

**THE MINORITY BUSINESS DEVELOPMENT AGENCY:
ENHANCING THE PROSPECTS FOR SUCCESS**

HEARING
BEFORE THE
SUBCOMMITTEE ON COMMERCE, TRADE,
AND CONSUMER PROTECTION
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES
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CONTENTS

	Page
Hon. Bobby L. Rush, a Representative in Congress from the State of Illinois, opening statement	1
Hon. Phil Gingrey, a Representative in Congress from the State of Georgia, opening statement	3
Hon. Kathy Castor, a Representative in Congress from the State of Florida, opening statement	4
Hon. G.K. Butterfield, a Representative in Congress from the State of North Carolina, opening statement	5
Hon. Bruce L. Braley, a Representative in Congress from the State of Iowa, opening statement	6

WITNESSES

David Hinson, National Director, Minority Business Development Agency, United States Department of Commerce	8
Prepared statement	11
Answers to submitted questions	142
Cindy Ramos Davidson, President and CEO, El Paso Hispanic Chamber of Commerce	30
Prepared statement	33
Shelia Hill, President, Chicago Minority Business Development Council	43
Prepared statement	45
Susan Au Allen, President and CEO, U.S. Pan Asian American Chamber of Commerce	50
Prepared statement	52

SUBMITTED MATERIAL

Report entitled, "The State of Minority Business Enterprises," dated August, 2006	89
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THE MINORITY BUSINESS DEVELOPMENT AGENCY: ENHANCING THE PROSPECTS FOR SUCCESS

THURSDAY, OCTOBER 15, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE, TRADE,
AND CONSUMER PROTECTION,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 1:42 p.m., in Room 2322, Rayburn House Office Building, Hon. Bobby L. Rush [chairman of the subcommittee] presiding.

Present: Representatives Rush, Sarbanes, Gonzalez, Butterfield, Castor, Space, Braley, and Gingrey.

Staff Present: Michelle Ash, Chief Counsel; Angelle Kweme, Counsel; Timothy Robinson, Counsel; Will Cusey, Special Assistant; Aaron Ampaw, Fellow; Brian McCullough, Minority Senior Professional Staff; Shannon Weinberg, Minority Counsel; and Chad Grant, Minority Legislative Assistant.

OPENING STATEMENT OF HON. BOBBY L. RUSH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. RUSH. The hearing will be called to order. This is a hearing of the Subcommittee on Commerce, Trade, and Consumer Protection. The hearing is entitled, "The Minority Business Development Agency: Enhancing the Prospects for Success."

The Chair yields himself 5 minutes for the purposes of an opening statement.

The 111th Congress took extraordinary steps to turn around our moribund economy when it passed the American Recovery and Reinvestment Act of 2009. Back in October 2008, I told Senators in my district and also across the Nation that I had just begun to ensure that the concerns of people living on Main Street would not be "eclipsed by the excesses on Wall Street." Today's hearing is a continuation of my pledge.

This hearing is more than just about the Minority Business Development Agency. It really is about the larger matter of what we as Members of Congress can do to assist the executive branch in coming up with a prescription to help cure our fiscal and economic ills. As part of that prescription building, we will have a frank discussion today regarding the MBDA's reformulated vision from its new National Director, Mr. David A. Hinson, and whether it makes sense to endow MBDA with more resources to pursue that vision.

In listening to the testimony and ideas of our distinguished panel of guests, we witnessed some of what MBDA could do, in conjunction with the Department of Commerce, to help reverse the devastation that has touched down on many of our formerly hardworking and historically blue collar and minority communities. These communities have suffered disproportionately under the yoke of this recession.

I am of the belief that the MBDA can be an engine for positive change not just on Wall Street, but on Raleigh Road in Wilson, North Carolina; or on South Cresler Street in San Antonio, Texas; and West 74th Street in my hometown of Chicago, Illinois.

To make sure of that change, the Federal Government and the States must authorize more spending of stimulus dollars and Recovery Act contracting with minority businesses—businesses that, I might add, are proving time and time again that they can complete projects on time and within budget. There can be no other fairer outcome.

Minority firms have a greater tendency than nonminority firms to train future minority entrepreneurs, recruit and hire minority workers, and set up operations in minority communities. African Americans have a greater tendency to hire African Americans, women tend to hire women, Hispanic Americans tend to hire Hispanic Americans, and so on and so on and so on it goes. This is how the real world operates. Really, to understand this aforementioned dynamic one need not look any further than the halls of Congress.

Since the start of the recession in December 2007, unemployment rates for all the major working groups are much higher. The unemployment rates for minority workers are even higher than those for white workers, by as much as 15 percent.

According to the most recent Department of Labor employment statistics, the unemployment across race, sex, and age for African Americans is 15.3 percent; in 2007, it was 8.6 percent. For Hispanic Americans, it is 12.2 percent; in December 2007, it was 6.3 percent. For Asian Americans, it is 7.4 percent; in 2007, it was 3.7 percent. For Indian Americans and Alaskan Natives, it is 15 percent; in 2007, it was 7.8 percent. And for Native Hawaiians, it is 14.4 percent; in 2007, it was 2.8 percent.

These are horrifying statistics. They paint a picture of the underutilization of minority workers, which is a harbinger of worse things to come.

In closing, I want to thank the witnesses for coming here to offer us your perspectives. You are serving more than minority businesses through your appearances. You are also helping to uplift the U.S. from the severely economically distressed position it now finds itself in.

I want to thank you, and I yield back.

Now it is my pleasure and honor to recognize the Ranking Member, Dr. Gingrey, for 5 minutes for the purposes of an opening statement.

OPENING STATEMENT OF HON. PHIL GINGREY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. GINGREY. Chairman Rush, thank you. Thank you so much. I appreciate you calling today's oversight hearing regarding the Commerce Department's Minority Business Development Agency. Most businesses in this country, as we all know, are small businesses, and the value of small companies is significant. They provide the lifeblood of our economy. They employ more than half of all workers in this country. In fact, they have provided more than 14 million net new jobs created over the past 15 years.

Small firms are the bedrock of American capitalism and they should be encouraged. Some of our most creative and valuable enterprises have started in someone's garage, with nothing more than an idea. While we can't guarantee successful outcomes, we can and we should work to ensure the path to small business contains as few hurdles as possible. And for small businesses, regulatory compliance is an enormous hurdle.

For small businesses, regulatory compliance is a much greater burden than it is for a larger firm that has economies of scale and they can absorb these costs much more easily. As expected, the effect for small businesses—let's say one with fewer than 20 employees—is even greater. The cost of compliance with Federal regulations for firms with fewer than 20 employees averages 45 percent more per employee than it does for large firms.

