O. 12928, *Promoting Procurement with Small Businesses Owned and Controlled by Socially and Economically Disadvantaged Individuals, Historically Black Colleges and Universities, and Minority Institutions*.[105] Although E.O. 12928 did not directly reference E.O. 11625, it reiterated support for expanding access to federal procurement contracts for businesses owned by socially and economically disadvantaged individuals, black colleges and universities, and other minority institutions. The Clinton Administration supported substantial increases in the agency's budget. In seeking to expand the reach and capacity of the MBDA, the Clinton Administration sought increases to fund the establishment of Rural Business Development Centers, and the activities of the MBDCs and Minority Business Opportunity Committees (MBOC).

In 1996, the agency announced the initiation of a pilot program, the Community Based Enhancement Services (CBES). According to the *Federal Register Notice* on March 6, 1996, the CBES's goal was "to enable MBDA to enter into strategic alliances, coordinating the delivery of

[103] Executive Order 12432, "Minority Business Enterprise Development," 48 *Federal Register* 32551, July 14, 1983.

[104] U.S. Congress, House Committee on Appropriations, Subcommittee on the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies, *Departments of Commerce, Justice, And State, The Judiciary, and Related Agencies Appropriations for 1990*, H181-26, 101st Cong., 2nd sess., March 14-17, 20-22, 1989 (Washington, DC: GPO, 1989).

[105] Executive Order 12928, "Promoting Procurement with Small Businesses Owned and Controlled by Socially and Economically Disadvantaged Individuals, Historically Black Colleges and Universities, and Minority Institutions," 59 *Federal Register* 48377, September 20, 1994.

its services with those of other entities capable of assisting in minority and/or small and disadvantaged business development in a particular market."[106]

An audit of the pilot program found significant deficiencies in MBDA's administration of the pilot project, noting that MBDA failed to monitor and assess the grantees' performance in accord with its own handbook.[107] The report recommended that MBDA develop project-specific performance measures to reflect the nature of the project, assign staff with adequate technical and business expertise to monitor project activities, and undertake timely and thorough evaluation to determine program effectiveness.[108]

Under the George W. Bush Administration, the MBDA continued efforts to coordinate its programs with the programs of the SBA supporting minority and disadvantaged firms. The Bush Administration, based on research findings, pledged to focus its resources on minority firms with $500,000 or more in annual revenues.[109]

The agency funded programs and services including

- National Enterprise Centers staffed by MBDC personnel who provided support services, including referrals and marketing services, to business entities of significant size and capacity;
- MBDCs, which provided consultant services to firms with significant growth potential; and
- MBOCs that provided consulting services, including identifying potential sources of equity and working capital, assisting minority entrepreneurs gain access to profitable markets.

The agency also funded a number of projects intended to address communities with special needs (Special Projects). Other activities included supporting youth entrepreneurship (Emerging Minority Business Leaders Program), improving access to capital (Equity Capital Access Committee), and the continued development of an online database of potential procurement and contracting opportunities.

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[106] U.S. Department of Commerce, "Minority Business Development Agency: Implementation of Pilot Community-Based Enhanced Services (CBES) Initiative in Baltimore, Maryland, and the Identification of Other Markets To Be Considered as Alternatives to the Minority Business Development Center Program for the Delivery of Management and Technical Assistance to Minority Firms and Entrepreneurs," 61 *Federal Register* 8919-8920, March 6, 1996.

[107] U.S. Department of Commerce, Office of Inspector General, *Minority Business Development Agency Community-Based Enhanced Services Pilot Project Award Not Effectively Monitored*, Final Audit Report No. EDD-9406-8-0002, Washington, DC, May 1998, pp. i-ii.

[108] Ibid. p. 8.

[109] U.S. Department of Commerce, Minority Business Development Agency, *The State of Minority Business Enterprises, An Overview of the 2002 Survey of Business Owners*, Washington, DC, August 2006, p. 30, https://archive.mbda.gov/sites/mbda.gov/files/migrated/files-attachments/StateofMinorityBusiness2002SurveyofBusinessOwners.pdf.

