

Department of Commerce
Minority Business Development Agency
Minority Business Development
PROGRAM JUSTIFICATION

APPROPRIATION ACCOUNT: MINORITY BUSINESS DEVELOPMENT

BUDGET PROGRAM: MINORITY BUSINESS DEVELOPMENT

For FY 2017, MBDA requests a total of \$35,613,000 and 73 FTE. This budget request includes \$4,590,853 and 3 FTE associated with program increases above MBDA's \$32,000,000 FY 2016 Appropriation.

BASE JUSTIFICATION FOR FY 2017

Within the appropriation, Minority Business Development, MBDA has base activities with a total FY 2017 budget estimate of \$31,002,147 and 70 FTE.

Minority Business Public Private Partnerships are MBDA's network of funded centers (grantees) that operate under cooperative agreements. The network of MBDA Business Centers is comprised of the following types of operations: for-profits, non-profits, state and local governments, tribal entities, and institutions of higher education. The centers provide an array of business counseling and development services to the minority business community and work in full collaboration with MBDA staff.

MINORITY BUSINESS PUBLIC PRIVATE PARTNERSHIPS

MBDA successfully provides business development services to minority business enterprises (MBEs) through a network that includes MBDA staff and grant-funded organizations generally referred to as MBDA Business Centers (MBCs).

The MBCs are operated by independent private and public organizations. These entities compete under a public solicitation for MBDA grant opportunities. Selected candidates are offered multi-year awards under cooperative agreements. The network of MBDA Business Centers is comprised of the following entities: for-profit, non-profit, state and local governments, tribal, and institutions of higher education (including Minority Serving Institutions). The network of private and public organizations hires individuals in local communities to deliver business-specific services. The annual award for an MBC ranges from \$285,000 to \$500,000.

The Minority Business Public Private Partnership program provides an array of business counseling and development services to the minority business community. MBCs work collaboratively with MBDA staff. This collaboration expands the network of existing resources and strategic relationships for the benefit of the MBE clients served. As strategic partners, MBDA and the network of public and private partnerships are able to harness greater efficiencies, leading to increased performance.

MBDA's Public Private Partnership Program expands outreach and leverages third party resources. MBCs provide the following services to MBEs:

- Greater access to external resources like U.S. Export Assistance Center support and Manufacturing Extension Program resources through intradepartmental relationships;
- Business counseling (also known as management and technical assistance);
- Identification of market and contracting opportunities for minority firms;
- Growth in the dollar values and numbers of actual contract awards to MBEs;
- Capacity building through new jobs created and retention of existing jobs;
- Expansion of the dollar value and number of financial awards to MBEs;
- Increased access to equity, working capital, lines of credit, surety and performance bonding, and other alternative sources of financing;
- Assistance in expanding growth and global competitiveness;
- Promotion of the advantages to achieving size and scale through teaming opportunities;
- Training in management skills and business acumen for minority entrepreneurs; and
- Assistance in gaining and maintaining access to profitable markets.

MBCs also leverage resources from outside the federal government. Recipients of MBDA grant awards contribute over \$5.8 million in non-federal cost share. This level of commitment can only be obtained through outstanding public and private partnerships. MBDA and centers work collaboratively with other local service providers such as chambers of commerce, city council offices, colleges and universities and other trade associations to effectively meet the needs of minority businesses. MBDA staff conducts 100% verification of all awarded transactions reported by its funded centers.

MBCs continue to provide core program services that reach minority entrepreneurs across the country. These funded centers provide one-on-one and group consulting services in such areas as business counseling (i.e., management and technical assistance); deal facilitation and brokering services; marketing and growth strategies; teaming assistance; global expansion assistance; and assistance in obtaining contract and financial award opportunities. Designed to provide expanded consulting and "hands-on" services, the MBCs primarily service ethnic minority firms, along with Native American, tribal entity, and minority-owned firms. Services include initial consultations and assessments, business technical assistance, and access to federal and non-federal procurement and financing opportunities.

In FY 2016, MBDA will have re-competed its Business Center cooperative agreements as the last year of the 5-year funding cycle will have ended. The Business Center program will continue to have six centers focused on American Indians and Alaska Natives, and by the end of FY 2016, the national network of MBDA Business Centers will total 42. The FY 2017 budget will allow for the continued operations of this national network.

The following map reflects the MBDA national network of Business Centers as of January, 2016. Once the re-competition is complete, a revised map will be prepared; no significant changes to the distribution of the MBDA Business Centers is contemplated at this time.