These small businesses spend approximately \$7,647 per employee to meet Federal environmental, economic, workplace, and tax compliance requirements. These costs are real and they can be disastrous to many small businesses that are, in some cases, home-based businesses. We have heard from many who close their doors because they were affected by the unforeseen regulatory cost of the Consumer Product Safety Improvement Act which made it too expensive to conduct business.

As we look at the Minority Business Development Agency and its priorities, I would suggest that we focus on facilitating small business entry into the market by limiting unnecessary regulatory cost and roadblocks. Creating an environment conducive to job creation is always good policy, and I will always support it.

Our country is a world leader in providing the opportunity to succeed, and the result has been a pipeline of small businesses and entrepreneurs that are invaluable to this dynamic United States' economy. Given the state of the world economy, addressing obstacles that hold back many of our small businesses is a good idea; indeed, an excellent idea.

The Commerce Department's Minority Business Development Agency is one Federal initiative that seeks to promote minority business opportunities and the continued growth of their businesses.

Currently there are over 4 million minority-owned businesses in the United States. They range in background from Native-born Americans to recent immigrants from many different ethnicities. Their common thread is they came to America to pursue a better life in a land of limitless opportunities. I am proud to say that many of the residents have used this opportunity to start successful businesses.

So I am very interested in how the Minority Business Development Agency seeks to promote small businesses and to ensure opportunities exist for everyone who has the will and the determination to pursue the American dream.

As I said at the subcommittee's first trade hearing back in March, often the difference that turns a struggling business into a successful one is the connection between buyers and sellers. Those networking opportunities and connections can be aided by our government's promotional efforts. Expanding the market of potential buyers often leads to new export and trade opportunities that are beneficial to our entire economy.

It is not our role to ensure—we can't, really—whether a particular business is successful. That is up to the business and its ability to execute its own level of entrepreneurship. But we can seek to ensure that our existing resources that enhance small business growth are available to all Americans.

Mr. Chairman, I look forward to the testimony of the witnesses, and I yield back at this time.

Mr. RUSH. The Chair thanks the gentleman.

The Chair now recognizes the gentlelady from Florida, Ms. Castor, for 2 minutes for an opening statement.

OPENING STATEMENT OF HON. KATHY CASTOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Ms. CASTOR. Thank you, Chairman Rush, very much and welcome to our witnesses here today.

We find ourselves in the worst economic downturn in a generation and the challenge now with the recovery plan and all of our efforts is to ensure that we save jobs and we create jobs.

It is most important throughout our neighborhoods and communities that these are the hardworking folks that keep the economy going, our small businesses and folks that may be particularly vulnerable in these type of downturns.

So we need your help and we need your advice on what we do make sure the Recovery Act is implemented as effectively as possible. I would like to hear how we use the new tools of modern technology to communicate, because you all understand better than anyone how difficult it is to get the word out. That is the challenge for many of these businesses and business owners. They want to compete, and they can compete very well, but they have to know about the opportunities.

I found myself back home in Florida being a conduit, explaining what some of the opportunities are under the Recovery Act. But it is difficult. It is so vast and expansive.

Next weekend we are going to have a big seminar and invite all of our small businesses, disadvantaged businesses, women-owned, veteran-owned, service-disabled, to come hear from the U.S. GSA and small business folks and bring in other representatives from local government in our neighborhoods to spread the word. But we need to do more. And I want to hear from you all, with all of your expertise, how we can do a better job to keep people working and make sure our businesses have every opportunity to compete.

Thank you.

Mr. RUSH. The Chair now recognizes the gentleman from Ohio, Mr. Space, for 5 minutes.

Mr. SPACE. I just would like to thank you, Mr. Chairman, for your leadership on this issue and thank the witnesses for taking the time to prepare and offer your testimony today.

It seems one of the unfortunate ironies of difficult economic times is that those who oftentimes need the most help are the first ones to get cut. I think the SBA's cuts have been a reflection of that maxim. That certainly applies to other areas as well.

My district happens to be a very rural one, a very poor one, and the services that normally would be applied to areas like ours to help stimulate economic development, the areas like ours that need the help, are the services that have diminished or disappeared in the wake of difficult economic times. It oftentimes can become a vicious, cyclical pattern.

So I'm again grateful for your taking the time to prepare and offer your testimony today, and look forward to hearing it.

Thank you. I yield back.

Mr. RUSH. The Chair now recognizes the gentleman from Texas, Mr. Gonzalez, for 2 minutes.

Mr. GONZALEZ. I will waive opening, Mr. Chairman. Thank you.

Mr. RUSH. The Chair now moves to the gentleman from North Carolina, Mr. Butterfield, for 2 minutes.

OPENING STATEMENT OF HON. G.K. BUTTERFIELD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. BUTTERFIELD. Thank you very much, Mr. Chairman, for convening this very important hearing today. When I first came on this subcommittee a few months ago, you told me that this was your passion and this was something we could expect. I want to thank you very much for living up to your promise.

I, too, have a very profound interest in minority business development. I have had that passion for a very long time. And so I want to thank all of you four witnesses for coming and thank you for what you do to make this a reality.

I must say at the outset that I have a bias, Mr. Hinson, toward the Department of Commerce. My daughter started this week as an appointee in the Trade Administration, so we now have something in common. And I look forward and welcome you as you take on this responsibility.

Mr. Chairman, as I mentioned a minute ago, I represent a very poor, low-income, rural district in eastern North Carolina. My district is the fourth poorest district in the United States of America. My district is about 50 percent minority, and most of those minorities are African Americans. I can tell you that we have literally hundreds if not thousands of businesses in my district who are positioned to thrive if they could just get the financial resources and the technical expertise to make this happen. And so I want to encourage you to do more with the resources that you have at your disposal to try to make this happen.

There is a parallel agency in my State, and I think most of you may be familiar with it, it is the North Carolina Institute of Economic Development, led by a friend of mine, Andrea Harris. I have

known Andrea for at least 40 years. She wouldn't want me to say that. But she's a dynamic individual. That institution is helping minority businesses in my district do things that they need to do.

And so I welcome you. I pledge to work with you. I am going to work with the Chairman and the Ranking Member and anyone in this Congress who wants to promote minority business development.

The Congressional Black Caucus is totally committed to this effort. It has been for many years. Now that we have new leadership in the White House and in this Congress, hopefully we can make it a reality.

Thank you very much. Thank you for coming.

I yield back.

Mr. RUSH. Mr. Sarbanes from Maryland is recognized for 2 minutes.