Later, a 2015 report also noted that minority firms with gross annual receipts of $500,000 or more generated a much larger percentage of all minority revenues and were more likely to have paid employees compared to minority firms with annual gross receipts under $500,000. See Sumiye "Sue" Obuko and Mark Planting, *The State of Minority Business Enterprises: An Overview of the 2007 Survey of Business Owners*, U.S. Department of Commerce, Minority Business Development Agency, Washington, DC, 2015, p. 36 (footnote), https://archive.mbda.gov/sites/mbda.gov/files/migrated/files-attachments/State_Minority_Business_Enterprises_2007Data.pdf.

Global Competitiveness

Starting in the 1990s, the agency began to focus on assisting minority firms enter and compete in the global economy. A 2003 MBDA study explored issues and opportunities for minority businesses seeking international opportunities. The preliminary study's key findings included the following observations:

- Minority businesses may not be able to compete directly with massive U.S. companies that have already established a multinational presence in developed economies.
- By capitalizing on their unique competitive strengths, especially in developing countries, minority-business enterprises (MBEs) can compete with larger multinational companies.
- A secondary conclusion is that the quality of information about MBE interaction with the international economy is badly outdated, and further research must be conducted. Given the need to design successful policies and programs to support MBE international expansion, this lack of data is a critical hurdle that must be overcome.[110]

During the Obama Administration, in addition to a focus on facilitating entry or expansion of minority firms into the global market place, increased emphasis was placed on quantifying the impact of MBDA activities, increasing the efficient delivery of services to minority business communities, and increasing coordination with other federal agencies. Federal agencies that have partnered with MBDA include the SBA, the International Trade Administration, the Export-Import Bank, the National Institute of Standards and Technology, and the Economic Development Administration.

Proposals to Establish, Transfer, or Eliminate the Agency

Executive branch and legislative proposals have sought to transfer, eliminate, or—alternatively—statutorily authorize the agency.

The MBDA was originally created by executive order. Prior to the Minority Business Development Act of 2021's enactment in 2021, there were a number of proposals over the years to statutorily authorize the MBDA. Absent specific statutory requirements, the President could have exercised authority to effectively terminate the MBDA's discretionary activities at any time without congressional consultation or consent. Nevertheless, during this time, Congress could have (and has from time to time) appropriated funds to carry out specific activities, and potentially supersede presidential discretion.[111] In addition, Congress could have revoked or modified the executive order, potentially eliminating, expanding, or restricting the agency.

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[110] John Owens and Robert Pazornik, *Globalization and Minority-Owned Businesses in the United States: Assessment and Prospects, Minority Business Development Agency*, Preliminary Study, Washington, DC, September 28, 2003, p. 1, https://www.mbda.gov/sites/default/files/migrated/files-attachments/MBEintheGlobalEconomy.pdf.

[111] In general, when Congress appropriates a specific amount of budget authority for a specific purpose, the President has only limited authority to order executive branch agencies to reduce or withhold funds. Decisions by federal courts, including a unanimous decision by the Supreme Court in *Train v City of New York*, 420 U.S. 35 (1975), and the enactment of the Congressional Budget and Impoundment Control Act of 1974, P.L. 93-344, clarified this. Specifically, under ICA, the President can withhold funds for a limited time if he complies with specific reporting requirements to Congress, but he cannot permanently prevent the obligation or expenditure of funds provided in law unless Congress agrees.

Transferring the agency would have changed the agency's role and visibility. Several reorganization plans from the late 1970s through the 1990s from the executive branch would have moved the MBDA out of the Department of Commerce.[112] For instance, the George H.W. Bush Administration proposed to transfer the MBDA into the SBA in FY1989 and FY1990.[113] In FY2018, the Trump Administration recommended a $6 million budget for MBDA, to be used to close out the agency.[114] The Trump Administration's budgets in FY2019, FY2020, and FY2021 would have reduced the agency's annual funding to approximately $10 million and proposed to change the focus of MBDA services from assisting individual MBEs to efforts to address issues facing the broader minority business community.[115]