The cooperative agreements (grants) are managed by a grants management team within MBDA’s Office of Business Development. This function is centralized within MBDA headquarters and utilizes the NOAA Grants Online system to process and monitor business centers. MBDA works closely with NOAA grants officers and performs internal control reviews of each of the business centers on an annual basis.

MBDA’s Public Private Partnerships makes up the core delivery system of MBDA’s services to the minority business community. The U.S. needs strong minority-owned firms to achieve maximum economic growth for the Nation. Minority owned firms are an engine of employment growth and economic expansion in America and have the potential to contribute significantly to the balance of trade. MBDA is a catalyst to build minority-owned firms of size, scale and capacity.

Today, the importance of minority-owned businesses as a key component of U.S. international trade and innovation has never been greater. Minority- owned businesses are nearly twice as likely to export their products and services as non-minority owned businesses.

Minority-owned businesses are also three times more likely to generate 100 percent of their revenues from exporting than non-minority owned firms.¹ Minority-owned businesses are leaders in exporting in several key industries including wholesale trade, professional science, technical services, finance, and insurance. They also make substantial contributions to exports in the manufacturing, retail trade, technology, and educational services

¹ U.S. Department of Commerce, Minority Business Development Agency, *The State of Minority Business Enterprises, An Overview of the 2002 Survey of Business Owners, Number of Firms, Gross Receipts, and Paid Employees* (2006).

MBDA supports the Department of Commerce's various initiatives including: Look South, Doing Business in Africa, innovation and advanced manufacturing, exporting and job creation. The Minority Business Direct Client Services program ensures minority businesses participate in the Department's initiatives and more importantly, contribute to the U.S. economy. These Department-wide initiatives rely on Agency involvement to communicate key information to a target constituency, recruit prospective participants, and provide technical support and service referrals. These services are important aspects to achieving success. This program enhances the Department's initiatives by assisting minority entrepreneurs in identifying high-value transactions and by facilitating partnerships, financing, and contracts.

MBDA continues to leverage its resources and to expand minority business participation in the global marketplace. The Agency has formed partnerships with other government agencies such as the International Trade Administration (ITA), Small Business Administration (SBA), and National Institute of Standards and Technology (NIST), and minority business trade associations. MBDA and its partners engage with minority businesses, promote advantages of international trade, conduct education forums, and conduct business-to-business partnerships.

The future growth of minority-owned businesses is dependent on accessing growth markets and resources necessary to penetrate those markets in real time. Given the broad geography, economic clusters, industries and different cultures that minority businesses are a part of, technology plays a key role in supporting the Agency's programmatic success. MBDA reaches its staff, funded centers and the minority business community through the use of electronic commerce by promoting and providing business information that can assist minority businesses in these areas. The MBDA Minority Business Internet Portal (MBIP) is a menu driven, user-friendly system that assists clients with business development needs and information. The MBIP includes a variety of online resources that foster higher performance such as: Customer Relationship Management system, Partners.Net system, Phoenix/Opportunity On-line Bid-Matching system, Business Planner, Business Loan Analyzer, and the Capital Access business tool. MBDA also uses the Internet Portal as an information clearinghouse and national center for referral of minority-owned businesses of all sizes to the vast network of public and private business development resources. The MBIP is also a crucial part of the BusinessUSA effort as clients are able to easily navigate to MBDA's portal and find out about MBDA tools and services.

PROGRAM CHANGE FOR FY 2016: \$4.6M AND 3 FTE Increase for Minority Business Public Private Partnership Program

MBDA requests a program increase of \$4.6M and 3 FTE in support of the Minority Business Public Private Partnership Program for FY 2017. MBDA proposes to implement the program increase through two new initiatives:

- Business Innovation for Young Entrepreneurs program for \$3.6M and 3 FTE is consistent with the Department's innovation focus. This programmatic investment will create a coordinated approach to engage, educate and build capacity among minority young entrepreneurs. This program will serve to bring forward a coordinated synergy among colleges and universities, lab- to-market technology, financing and business development. This program will focus federal grants in regions of the U.S. with high concentrations of minorities, high youth population and high unemployment to engage, educate and build capacity among young minority entrepreneurs. These grants will foster a coordinated synergy among colleges and universities, lab-to-market technology, financing and business development. MBDA will partner with other external agencies and utilize existing EDA centers, where feasible.

- Minority Business Policy and Research program for \$1M and 0 FTE is consistent with the Secretary's strategic goal to support a data-enabled economy by improving the Department's data capabilities. This initiative will fund research on three important topics: Characteristics of Minority Business Enterprises; A National Inventory of Minority Business Enterprise Disparity Studies; and A National Inventory of Procurement Laws Impacting Minority-owned Enterprises. The timely collection and analysis of data concerning the minority business community will enable government, business, and community leaders to make policy, programmatic and business decisions that are based on accurate and current information.