Mr. SARBANES. Thank you, Mr. Chairman. I look forward to the hearing. In particular, as has been mentioned by a number of folks, the role that is played in terms of reaching out and providing service and support to minority-owned businesses and small businesses, that role is ever more important in these difficult times that we are facing right now.

What tends to happen, of course, is in a tough economy, particularly when you have a stimulus effort like we have and you are trying to move quickly to get the stimulus distributed through the economy, you can tend then to overlook small businesses and go to kind of the big players. At the same time, the mid-size and larger contractors, from what I have heard, because they are relatively desperate to get work, are kind of muscling in on some of the space traditionally occupied by the smaller businesses.

And so I look forward to hearing the testimony today and maybe having some of those issues addressed.

I yield back my time.

Mr. RUSH. The Chair thanks the gentleman.

The Chair now recognizes the gentleman from Iowa, Mr. Braley, for 2 minutes.

**OPENING STATEMENT OF HON. BRUCE L. BRALEY, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA**

Mr. BRALEY. Mr. Chairman, thank you for holding this important hearing. In the 110th Congress I was Chair of the Subcommittee on Contracting and Technology on the Small Business Committee and we talked a lot in our hearings about how to improve the effectiveness of programs like the HUB zone and 8A business development programs and level the playing field for minority-owned small businesses.

One of the things that stood out during those hearings with the SBA was that the Federal Government was not keeping its promise to make sure that a certain percentage of contracts were going to minority-owned businesses. At that time, I pushed, and I will continue to push, to make sure the government is providing the tools and resources to help small businesses flourish and making sure that government contracts are going to a diverse group of businesses.

One of the other things I learned during those hearings was that growing businesses have a difficult transition period once they exceed SBA size standards and are no longer eligible for programs offered by the SBA. That is why the Minority Business Development Agency is so important.

For the past 40 years it has been providing technical assistance, education, and training to help these minority-owned businesses as they move into this next stage of development. It is especially important as a resource as this Nation continues its economic recovery.

While I'm certainly appreciative of all the great work that the MBDA is doing, I also believe that one of the greatest challenges this agency faces is that it is grossly underfunded. In fact, it is the smallest funded government agency, having received just \$29 million last year.

We need to make business development a greater priority and to make sure agencies like MBDA have the resources they need to create more procurement opportunities for minority business owners and jobs for minority workers. This is an investment that pays for itself through job creation and an increased tax base.

I also think greater effort should be made to coordinate with the SBA so there is a smoother transition for these SBA graduates and these entrepreneurs to continue to have access to tools and expertise they need so their businesses can grow and compete globally.

Minority-owned businesses make up 20 percent of all U.S. businesses but continue to be overlooked by many prime contractors in landing contracts with the Federal Government. Great strides have been made in the private sector to expand opportunities for minorities. It is time for the Federal Government to do its share.

Thanks again, Mr. Chairman, and thank you to all the witnesses for joining us today. I yield back.

Mr. RUSH. The Chair thanks the gentleman. Now it is my distinct honor and privilege to recognize the visitors and also those who are in the audience—I want to acknowledge you—but I want to give special recognition to those who are witnesses before this subcommittee. I will begin on my left.

On my left is Mr. David Hinson. He is the National Director of the Minority Business Development Agency for the Department of Commerce.

Next to Mr. Hinson is Ms. Cindy Ramos Davidson. She is the President and CEO of the El Paso Hispanic Chamber of Commerce.

Next to her I am very, very delighted to have with us someone from my hometown, Ms. Shelia Hill. She is the President of the Chicago Minority Supplier Development Council.

Next to Ms. Hill is Ms. Susan Allen. She is the President and CEO of the U.S. Pan Asian American Chamber of Commerce.

Before I proceed any further, it is the common practice of this committee that I swear in the witnesses. So would you please stand and raise your right hand.

[Witnesses sworn.]

Mr. RUSH. Please let the record reflect that the witnesses have all answered in the affirmative.

TESTIMONY OF DAVID HINSON, NATIONAL DIRECTOR, MINORITY BUSINESS DEVELOPMENT AGENCY, UNITED STATES DEPARTMENT OF COMMERCE; CINDY RAMOS DAVIDSON, PRESIDENT AND CEO, EL PASO HISPANIC CHAMBER OF COMMERCE; SHELIA HILL, PRESIDENT, CHICAGO MINORITY BUSINESS DEVELOPMENT COUNCIL; AND SUSAN AU ALLEN, PRESIDENT AND CEO, U.S. PAN ASIAN AMERICAN CHAMBER OF COMMERCE

Mr. RUSH. Now the Chair is delighted and pleased to recognize the Director of the MBDA, Mr. Hinson. Before Mr. Hinson begins, let me just state something for the record as the Chair. Mr. Hinson, you are certainly welcome here at any point in time. I met you in my office, and you are a delight. But I am woefully disappointed that we did not have an assistant secretary or someone that will really have the authority to speak across the board.

I know you have the authority to speak for the Department, but I am just astounded that at this hearing, which is the first hearing that this subcommittee has had on this matter in a while—and it has been almost 40 years of the inception of MBDA—I'm really astounded that there is not enough interest, or what I perceive is interest, in the Department of Commerce.

Will you please send the message back that I am absolutely determined that the next hearing that we have, that we have an assistant secretary or higher, because this MBDA is getting ready to grow in significance as far as I'm concerned and as far as the U.S. commerce is concerned. So it won't be the smallest agency in the U.S. Government if I have anything to do with it and other members of this committee.

So please get back and tell them to get their act together now and increase their own responsibility and sensitivity toward the issue that your agency is concerned about and your agency has as its mission.

We will have another hearing soon and we expect to have not only you present, but someone who is an assistant secretary present also, or, if not, the Secretary of Commerce.

OK. Thank you so much.

Mr. RUSH. Now, it is my pleasure to recognize the National Director of the MBDA, Mr. Hinson, for 5 minutes for opening statements.

TESTIMONY OF DAVID HINSON

Mr. HINSON. Good afternoon, Chairman Rush and Ranking Member Gingrey and members of the subcommittee. Thank you for inviting the Minority Business Development Agency here today to discuss how MBDA and the Department of Commerce is helping create wealth and jobs in the minority business community and the global economy.

My name is David Hinson. I was appointed as National Director of the Minority Business Development Agency by Commerce Secretary Gary Locke on July 15, 2009.

MBDA has been in existence for over 40 years. The agency was originally established through executive order by President Richard Nixon on March 5, 1969. The agency is currently authorized by Ex-

ecutive Order 11625, as amended, and receives annual appropriations from Congress.