The Trump Administration's first budget request (for FY2018) proposed to eliminate the agency, and later budget requests proposed reductions to the agency's budget by approximately 75%. For example, the Trump Administration sought to reduce the agency's budget to $10.3 million for FY2021, with the intent of redirecting resources away from services for individual businesses.[116] According to budget documents, the Trump Administration supported the termination of the MBDA and its programs as part of its wider efforts to reduce federal spending and to redefine the role of the federal government in domestic affairs. MBDA and its activities are among a number of federal programs that support private sector job creation.[117] The Administration's opposition

[112] For example, in the 95th Congress, the Senate Committee on Appropriations urged "the Office of Management and Budget to consider the merger of OMBE into SBA's programs of assistance to minority businesses so that a unified program will be available for consideration in the 1980 budget review." See S.Rept. 95-1043.

In the 98th Congress, the Department of International Trade and Industry Act of 1983 (S. 121) proposed a transfer of the MBDA to the SBA as one of several aspects of a reorganization plan for the Department of Commerce. See S.Rept. 98-374. Later, during the Reagan Administration, a memo from the Secretary of Commerce, James Baker, outlined a proposal to reorganize the Department of Commerce and establish the Department of International Trade and Industry. Included in the proposal are references to efforts to consolidate government and the following proposed action: "Disposition of other elements of the Department of Commerce will be identical to the Administration proposal of the 98th Congress approved by OMB, except that PTO [Patent and Trademark Office] would go to Justice and MBDA would go to HUD (unless SBA receives continued funding)." See Memo, Malcolm Baldrige to Edwin Meese, James Baker, Richard Darman, January 5, 1985, folder "Cabinet Affairs (1)" box 6, James Baker Files, Ronald Reagan Library. (At the time, Malcolm Baldrige was Secretary of the Department of Commerce, Edwin Meese was Counselor to the President, and Richard Darman was Assistant to the President and Deputy to the Chief of Staff.)

In the 104th Congress, the Commerce Department Termination and Government Reorganization Act of 1995 (S. 929, S.Rept. 104-164) and the Department of Commerce Dismantling Act (H.R. 1756, H.Rept. 104-260) proposed to eliminate several Commerce agencies, including the MBDA. S. 929 and H.R. 1756 are noted in the analysis of trade reorganization in CRS Report R42555, *Trade Reorganization: Overview and Issues for Congress*, by Shayerah I. Akhtar.

[113] OMB, "Budget of the U.S. Government - FY1989," pp. 5-69 and 5-70, available at https://fraser.stlouisfed.org/title/54/item/18995; and "Budget of the U.S. Government—FY1990," p. 5-78, available at https://fraser.stlouisfed.org/title/54/item/18996.

[114] OMB "Appendix: Budget of the U.S. Government, Fiscal Year 2018" (2017), p. 190, https://www.govinfo.gov/content/pkg/BUDGET-2018-APP/pdf/BUDGET-2018-APP.pdf.

[115] OMB, "Budget of the United States Government, Fiscal Year 2019," (2018), p. 31, https://www.govinfo.gov/content/pkg/BUDGET-2019-BUD/pdf/BUDGET-2019-BUD.pdf, and "Appendix: Budget of the United States Government, Fiscal Year 2019" (2018), p. 189, https://www.govinfo.gov/content/pkg/BUDGET-2019-APP/pdf/BUDGET-2019-APP.pdf; "Appendix: Budget of the United States Government, Fiscal Year 2020" (2019), p. 187, https://www.govinfo.gov/content/pkg/BUDGET-2020-APP/pdf/BUDGET-2020-APP.pdf; and "Appendix: Budget of the United States Government, Fiscal Year 2021" (2020), p. 198, https://www.govinfo.gov/content/pkg/BUDGET-2021-APP/pdf/BUDGET-2021-APP.pdf.

[116] U.S. Office of Management and Budget (OMB), "A Budget for America's Future—Appendix," FY2021 Congressional Budget Justification, p. 198, https://www.govinfo.gov/content/pkg/BUDGET-2021-APP/pdf/BUDGET-2021-APP.pdf.

[117] Other agencies and programs that support private job creation and economic development include the SBA;

may have been rooted in a view of federalism which argues that these kinds of activities are the responsibilities of state and local governments and the private and nonprofit sectors, not the federal government. Supporters of the MBDA contend that the agency's mission is critical to the nation's economic future and that the agency's programs and services address a number of deficiencies and impediments faced by minority entrepreneurs.