BUSINESS INNOVATION FOR YOUNG ENTREPRENEURS PROGRAM

Base Resources Assessment:

No base resources are currently allocated for this activity.

Statement of Need and Economic Benefits – Cost Benefit Analysis:

Current research validates the need to increase entrepreneurship resources for minority youth as experts have linked the decline in graduation rates to the lack of entrepreneurial curriculum in many American classrooms.²

The U.S. Department of Labor has reported that industries are looking at approximately 40% of their skilled labor forces retiring in the next five years. Due to shortfalls in education, younger workers simply do not have the necessary skills required to compete for the jobs that are becoming available due to the retiring baby boomers.³ During the last four decades, the make-up of the minority population has drastically changed, and so too have their business and youth employment needs. In order to address this growing challenge, the federal government has to create an inclusive strategy to not only backfill these jobs, but also create a workforce development program to equip young adults with skills to drive innovation in the economy of the future. This is a substantial problem as the skillset gap has a dramatic impact on both highly skilled and Science Technology, Engineering, and Mathematics (STEM)-related positions.

Between 2014 and 2024, the numbers of STEM jobs are projected to grow 17 percent, as compared to 12 percent for non-STEM jobs,⁴ causing companies to spend more to hire skilled workers and invest more heavily in workforce development. Currently, companies all over the country are struggling to address these problems. Most importantly, if the federal government wants to preserve the U.S. competitive edge, officials must increase access to STEM education for American youth, with special attention on minority youth adults.

Understanding the unique challenges that minority youth face is very critical to success in life. These studies have concluded that minority students lack opportunities to pursue their entrepreneurial aspirations. According to the Aspen Institute, "studies of high-school-level courses in youth entrepreneurship report that students increase their occupational aspirations, interest in college, reading, and leadership behavior after participation." Minority graduation rates for African American, Hispanic, and Native American students have historically been 15% less than the rates of their Caucasian counterparts.

² U.S. Chamber of Commerce Foundation, *The Millennial Generation Research Review* (2016)

³ The Manufacturing Institute, *The Skills Gap in U.S. Manufacturing 2015 and Beyond* (2015)

⁴ Wired.com, *5 Numbers That Explain Why STEM Diversity Matters to All of Us* (2012)

Nationally, 66% of minority youth graduate from high school, which has a long-term impact on the economic potential of future entrepreneurs. Due to a lack of exposure to career-related experiences, minority youth are hindered in their ability to build a business later in their lives. This also holds true for minority participation in STEM disciplines.

African Americans and Hispanics have drastically increased in the U.S. population, but their share of critical STEM jobs has barely increased in the last 15 years. In fact, African Americans and Hispanics are less likely today to pursue careers in engineering, computer science, or advanced manufacturing than they were in 2001. We know that members of the millennial generation are more likely to start a business.⁵ Therefore, with the growing minority population, with a relatively young average age, it is imperative to create a robust minority youth entrepreneurship program that will engage their interest, and leverage their creativity and innovation, especially throughout their late teen and early adulthood years. This is why it is critical for MBDA to partner with minority serving institutions and universities, which provide business support and resources, as well as networking opportunities, mentoring, and educational opportunities for minority youth.

Additionally, the engagement of established minority business owners plays a critical role in other areas of youth development as scholars continue to study the relationship between economic conditions and juvenile crime. A recent study found that the presence of minority firms in urban areas, especially African American owned businesses, significantly reduced youth violence between the periods of 1990-2000.⁶ According to the author, minority firms have the great potential to positively influence community values and social networks within communities that thrive on minority-owned business growth.

Entrepreneurship education is a critical issue for MBDA stakeholders as many cities across the United States are aiming to strengthen local economic environments. Many of these same areas are plagued with high unemployment rates, harmful youth development conditions, and workforce development concerns. In February 2015, MBDA hosted a Stakeholder Summit with over 50 key stakeholders to discuss current challenges in minority business development and develop tangible solutions to address these issues. This event confirmed the Agency's continuing interest in entrepreneurship education as senior leadership and staff began to observe the importance of minority youth development due to engagement with local leaders in Detroit, MI, Chicago, IL, New York, NY, and Ferguson, MO. The outcome of our discussions revealed that our subject matter experts believed investment in youth entrepreneurship was essential to the success of the U.S. economy and competitiveness. This focus on business education is also linked to the federal Interagency Working Group on Youth Program (IWGYP), which consists of 18 federal agencies that supports programs and services targeting youth. MBDA hopes to strengthen Commerce's involvement by leveraging resources to execute the Innovation for Young Entrepreneurs program.