MBDA's vision is economic prosperity for all American business enterprises. The agency's mission is to foster the growth and global competitiveness of U.S. businesses that are minority-owned. It is my mission that each Member of Congress comes to understand the economic contributions that MBDA makes both in their local communities and to the entire Nation.

MBDA works with minority firms of all sizes during all stages of their business lifecycle. MBDA aims to create a new generation of businesses with \$100 million in annual revenue, which in turn generates higher economic activity and job creation.

Based upon the needs of the client, MBDA provides the following business services through our nationwide network: business consulting; procurement matching; private equity and venture capital sourcing; bonding assistance and loan packaging; strategic partnering; and market promotion.

MBDA funds a nationwide network of 46 centers, which are operated as public-private partnerships. The centers are staffed by professional consultants who have the knowledge and practical experience necessary to operate profitable businesses.

Clients of the centers include businesses owned and operated by Native Americans, Hasidic Jewish Americans, Native Hawaiians, Alaska Natives, Asian Americans, Pacific Islanders, Hispanic Americans, and African Americans.

MBDA's performance is evaluated annually on the number of new jobs created, the total dollar value of contract awards, and the total dollar value of financing transactions generated by the agency.

In fiscal year 2008, MBDA generated over \$1 billion in contracts, more than \$1 billion in financial transactions, and generated 5,316 new jobs. Preliminary results for fiscal year 2009 look to be equally as positive.

So, as you can see, MBDA's programs increase the economic activity at the local, regional, and national level. This economic activity translates into reduced unemployment, stronger businesses, expanded tax bases, the creation of wealth and community investment.

Congress has conducted numerous hearings and received numerous reports that demonstrate the persistence of discriminatory barriers that continue to limit contracting opportunities for minority businesses. As part of my written testimony I am submitting Appendix A, a list of hearings and materials that have already been presented to Congress; and Appendix B, a list of State and local government disparity studies.

MBDA is an important catalyst in building stronger minority business communities. More than 18 percent of all U.S. nonpublicly traded firms are minority-owned. Yet, these firms represent only 7.5 percent of the total gross receipts generated by all U.S. businesses. This disparity underscores the opportunity gap that still exists in the U.S. economy.

If the minority business community were performing at economic parity, the U.S. economy would benefit from an additional \$1.8 tril-

lion in annual gross receipts, 11.4 million new jobs, and an additional tax base exceeding \$100 billion per year.

A more comprehensive discussion regarding economic parity for MBEs and on the business characteristics of MBEs is available in two MBDA publications which have been provided to the subcommittee staff.

In conclusion, MBDA has identified the following three strategic priorities and continues to implement programs to achieve these goals: Improve marketplace access and opportunity; improve access to traditional and nontraditional sources of capital; serve as a knowledge center and valuable resource for minority business stakeholders.

I would like to thank Chairman Rush and Ranking Member Gingrey and the entire subcommittee for allowing me to testify before you today. I respectfully request the Chairman to enter my full written testimony, along with the two MBDA reports mentioned, as well as appendix A and appendix B, in the official hearing record.

Mr. RUSH. There has been unanimous consent request. Hearing no objection, the aforementioned articles and reports will be included in the record. So ordered.

[The information appears at the conclusion of the hearing.]

Mr. HINSON. On a final note, Mr. Chairman and distinguished members of the subcommittee, the Department of Commerce and MBDA are encouraged by this opportunity to testify. We look forward to working with you to create an environment where minority firms have an equal opportunity to participate in the marketplace.

Thank you very much.

Mr. RUSH. The Chair thanks the gentleman.

[The prepared statement of Mr. Hinson follows:]

U.S. Department of Commerce
Minority Business Development Agency

**WRITTEN TESTIMONY OF
DAVID A. HINSON, NATIONAL DIRECTOR
MINORITY BUSINESS DEVELOPMENT AGENCY,
U.S. DEPARTMENT OF COMMERCE**

Before the U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Commerce, Trade, and Consumer Protection

The Minority Business Development Agency:
Enhancing the Prospects for Success

October 15, 2009
1:00 p.m.



Chairman Rush, Ranking Member Radanovich, and Members of the Subcommittee:

Thank you for inviting the Minority Business Development Agency (MBDA or Agency) here today to discuss how MBDA and the Department of Commerce is helping create wealth and jobs in the minority business community and the global economy.

My name is David A. Hinson and I am the National Director of the Minority Business Development Agency, which is an operating bureau of the U.S. Department of Commerce. I was appointed as the MBDA National Director by Commerce Secretary Gary Locke on July, 15, 2009 and, prior to joining MBDA, I was President and CEO of a multi-million dollar independent, financial advisory boutique.

Joining me today are Edith McCloud, Associate Director for Management, and Efrain Gonzalez, Chief of the Office of Business Development. They play integral roles in implementing our programs and are both experts in the field of minority business development.

My testimony is organized around three major discussion points. First, I will provide an overview of MBDA and its accomplishments in assisting the minority business community. Second, I will briefly address the barriers faced by minority-owned businesses. Third, I will discuss why MBDA is an important catalyst in building a stronger minority business community.

I. Overview of MBDA and Its Accomplishments

MBDA History and Mission

MBDA has been in existence for over forty years. The Agency was originally established as the Office of Minority Business Enterprise by President Nixon on March 5, 1969, pursuant to Executive Order 11458. By establishing a federal agency dedicated exclusively to minority business enterprise, President Nixon recognized the impact of minority businesses on the nation's economy and on the general welfare of the country.

On October 13, 1971, President Nixon issued Executive Order 11625, which clarified the Agency's authority and expanded the scope of its operations. The Agency continues to be authorized by Executive Order 11625, as amended, and receives annual appropriations from Congress.

Under Executive Order 11625, MBDA is responsible for:

- Coordinating the plans, programs and operations of federal agencies to strengthen minority business enterprises (MBEs);

- Promoting the mobilization of activities and resources of state and local governments, businesses and trade associations, universities, foundations, professional organizations towards the growth of MBEs;
- Establishing a center for the development, collection, summarization and dissemination of information for and about minority businesses; and
- Providing financial assistance to public and private organizations so they may render technical and management assistance to MBEs.

MBDA's vision is economic prosperity for all American business enterprises and the Agency's mission is to foster the growth and global competitiveness of U.S. businesses that are minority-owned. MBDA is the only federal agency created specifically to facilitate equal economic opportunity for the nation's minority-owned businesses.