As previously noted, Congress continued to provide the MBDA appropriations even as various Administrations and legislative proposals considered reorganizing the agency, defunding the agency's activities, or merging it into the SBA. Legislative proposals to transfer or establish the MBDA and its programs are included in **Appendix C**, and **Table A-1** provides a history of Administrations' annual budget requests and enacted appropriations for the agency since FY1970.

MBDA Annual Budget Requests and Enacted Appropriations, FY1970–FY2021

Table A-1 provides a history of annual budget requests and enacted appropriations for the MBDA since FY1970.

Table A-1. MBDA Appropriations, FY1970–FY2021

(in millions of dollars)

Fiscal Year	Admin. Request	Enacted
1970	1.5	1.2
1971	1.8	2.1
1972	3.5	43.6
1972supplemental	40.0	40.0
1973	63.6	63.9
1974	74.5	35.6
1975	52.0	52.0
1976	52.6	49.8
1977	0.0	50.3
1978	50.3	49.4
1979	60.6	57.9
1980	58.8	58.9
1981	62.9	59.6
1982	65.4	56.6
1983	50.0	47.3
1984	54.0	53.9
1985	49.6	49.6
1986	44.8	43.0

federally chartered regional economic development agencies, including the Appalachian Regional Commission, the Delta Regional Authority, the Northern Border Regional Commission, and the Denali Commission; the Economic Development Administration and its programs; the rural development programs administered by the Rural Development Administration of the Department of Agriculture; and the Community Development Block Grant program administered by the Department of Housing and Urban Development. See CRS Report R46683, *Federal Resources for State and Local Economic Development*, by Julie M. Lawhorn.

Fiscal Year	Admin. Request	Enacted
1987	45.4	39.8
1988	4.6	39.7
1989	0.0	39.7
1990	0.0	39.7
1991	46.2	41.1
1992	0	42.6
1993	37.9	37.9
1994	46.0	44.1
1995	46.2	43.8
1996	47.9	32.0
1997	34.0	28.0
1998	28.0	25.0
1999	28.1	27.3
2000	27.6	27.3
2001	28.2	27.3
2002	28.4	28.3
2003	29.8	28.9
2004	29.5	28.9
2005	34.5	29.9
2006	30.7	30.0
2007	29.6	30.0
2008	28.7	28.6
2009	29.0	29.8
2010	31.0	31.5
2011	32.3	30.3
2012	32.3	30.3
2013	28.7	27.5
2014	29.3	28.0
2015	28.3	30.0
2016	30.0	32.0
2017	35.6	34.0
2018	6.0	39.0
2019	10.0	40.0
2020	10.0	52.0
2021	10.3	73.0
2022	70.0	NA

Source: Budget Appendices of the United States, FY1970-FY2022.

Notes: In FY2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-136) provided the MBDA an additional $10 million in supplemental funding in addition to $42 million in annual appropriations, for a total of $52 million. The supplemental funding was to assist MBEs with preventing, preparing for, and responding to the COVID-19 pandemic through education, training, and advising grants to minority business centers and minority chambers of commerce. In FY2021, the Consolidated Appropriations Act (P.L. 116-260) provided the MBDA with $25 million in supplemental funding, in addition to $48 million in annual appropriations.

Appendix B. Assessments and Evaluations

During its 52-year history, MBDA has been the subject of numerous evaluative reports. These reports have examined the agency's efficacy in creating and assisting minority businesses, performance measures used to gauge progress in achieving agency objectives, and program management and duplication issues.