The following research conclusions summarize the importance of STEM education and its relationship to the economic benefits:

- According to a recent study by the Brookings Institute, "More STEM-oriented metropolitan economies perform strongly on a wide variety of economic indicators, from innovation to employment. Job growth, employment rates, patenting, wages, and exports are all higher in more STEM-based economies."

⁵ U.S. Chamber of Commerce Foundation, *The Millennial Generation Research Review* (2016)

⁶ Sage Publications, *Urban Affairs Review* (2015)

- Workers in STEM occupations also earn more on average than their counterparts in other jobs, regardless of their educational attainment.

Minority youth have the economic potential to jump-start the U.S. economy. There are thousands of high-performing minority students that can help contribute to American innovation by starting the next generation of successful businesses. Furthermore, there is a great interest in entrepreneurial education by today's youth, but the education resources are not present to support their talents and interests. According to a 2015 Gallup-Hope Index, about 50 percent of surveyed minority students stated they plan to start their own business. However, less than half of these students are learning about the necessary steps to start and manage a business in the classroom. Secondly, nearly 80 percent of would-be entrepreneurs in the United States are between the ages of 18 and 34.⁷ However, this same age group rarely receives any information about entrepreneurship as a career option which indicates a vital need to educate youth about entrepreneurial opportunities.

In general, the proposed program will produce cost savings because the approach is structured to expand existing regional resources and increase current entrepreneurial programs in capacity and scale with additional federal funding. The long-term return on investment is essential as it will help start, grow, and establish successful minority entrepreneurs in various high-growth industries. It will also contribute to economic growth and job creation in America's most promising communities.

The risks to the Administration and MBDA are strategic in nature in that if this initiative is not pursued, a significant economic contributor will be left untapped. The U.S. economy will not realize its greatest potential by using one of its greatest strategic advantages in the global economy. Engaging with the minority youth population to encourage entrepreneurship provides a major opportunity to address important issues facing the nation as a society and its economic future. This initiative will allow for the Department of Commerce and MBDA to play a significant role in shaping the future of the nation as its demographics change in the coming years.

Schedule & Milestones:

1) Minority Youth Business Innovation Center

Universities and nonprofit organizations across the country are providing top-notch entrepreneurial education to young adults with a goal to spur new business development in growing, emerging industries. Currently, there are over 200 university-based entrepreneurship centers supporting the business spirit of today's young minds by facilitating comprehensive training programs on the start-up and funding process of a business concept. There are also numerous nonprofit programs that are paving the way in youth business education by creating innovative initiatives that promote improved skills in academic performance, decision-making abilities, financial literacy, job readiness, and enhanced self-efficacy. The program will provide funding to existing centers and nonprofits to expand resources/programs to address the following three objectives:

- a) develop a new entrepreneurship education program to educate high-school/college minority students on the development of a STEM-related business concept,
- b) increase minority student participation in existing entrepreneurship education programs through targeted outreach and student engagement,
- c) curriculum must include business pitch training which focuses on delivering a business plan verbally to business competition judges.

⁷ U.S. Chamber of Commerce Foundation, *The Millennial Generation Research Review* (2016)

PROGRAM CHANGE DETAIL BY OBJECT CLASS

Activity: Minority Business Development
 Program Change: Strategic Investments

Object Class	2017
11.0 Personnel compensation	309
11.1 Full-time permanent	0
11.3 Other than full-time permanent	0
11.5 Other personnel compensation	0
11.8 Special personnel services payments	0
11.9 Total personnel compensation	0
12.1 Civilian personnel benefits	83
13 Benefits for former personnel	0
21 Travel and transportation of persons	90
22 Transportation of things	0
23.1 Rental payments to GSA	0
23.2 Rental payment to others	0
23.3 Communication., util., misc. charges	0
24 Printing and reproduction	0
25.1 Advisory and assistance services	0
25.2 Other services	630
25.3 Purchases of goods and services from Government accounts	-21
25.4 Operations and maintenance of facilities	0
25.5 Research and development contracts	0
25.6 Medical care	0
25.7 Operation and maintenance of equipment	0
25.8 Subsistence and support of persons	0
26 Supplies and materials	1
31 Equipment	0
32 Lands and structures	0
33 Investments and loans	0
41 Grants, subsidies and contributions	3,500
42 Insurance claims and indemnities	0
43 Interest and dividends	0
44 Refunds	0
TOTAL OBLIGATIONS	4,591