Eliminating discriminatory barriers and thereby creating financial opportunity in communities of color is the most effective means to secure personal and family well-being and to reduce dependence on government services. Wealth creation provides an opportunity for more citizens to make philanthropic investments, engage in civic activities and to increase savings. It is my mission that each Member of Congress comes to understand the positive economic contributions that MBDA makes both in their local communities and to the entire nation.

Delivery of Services

MBDA's service delivery program was developed in collaboration with the Tuck School of Business at Dartmouth College. Through this collaboration, the Agency's service delivery model follows a systems-integrated approach and is supported by the following key components:

- Strategy – plans for achieving sustainable competitive advantage and creating customer value;
- Processes – efficiencies and effective ways of manufacturing products or delivery of services;
- Architecture – organizational and value chain structure to implement the strategy and key processes;
- Resources – the acquisition and management of financial, human, and technical assets;
- Systems – mechanisms for control and communication, including, but not limited to, management information systems (MIS); and
- Employee Empowerment – delegation in a way that encourages staff to pursue strategic initiatives and continuous improvement.

Based upon the needs of the client, MBDA provides the following business consulting services through its nationwide network of minority business centers:

- Business consulting;
- Procurement matching;

- Private equity and venture capital sourcing;
- Bonding assistance and loan packaging;
- Strategic partnering (*e.g.*, business-to-business, teaming, joint ventures, etc.); and
- Market promotion of clients to prime contractors and other buyers.

MBDA provides services to minority businesses of all sizes, but places an emphasis on those firms with \$1M or more in annual revenue. Through its strategic growth initiative, MBDA aims to create a new generation of businesses with \$100M in annual revenue, which in turn will generate more jobs and provide a substantial increase to the nation's tax base. MBDA further targets growth industries, such as, but not limited to, clean energy, green technology and healthcare information technology, and follows a low-volume/high-margin business model.

MBDA is sometimes confused with the U.S. Small Business Administration (SBA). In fact, MBDA works with SBA on several initiatives, but our programs and primary focuses are different. The nature of the confusion usually lies with the assumption that minority businesses are small businesses. While the majority of minority businesses are small, MBDA maximizes taxpayer dollars by focusing on those firms that generate the greatest economic impact and job creation. Therefore, MBDA often works with minority firms that exceed SBA size standards.

Research and Information Dissemination

The MBDA Office of Knowledge Management is the research arm of MBDA and manages the Agency's institutional knowledge. This unit administers and disseminates cutting-edge research studies, reports and MBE fact sheets to a broad constituency and serves a key role in educating government and external stakeholders with respect to policies and programs impacting the MBE community. MBDA maintains a comprehensive library of reports and other publications, which are available to the public and accessible through the MBDA Internet website at: <http://www.mbda.gov> under the "Publications" tab.

MBDA Nationwide Network of Minority Business Centers

MBDA funds a nationwide network of 46 business centers across the following three MBDA programs: Minority Business Enterprise Center (MBEC); Native American Business Enterprise Center (NABEC); and Minority Business Opportunity Center (MBOC), all of which are operated as public/private partnerships. The business centers provide MBEs with a diverse range of individually customized business consulting services, including, but not limited to, assistance in formulating strategic growth plans, marketing campaigns, management and technical assistance and financial planning. The centers are staffed by professional business consultants who have the knowledge and practical experience necessary to operate successful and profitable businesses. Clients of the centers include business owned or controlled by Native Americans, Hasidic Jewish Americans, Native Hawaiians, Asian Americans, Alaska Natives, Pacific Islanders, Hispanic Americans and African Americans.

The Economic Impact of an MBDA Center

It is important to stress that this country needs strong minority businesses to achieve maximum economic growth. This point is further supported by the U.S. Census data (discussed below), which indicates that by the year 2050 the population of this country will be majority-minority (people of color). The positive economic impacts generated by MBDA centers are substantial and contribute importantly to the nation's economic recovery and future growth. On an annual basis, each MBDA center helps to secure an average of \$23.5 million worth of contracts for minority firms and our high performing centers help to secure more than \$100 million in contracts. Each MBDA center also helps to generate an average of \$24.8 million worth of financial investment in minority firms and our high performing centers secure more than \$100 million in financial investments per year. These contracts and investments directly support increased economic activity within the local community and throughout the region.

MBDA centers provide management and technical assistance to minority owned businesses that result in additional contracts and financings that create jobs. The creation of these jobs results in new taxes and spending in the minority communities where these businesses conduct their transactions. Each MBDA center helps create an average of 121 new jobs per year with an annual average salary of \$30,000. As a result of the new jobs, 121 people in that community are shopping at local stores, expanding the economic and tax bases and providing services to others in their community. An effective MBDA center can reduce unemployment, build stronger businesses, expand the tax base, create wealth, foster economic investments and bring global businesses to local and regional communities.

American Recovery and Reinvestment Act of 2009 (Recovery Act)

MBDA must play a vital role in the successful implementation of the Recovery Act, which is a high priority of President Obama and is critical to the federal government's efforts to jumpstart and to build the national economy. The current economic environment presents a heightened challenge to the millions of minority business throughout the United States and the jobs that they create in local communities. Many of these businesses rely on federal, state and local government contracting opportunities as a primary source of business.

Specifically, Vice President Biden has asked Commerce Secretary Locke and SBA Administrator Mills to develop and to implement strategies to increase the participation of small and minority businesses in the Recovery Act. Secretary Locke has directed MBDA to assume a lead role in achieving this important goal.

To this end, MBDA has redirected \$900K of its general FY 2009 appropriation (MBDA did not receive Recovery Act funds) to several of its business centers to focus specifically on Recovery Act opportunities for MBEs and is actively assisting its entire nationwide network of business centers and strategic partners in securing such opportunities for MBEs. MBDA has also conducted and participated in national, regional and local meetings, forums, workshops, conferences and web seminars to disseminate Recovery Act information and to provide technical and management assistance to minority businesses. MBDA has expanded its database of

minority businesses and is able to provide this information to Recovery Act (and to other) procurement representatives upon request. Importantly, MBDA is developing tracking systems so that it may monitor, evaluate and provide on-going recommendations with respect to the inclusion of MBEs in Recovery Act opportunities.

MBDA's Performance Accomplishments

MBDA's performance is evaluated primarily based on the annual number of new jobs created, and based on the total dollar value of contract awards and the total annual dollar value of financing transactions (*e.g.*, equity financings, loans and other capital infusions) generated by the Agency.