National Advisory Council on Minority Business Enterprise 2013

In 2013, the National Advisory Council on Minority Business Enterprise (NACMBE) released a set of recommendations to improve MBDA's effectiveness. The NACMBE, which was created by the Obama Administration in 2010, was a voluntary body comprised of representatives from business and public sectors. The final recommendations included the following:

- centralizing and consolidating federal MBE development efforts into one single well-funded agency;
- assisting MBEs' development of long-term contractual relations with larger businesses to facilitate integration;
- expanding MBE access to capital by establishing new sources of capital through the use of tax credits in exchange for equity capital investments in MBEs or by an enterprise bond fund;
- establishing an MBE Academy to provide ongoing education to MBE owners through a public private partnership; and
- building a comprehensive longitudinal database to support long-term policy analysis of the issues and opportunities.[118]

PART Evaluation 2007

Starting in 2002, the George W. Bush Administration initiated its Program Assessment Rating Tool (PART) as a means to evaluate the effectiveness of federal programs. The PART instrument was a set of questionnaires focused on four elements: purpose and design; strategic planning; program management; and program outcomes. A PART evaluation of the agency conducted in 2007 found MBDA performance to be Adequate with high marks for program purpose and design (80%); strategic planning (75%); and program management (100%).[119] Among the highlights, the evaluation noted the following:

- The program has developed appropriate annual and long-term measures that focus on the direct impact of its assistance on business clients. However, more research and evaluation needs to be conducted on the long-term impact of MBDA assistance.

[118] Department of Commerce, *National Advisory Council on Minority Business Enterprise Recommendations*, Washington, DC, December 2013, https://www.mbda.gov/sites/default/files/migrated/files-attachments/NACMBEFinalReport041314.PDF.

[119] U.S. Office of Management and Budget (OMB), *Program Assessment: Minority Business Development Agency*, Washington, DC, 2007, https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/omb/expectmore/summary/10000034.2007.html.

- The program has strong management. It awards grants using a competitive process, and provides sufficient oversight of grant activities, including tracking of progress towards meeting performance goals.
- While MBDA is focused on minority small businesses, there are many other sources of minority business assistance and support at the federal, state, and local level. At the federal level, the SBA provides similar assistance through its entrepreneurial development programs.[120]

Office of Inspector General Reports

Past reports of the Commerce Department's Office of Inspector General (IG) examined various aspects of the agency and its operations. Three of these reports are summarized below.[121]

- A 2017 report by the Department of Commerce IG reviewed MBDA's management of cooperative agreements for the Minority Business Center Program and found no significant problems. The MBDA director concurred with the report's recommendations, which directed MBDA to enforce existing and implement new procedures related to oversight, reporting policies and procedures, and the agency's methodology for verifying select performance measures.[122]
- A 2006 report by the IG found that MBDA performance measures were undermined by inappropriately combining results for three different programs and unreliable performance data. The report was initiated after the agency reported a 300% increase in the number of clients assisted during the 2004 program year by MBOCs despite a decrease in FY2004 appropriations. The report found that MBDA, in reporting FY2004 results, inappropriately combined results for MBOCs with two other programs—Business Development Centers and the Phoenix program—resulting in the inflation of the number of clients served by MBOCs.[123] The MBDA director concurred with the recommendations of the report, which directed the MBDA to define clearly key performance measures and the types of actions that may be counted toward measuring the "dollar value of contract awards obtained," and report performance measures of its programs separately.

A 1998 audit report by the IG identified deficiencies in the process MBDA used to monitor the performance of a pilot project that would test the viability of the Community-Based Enhancement Services initiatives as an alternative to the Minority Business Development Center. The IG report found that MBDA's monitoring of the pilot project failed to follow the agency's written policies and procedures and thus was ineffective in its assessment of the program. The MBDA concurred

[120] Ibid.

[121] Another report of note is the U.S. Government Accountability Office, *Minority Business Development Agency Needs to Address Program Weaknesses*, RCED-91-114, April 16, 1991, http://www.gao.gov/products/RCED-91-114.

[122] Department of Commerce, Office of Inspector General, *MBDA Can Improve Processes to More Effectively Monitor Cooperative Agreements*, Final Report OIG-17-029-A, Washington, DC, September 2017, https://www.oig.doc.gov/OIGPublications/2017-09-05_MBDA-Business-Centers_final-report-Secured.pdf.