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 SUMMARY OF REQUIREMENTS BY OBJECT CLASS
 (Dollar amounts in thousands)

Object Class	2015 Actual	2016 Approp	2017 Base	2017 Estimate	Increase / (Decrease)
11 Personnel compensation					
11.1 Full-time permanent	5,300	5,300	5,397	5,706	309
11.3 Other than full-time permanent	0	0	0	0	0
11.5 Other personnel compensation	50	50	50	50	0
11.8 Special personnel services payments	0	0	0	0	0
11.9 Total personnel compensation *	5,350	5,350	5,447	5,756	309
12.1 Civilian personnel benefits	1,423	1,439	1,394	1,477	83
13 Benefits for former personnel	0	0	0	0	0
21 Travel and transportation of persons	353	353	353	443	90
22 Transportation of things	4	4	4	4	0
23.1 Rental payments to GSA *	1,072	1,072	1,614	1,614	0
23.2 Rental payments to others	0	0	0	0	0
23.3 Commun., util., misc. charges	70	70	72	72	0
24 Printing and reproduction	55	55	56	56	0
25.1 Advisory and assistance services *	200	200	200	200	0
25.2 Other services *	1,566	2,091	1,913	2,543	630
25.3 Purchases of goods and services from Government accounts	6,814	6,814	6,915	6,893	(22)
25.4 Operations and maintenance of facilities	0	0	0	0	0
25.5 Research and development contracts	0	0	0	0	0
25.6 Medical care	0	0	0	0	0
25.7 Operation and maintenance of equipment	0	0	0	0	0
25.8 Subsistence and support of persons	0	0	0	0	0
26 Supplies and materials	100	100	102	103	1
31 Equipment	55	55	55	55	0
32 Lands and structures	0	0	0	0	0
33 Investments and loans	0	0	0	0	0
41 Grants, subsidies and contributions	12,938	14,397	12,897	16,397	3,500
42 Insurance claims and indemnities	0	0	0	0	0
43 Interest and dividends	0	0	0	0	0
44 Refunds	0	0	0	0	0
99 Total obligations	30,000	32,000	31,022	35,613	4,591
Less: Recoveries					
Less: Unobligated Balance, SOY					
Plus: Unobligated Balance, Transferred					
Plus: Unobligated Balance, EOY					
Plus: Unobligated Balance, Expiring					
Less: Transfer from other accounts					
Less: Transfer to other accounts					
99.1 Total Budget Authority	30,000	32,000	31,022	35,613	4,591

Personnel Data

Full-Time Equivalent Employment:
 Full-time permanent
 Other than full-time permanent
 Total

Authorized Positions:
 Full-time permanent
 Other than full-time permanent
 Total

2015 Actual	2016 Approp	2017 Base	2017 Estimate	Increase / (Decrease)
54	70	70	73	3
0	0	0	0	0
54	70	70	73	3
70	70	70	73	3
0	0	0	0	0
70	70	70	73	3

Department of Commerce
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Advisory and Assistance Services
 (Obligations in thousands of dollars)

	FY 2015 Actual -----	FY 2016 Appropriated -----	FY 2017 Estimate -----
Consulting Services.....	50	50	200
Management and professional services.....	150	150	150
Special studies and analyses.....	0	0	300
Management and Support services for research and development.....	0	0	100
Total.....	200	200	750

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 Periodicals, Pamphlets, and Audiovisual Products
 (Obligations in thousands of dollars)

	FY 2015 Actual -----	FY 2016 Appropriated -----	FY 2017 Estimate -----
Periodicals.....	8	8	8
Pamphlets.....	47	47	47
Audiovisuals.....	<u>0</u>	<u>0</u>	<u>0</u>
Total.....	55	55	55

Executive Order 11625 authorizes the Minority Business Development Agency (MBDA) to provide "for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the nation in undertaking or promoting the establishment and successful operation of minority business enterprise". MBDA's Office of Legislation, Education, and Intergovernmental Affairs is responsible for the creation of periodicals, publications, and audiovisuals to carry out the mandate set forth in Executive Order 11625.

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 Minority Business Development Agency
 Minority Business Development

Average Salaries and Grades

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Estimate
Average ES salary.....	\$ 172,458	\$ 174,183	\$ 180,453
Average GS/GM grade.....	10	10	10
Average GS/GM salary.....	\$ 88,443	\$ 89,327	\$ 92,543
Total compensable workyears:			
Full-time equivalent employment.....	54	70	73
Full-time equivalent of overtime and holiday hours.....	-	-	-