In FY 2008, MBDA and its nationwide network of business centers helped generate \$1.034 billion in contracts and \$1.090 billion in financial transactions for MBEs. In FY 2008, MBDA also helped generate 5,316 new jobs and served 3,974 new clients. In FY 2009, based on MBDA's preliminary estimates, the Agency helped generate \$2 billion in contracts and \$729 million in financial transactions for MBEs. In FY 2009, MBDA also estimates that the Agency helped generate 2,362 new jobs and served 3,045 new clients. These performance accomplishments are noteworthy, especially in light of the nation's economic environment during this period.

While the numbers clearly illustrate MBDA's tremendous value to the minority business community, as well as to the nation's overall economy, the Agency's impact is localized and perhaps more tangible through its many success stories. For example, in Chicago, Illinois, an MBDA center provided an IT consulting firm with a comprehensive needs assessment, customized business consulting services, and with contract acquisition matching and bid assistance. These services directly led to a \$1.2 million increase in sales for the firm and created 8 new jobs in Chicago.

II. Barriers and Challenges Faced by Minority Businesses

Congress has conducted numerous hearings, and has received numerous reports, that demonstrate the persistence of discriminatory barriers that continue to limit contracting opportunities for minority businesses. Evidence shows that these businesses (as well as women-owned businesses) face, among other barriers, discrimination in lending and access to capital; exclusion from business networks; and discrimination by prime contractors who reject participation on projects by minority subcontractors. The evidence further demonstrates that the government must undertake efforts to level the playing field for minority business (and for women-owned businesses) to avoid becoming, in Justice O'Connor's words, "a 'passive participant' in a system of racial [or gender] exclusion practiced by elements of the local * * * industry." *City of Richmond v. Croson*, 488 U.S. 469, 492 (1989) (opinion of O'Connor, J.). Unless these barriers are eliminated, minority businesses will continue to lag behind their non-minority counterparts undermining the ability of the nation to quickly regain its economic footing and to build a sustainable economy. As part of my written testimony, I am submitting

the materials contained in Appendix A and B. Specifically, Appendix A provides a list of hearings and materials that have been presented to Congress and Appendix B provides a list of state and local government disparity studies.

Studies conducted by MBDA over the last 10 years have cited other challenges faced by minority businesses. These obstacles include: an underutilization of technology solutions; lower levels of education and business experience; and a narrow portfolio of products, services and customers. Consequently, MBDA partnered with the private sector to design services to meet these challenges. For example, MBDA worked with Microsoft and the Information Technology Association of America to conduct a series of technology workshops focused on e-business solutions. To address the issue of business experience and education, MBDA partnered with the Tuck School of Business at Dartmouth College to provide executive education to minority entrepreneurs. Through this partnership, numerous minority business owners went through a week long program that enhanced their strategic thinking and business planning capabilities. Finally, to address the challenge of limited customers, MBDA has created opportunities for minority entrepreneurs to partner with major corporations through Business-to-Business matchmaking events and to expand globally by leveraging federal resources offered through the U.S. & Foreign Commercial Service, the Export-Import Bank, and the Overseas Private Investment Corporation. In spite of these efforts, more needs to be done to reach the more than four million minority business enterprises struggling in today's economic climate.

III. Why MBDA is an Important Catalyst in Building a Stronger Minority Business Community

Projected Growth of the Minority Population and the Benefits of Economic Parity

Based on U.S. Census data, minorities currently represent approximately 33 percent of the U.S. population and it is estimated that minorities will represent 54 percent of total U.S. population in the year 2050.¹

Minority businesses make a substantial contribution to the U.S. economy, generating \$661 billion in total gross receipts in 2002 and employing approximately 4.7 million people with an annual payroll totaling \$115 billion.² However, this represented only 7.5 percent of the total gross receipts generated by all U.S. businesses (excluding publicly-held firms), notwithstanding that in 2002 the adult minority population represented 29 percent of the total U.S. adult population. These disparities underscore the opportunity gap that still exists in the U.S. economy.

MBDA's long-term strategic goal is to eliminate discriminatory barriers so that MBEs may achieve economic parity. If minority businesses were to generate total gross receipts in relation

¹ U.S. Department of Commerce, U.S. Census Bureau, "An Older and More Diverse Nation by Midcentury," Press Release (August 14, 2008).

² U.S. Department of Commerce, U.S. Census Bureau, *2002 Economic Census, Survey of Business Owners Company Statistics Series* (2006).

to the minority population, the U.S. economy would benefit from an additional \$1.8 trillion in annual gross receipts, 11.4 million new jobs and an additional tax base exceeding \$100 billion per year.³ Moreover, minority firms have the potential to contribute significantly to the balance of trade as they are twice as likely to generate sales through exports compared to non-minority firms.⁴ It is clear that the nation needs strong minority businesses to achieve maximum and sustainable economic growth, and that MBDA is a catalyst in growing minority businesses to size, scale and capacity.

A more comprehensive discussion regarding economic parity for MBEs and on the business characteristics of MBEs is available in the following two MBDA publications: *The State of Minority Business Enterprises, An Overview of the 2002 Survey of Business Owners, Number of Firms, Gross Receipts, and Paid Employees*; and the *Characteristics of Minority Businesses and Entrepreneurs, An Analysis of the 2002 Survey of Business Owners*. These reports contain and examine in detail the empirical data summarized in my testimony and are also accessible to the public through the MBDA website at: <http://www.mbda.gov> (publications tab). In addition, I have provided these two reports to the Subcommittee's staff and respectfully request that Chairman include both reports into the official hearing record.

Obstacles to the Growth and Competitiveness of Minority Businesses and MBDA Strategic Priorities

There is a continued need to implement programs that address the needs of minority businesses and to help them grow, particularly in annual sales and employment, and to close the economic parity gap. Challenges in developing capacity, including lack of capital, increased contract bundling and intensified supply chain competition, among others factors, are adversely affecting the growth and competitiveness of minority businesses. Programs tailored to minority firms with \$1M or more in annual revenue, such as those at MBDA, are increasing access to marketplaces and capital for minority businesses.

In order to build a stronger minority business community, MBDA has identified the following three strategic priorities and is implementing programs to achieve these goals:

- Improve marketplace access and opportunities for minority businesses;
- Improve access to traditional and non-traditional sources of capital for minority business; and
- Continue to serve as a knowledge center and valuable resource for minority businesses and for other stakeholders.

³ 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* (August 2006).

⁴ U.S. Department of Commerce, Minority Business Development Agency, *Characteristics of Minority Businesses and Entrepreneurs, An Analysis of the 2002 Survey of Business Owners* (March 2008).