[123] Department of Commerce, Office of Inspector General, *Minority Business Development Agency Value of MBDA Performance Measures Is Undermined by Inappropriate Combining of Program Results and Unreliable Performance Data from MBOC Program*, FSD-17252-5-0001, Washington, DC, September 2005, https://www.oig.doc.gov/OIGPublications/MBDA-FSD-17252-5-0001-09-2005.pdf.

with the report's findings and committed to incorporating the recommendations put forth by the report, which included assigning staff with appropriate expertise who will follow MBDA policies and procedures; and developing project specific performance measures and specific reporting requirements to reflect the specific nature of the project.[124]

[124] U.S. Department of Commerce, Office of the Inspector General, *Minority Business Development Agency Community-Based Enhancement Services Pilot Project Award Not Effectively Monitored*, EDD-9406-8-0002, Washington, DC, June 1998, p. 8, https://www.oig.doc.gov/OIGPublications/MBDA-EDD-9406-2-06-1998.pdf.

Appendix C. Legislative Proposals, 96th Congress-117th Congress

Since the MBDA's inception, a number of bills have been introduced that would have "codified" the agency or its duties by, for example, establishing, redesignating, or transferring the agency; creating new programs within the agency; or authorizing the agency to carry out certain functions. The following bills—introduced in the 96th -117th Congresses—address the agency's statutory authority or its activities.

- The 96th Congress considered, but did not pass, legislative proposals to provide the MBDA statutory authorization. The House Committee on Small Business held hearings on bills (H.R. 6904 and S. 2565) that would have established a permanent MBDA within the Department of Commerce.[125] The House bill, introduced by Representatives Parren Mitchell and Joseph Addabbo, would have granted the agency the authority to engage in a number of activities in support of the agency's mission, including equity financing of minority business; financial and technical assistance in penetrating domestic and foreign markets; and minority business management education. A Senate bill, S. 2565, introduced by Senator Abraham Ribicoff and backed by the Carter Administration, would have authorized the creation of a Minority Business Development Agency focused on the provision of technical assistance to minority firms. The Senate bill included much of the language of E.O. 11625.
- In the 98th Congress, Senator William Roth introduced the Department of International Trade and Industry Act of 1983 (S. 121), which proposed a transfer of the MBDA to the SBA as one of several aspects of an executive branch agency reorganization plan.[126]
- During the 99th Congress, Representative Parren Mitchell introduced H.R. 4632, a bill that would have denied any appropriations to the MBDA to avoid potential duplication of services with the SBA's Associate Administrator for Minority Small Business and Capital Ownership Development. The activities of the MBDA, as well as any unexpended balances, would have been transferred to the SBA Associate Administrator for Minority Small Business and Capital Ownership Development.
- During the 101st through the 104th Congresses, Representative Kweisi Mfume introduced legislation (H.R. 1769, H.R. 373, H.R. 278, H.R. 114, respectively) that would have redesignated MBDA as the Minority Business Development Administration. The bill would have directed the MBDA to assist disadvantaged businesses penetrate domestic and foreign markets, encourage firms to form joint ventures to increase their share of the market, provide financial assistance to public and private entities in support of the mission of MBDA, conduct pilot projects that would assist disadvantaged businesses obtain and expand access to capital; support management education efforts, and conduct research to advance

[125] U.S. Congress, House Committee on Small Business, Subcommittee on General Oversight and Minority Enterprise, Establishment of a Minority Business Development Administration in the Department of Commerce, 96th Cong., 2nd sess., June 9 and 16, 1980 (Washington, DC: GPO, 1980).

[126] S. 121 would have established a new Cabinet-level agency and eliminated the Department of Commerce. See U.S. Congress, Senate Committee on Government Affairs, Report on the Trade Reorganization Act of 1983, 98th Cong., 2nd sess., April 3, 1984, S.Rept. 98-374 (Washington, DC: GPO, 1984).

the nation's understanding of the issues and opportunities surrounding minority business enterprises.