IV. Conclusion

I would again like to thank Chairman Rush, Ranking Member Radanovich and the entire Subcommittee on Commerce, Trade, and Consumer Protection for allowing me to testify before you today. The Department of Commerce and MBDA are very encouraged by this opportunity and look forward to working with you to create an environment where minority firms have an equal opportunity to participate in the marketplace. I respectfully request that my written testimony, including the appendix and the two MBDA reports referenced in Section III, be included in the official hearing record.

I welcome your questions.

V. Appendix

Appendix A: Evidence of the Impact of Discrimination and its Lingering Effects on the Public Procurement Market: Recent Congressional Hearings Addressing Public Procurement and Minority- and Women-Owned Business Enterprises

Appendix B: State and Local Government Disparity Studies

APPENDIX A

**Evidence of the Impact of Discrimination and its Lingering Effects
on the Public Procurement Market**

**Recent Congressional Hearings
Addressing Public Procurement and
Minority- and Women-Owned Business Enterprises**

1. *Reauthorization of Small Business Administration Financing and Entrepreneurial Development Programs Before the S. Comm. on Small Business and Entrepreneurship, 109th Cong. (April 26, 2006)*
2. *Diversity: The GAO Perspective Before the H. Subcomm. on Oversight and Investigations of the H. Comm. on Financial Services, 109th Cong. (July 12, 2006)*
3. *Strengthening Participation of Small Businesses in Federal Contracting and Innovation Research Programs Before the S. Comm. on Small Business and Entrepreneurship, 109th Cong. (July 12, 2006)*
4. *Full Comm. Field Hearing on Participation of Small Business in Hurricane Katrina Recovery Contracts Before the H. Comm. on Small Business, 110th Cong. (April 12, 2007)*
5. *Minority Entrepreneurship: Assessing the Effectiveness of SBA's Programs for the Minority Business Community Before the S. Comm. on Small Business and Entrepreneurship, 110th Cong. (May 22, 2007)*
6. *Full Comm. Hearing on the Small Business Administration's Microloan Program Before the H. Comm. on Small Business, 110th Cong. (June 14, 2007)*
7. *Increasing Government Accountability and Ensuring Fairness in Small Business Contracting Before the S. Comm. on Small Business & Entrepreneurship, 110th Cong. (July 18, 2007)*
8. *Diversifying Native Economies Oversight Hearing Before the H. Comm. on Natural Resources, 110th Cong. (September 19, 2007)*
9. *Expanding Opportunities for Women Entrepreneurs: The Future of Women's Small Business Programs Before the S. Comm. on Small Business and Entrepreneurship, 110th Cong. (September 20, 2007)*
10. *Federal Contracting: Removing Hurdles for Minority-Owned Small Businesses Before the H. Subcomm. on Government Management, Organization, and Procurement of the H.*

11. *Comm. on Oversight and Government Reform*, 110th Cong. (September 26, 2007)
Full Comm. Hearing to Consider Legislation Updating and Improving the SBA's Contracting Programs Before the H. Comm. on Small Business, 110th Cong. (October 4, 2007)
12. *Mortgage Lending Discrimination Before the H. Comm. on Financial Services*, 110th Cong. (October 15, 2007)
13. *Access to Federal Contracts: How to Level the Playing Field Before the S. Comm. on Small Business and Entrepreneurship*, 110th Cong. (October 29, 2007)
14. *Preserving and Expanding Minority Banks Before the H. Subcomm. on Oversight and Investigations of the H. Comm. on Financial Services*, 110th Cong. (October 30, 2007)
15. *Full Comm. Hearing on SBA's Progress in Implementing the Women's Procurement Program Before the H. Comm. on Small Business*, 110th Cong., (January 16, 2008)
16. *Holding the Small Business Administration Accountable: Women's Contracting and Lender Oversight Before the S. Comm. on Small Business and Entrepreneurship*, 110th Cong. (January 30, 2008)
17. *Diversity in the Financial Services Sector Before the H. Subcomm. on Oversight and Investigations of the H. Comm. on Financial Services*, 110th Cong. (February 7, 2008)
18. *Military Base Realignment: Contracting Opportunities for Impacted Communities Before the H. Subcomm. on Government Management, Organization, and Procurement of the H. Comm. on Oversight and Government Reform*, 110th Cong. (February 8, 2008)
19. *Community Reinvestment Act: Thirty Years of Accomplishments, But Challenges Remain Before the H. Comm. on Financial Services*, 110th Cong. (February 13, 2008)
20. *Doing Business with the Government: The Record and Goals for Small, Minority, and Disadvantaged Businesses Before the H. Subcomm. on Economic Development, Public Buildings, and Emergency Management of the H. Comm. on Transportation and Infrastructure*, 110th Cong. (March 6, 2008)
21. *Subcomm. Hearing on Oversight of the Entrepreneurial Development Programs Implemented by the Small Business Administration and National Veterans Business Development Corporation Before the H. Subcomm. on Rural and Urban Entrepreneurship of the H. Comm. on Small Business*, 110th Cong. (March 12, 2008)
22. *Women in Business: Leveling the Playing Field Before the S. Comm. on Small Business and Entrepreneurship*, 110th Cong. (March 19, 2008)

23. *Subcomm. Hearing on Minority and Hispanic Participation in the Federal Workforce and the Impact on the Small Business Community Before the H. Subcomm. on Regulations, Health Care, and Trade of the H. Comm. on Small Business*, 110th Cong. (April 23, 2008)
24. *Opportunities and Challenges for Women Entrepreneurs on the 20th Anniversary of the Women's Business Ownership Act Before the S. Comm. on Small Business and Entrepreneurship*, 110th Cong. (September 9, 2008)
25. *Business Start-Up Hurdles in Underserved Communities: Access to Venture Capital and Entrepreneurship Training Before the S. Comm. on Small Business and Entrepreneurship*, 110th Cong. (September 11, 2008)
26. *How Information Policy Affects Competitive Viability in Minority Contracting Before the Subcomm. on Information Policy, Census, and National Archives of the H. Comm. on Oversight and Government Reform*, 110th Cong. (September 24, 2008)
27. *Infrastructure Investment: Ensuring an Effective Economic Recovery Package Before the H. Comm. on Transportation and Infrastructure*, 111th Cong. (January 22, 2009)
28. *FAA Reauthorization Act of 2009 Before the H. Subcomm. on Aviation of the H. Comm. on Transportation and Infrastructure*, 111th Cong. (February 11, 2009)
29. *Full Comm. Hearing on the State of the SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery Before the H. Comm. on Small Business*, 111th Cong. (February 11, 2009)
30. *Full Comm. Hearing on Oversight of the Small Business Administration and its Programs Before the H. Comm. on Small Business*, 111th Cong. (March 25, 2009)
31. *DOT's Disadvantaged Business Enterprises Programs Before the H. Comm. on Transportation and Infrastructure*, 111th Cong. (March 26, 2009)
32. *Recovery Act Contracting and Role of Small Business Before the S. Comm. on Small Business and Entrepreneurship*, 111th Cong. (May 21, 2009)
33. *Minority Broadcast Ownership Before the H. Judiciary Comm.*, 111th Cong. (July 9, 2009)
34. *Roundtable on Healthcare Reform: Small Business Concerns and Priorities*, 111th Cong. (July 9, 2009)
35. *Doing Business with the Government: The Record and Goals for Small, Minority and*