- During the 111th Congress, Senator Bob Casey introduced S. 4026, the Minority Business Development Improvements Act of 2010. This bill would have required the MBDA to establish the Minority Business Development Program and charged it with providing qualified minority businesses with technical assistance and contract procurement assistance. This bill would have also outlined minority business qualification requirements for the program. It would have required that (1) not less than 51% of the qualified minority business is directly and unconditionally owned or controlled by historically disadvantaged individuals; and (2) each officer or other individual exercising control over regular operations would meet the definition of a historically disadvantaged individual. Additionally, the bill would have authorized the program to provide technical assistance to qualified disadvantaged businesses and support efforts to expand federal procurement opportunities for disadvantaged businesses.
- Also during the 111th Congress, Representative Bobby Rush introduced H.R. 4343, the Minority Business Development Improvements Act of 2009, which would have required the National Director of the Minority Business Development Agency to establish and administer a Minority Business Development Program focused on providing loan guarantees, technical assistance, and contract procurement assistance to qualified minority businesses. The bill would have defined a qualified minority business as a business that is at least 51% directly owned or controlled by historically disadvantaged individuals. In addition, the net worth of each principal of the minority business could not exceed $2 million. The bill would have directed the MBDA's National Director to (1) establish a database to assist prime contractors in identifying historically disadvantaged firms for subcontracting, (2) enter into agreements to provide set-aside contracting opportunities to minority businesses, and (3) terminate a minority business from the program for specified violations. Representative Rush also introduced H.R. 4929, Expanding Opportunities for Main Street Act of 2010. This bill included a provision that would have required MBDA to establish a Minority Business Development Program with the objective of providing technical assistance, loan guarantees, and contract procurement assistance to minority businesses. This bill would have also authorized MBDA to (1) enter into agreements to provide set-aside contracting opportunities to minority businesses; and (2) terminate a minority business from the program for specified violations. This bill would have also required MBDA to establish a database to assist prime contractors in identifying historically disadvantaged firms for subcontracting.
- During the 112th Congress, Senator Tom Udall introduced S. 1334, Expanding Opportunities for Main Street Act of 2011. An identical bill (H.R. 2424) was introduced by Representative Bobby Rush. Both bills' MBDA provisions are identical to provisions included in H.R. 4929, introduced by Representative Rush during the 111th Congress.
- During the 113th Congress, Representative Bobby Rush introduced H.R. 2551, Expanding Opportunities for Main Street Act. Title II of the bill deals exclusively with the MBDA and includes the same provisions included in H.R. 4343, introduced during the 111th Congress.

- During the 114th and 115th Congresses, no bills were introduced to formally establish the agency and its duties by statute.
- During the 116th Congress, Representative Jerry McNerney introduced H.R. 1432, the Minority Business Development Act of 2019, to redesignate and establish the MBDA as the Minority Business Development Administration. Later in the 116th Congress, Representative Al Green introduced H.R. 6869 and Senator Benjamin Cardin introduced S. 4208, both titled the Minority Business Resiliency Act of 2020. Both bills were designed to codify the agency by providing it statutory authorization and provide additional funding to help MBEs recover from the COVID-19 pandemic, among other activities. Later in 2020, Senator Benjamin Cardin introduced the Heroes Small Business Lifeline Act (S. 4818), and it included the Minority Business Resiliency Act of 2020 as a subtitle of the larger bill. Representative Karen Bass introduced H.R. 8352 and Senator Charles Schumer introduced S. 5065, which both included the Minority Business Resiliency Act of 2020 as a subtitle of the larger bill. During the 116th Congress, versions of the Heroes Act (H.R. 925, S. 4800, H.R. 8406) included language to establish the agency and fund emergency grants for nonprofit organizations and MBEs impacted by the COVID-19 pandemic, among other activities. Also during the 116th Congress, Senator Kelly Loeffler introduced S. 5011 to codify the MBDA and establish an Office of African American Affairs within the agency.
- During the 117th Congress, Senator Benjamin Cardin introduced two versions of the Minority Business Resiliency Act of 2021 (S. 1255 in April 2021 and S. 2068 in June 2021) to make permanent and expand the activities of the MBDA. Representative Al Green introduced companion legislation in the House (H.R. 2689). Senator Roger Wicker also introduced the Reaching America's Rural Minority Businesses Act of 2021 (S. 1749). The Minority Business Development Act of 2021 (Division K—Infrastructure Investment and Jobs Act, P.L. 117-58), enacted on November 15, 2021, provided statutory authorization for the agency.

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