Disadvantaged Businesses, H. Transp. Comm., 111th Cong. (September 17, 2009). Available at: <http://transportation.house.gov/News/PRArticle.aspx?NewsID=1003>

36. *Senate Roundtable on Minority Entrepreneurship: Evaluating Small Business Resources and Programs*, Sen. Comm. on Small Bus. & Entrepreneurship, 111th Cong. (September 24, 2009), Serial No. 111-. Available at: http://sbc.senate.gov/public/index.cfm?p=Hearings&ContentRecord_id=f364697c-1f0a-4499-a37b-fc7b86859585&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=43eb5e02-e987-4077-b9a7-1e5a9cf28964

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37. *Statements on Introduced Bills and Joint Resolutions*, 152 Cong. Rec. S3213-01 (April 6, 2006). Available at: 2006 WL 890535.
38. H. Small Business Comm., SCORECARD VII: FAULTY ACCOUNTING BY ADMINISTRATION RESULTS IN MISSED OPPORTUNITIES FOR SMALL BUSINESSES (July 26, 2006). Available at: www.house.gov/smbiz/Reports/ScoreCardVIIFINAL.pdf.
39. *Statements on Introduced Bills and Joint Resolutions*, 152 Cong. Rec. S8612 (August 2, 2006). Available at: 2006 WL 2163661.
40. *Statements on Introduced Bills and Joint Resolutions*, 152 Cong. Rec. S10289 (September 27, 2006). Available at: 2006 WL 2771447.
41. *Report on the Activity of the Committee on Financial Services for the 109th Congress*, H.R. Rep. 109-742 (January 2, 2007). Available at: 109 H. Rpt. 742 (Lexis).

B. 2007

42. *Introduction of Minority Entrepreneurship*, 153 Cong. Rec. E828-01 (April 23, 2007). Available at: 2007 WL 1188161.
43. *Debate on Small Business Lending Improvements Act of 2007*, 153 Cong. Rec. H4108 (April 25, 2007). Available at: 2007 WL 1217464.
44. *Statements on Introduced Bills and Joint Resolutions*, 153 Cong. Rec. S8064 (June 20, 2007). Available at: 2007 WL 1773921.
45. *Report from H. Comm. on Financial Services*, H.R. Rep. No. 110-278 (July 30, 2007). Available at: 110 H. Rpt. 278 (Lexis).

46. *Report on Small Business Lending Reauthorization and Improvements Act of 2007*, S. Rep. No. 110-154 (September 12, 2007). Available at: 110 S. Rpt. 154 (Lexis).
47. *House Report of FAA Reauthorization Act of 2007*, H.R. Rep. No. 110-331 (September 17, 2007). Available at: 110 H. Rpt. 331 (Lexis).
48. *Report on the Small Business Venture Capital Act of 2007*, S. Rep. 110-199 (October 16, 2007). Available at 110 S. Rpt. 199 (Lexis).
49. *Report on Small Business Contracting Program Improvements Act*, H.R. Rep. No. 110-400 (October 22, 2007). Available at: 110 H. Rpt. 400 (Lexis).
50. HREuQuant, INCREASING THE CAPACITY OF THE NATION'S SMALL AND DISADVANTAGED BUSINESSES (SDBs) (October 16, 2007). Available at: informationpolicy.oversight.house.gov/.../20080924161641.pdf.
51. *Debate on Small Business Contracting Program Improvements Act*, 153 Cong. Rec. H12170 (October 30, 2007). Available at: 2007 WL 3170798.
52. *Statements on Introduced Bills and Joint Resolutions*, 153 Cong. Rec. S13686 (November 1, 2007). Available at: 2007 WL 3226074.

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53. Government Accountability Office, MEDIA OWNERSHIP: ECONOMIC FACTORS INFLUENCE THE NUMBER OF MEDIA OUTLETS IN LOCAL MARKETS, WHILE OWNERSHIP BY MINORITIES AND WOMEN APPEARS LIMITED AND IS DIFFICULT TO ASSESS (March 2008). Available at: <http://www.gao.gov/products/GAO-08-383>.
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57. *Federal Aviation Administration Act of 2008, Part II*, 154 Cong. Rec. S9338-01, (September 23, 2008). Available at: 2008 WL 4329851.

58. *Federal Aviation Administration Act of 2008, Part II*, 154 Cong. Rec. H8588-02, (September 23, 2008). Available at: 2008 WL 4329680.
59. *Extension of Remarks on the Disadvantaged Business Program*, 154 Cong. Rec. E2174 (September 30, 2008). Available at: 2008 WL 4411976.

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60. *Report on the Activities of the Comm. on Oversight and Government Reform*, H.R. Rep. No. 110-930 (January 2, 2009). Available at: http://web.lexis-nexis.com/congcomp/document?_m=f01934f39c0be6a8caa16fb3b9568e35&_docnum=1&wchp=dGLbVlb-zSkSA&_md5=5ea445d0c8e9b3f2b0ef295c389581e2
61. *Report on Summary of Legislative and Oversight Activities During the 110th Congress*, S. Rep. No. 111-2 (January 9, 2009). Available at: 111 S. Rpt. 2 (Lexis).
62. *Debate on Enhancing Small Business Research and Innovation Act of 2009*, 155 Cong. Rec. H7757 (July 8, 2009). Available at: 2009 WL 1953905.

APPENDIX B**State and Local Government Disparity Studies**

1. *Measuring Business Opportunity: A Disparity Study of NCDOT's State and Federal Programs*, prepared by Equant for the North Carolina Department of Transportation (July 27, 2009)
2. *City of Davenport Disparity Study Regarding Minority and Women Participation in Contracting*, prepared by Mason Tillman Associates, Ltd. for the Davenport, Iowa (June 2009)
3. *San Antonio Regional Business Disparity Causation Analysis Study*, prepared by MGT of America for the City of San Antonio, Texas (April 6, 2009)
4. *Availability Analysis and Disparity Study for the Arizona Department of Transportation: Final Report*, prepared by MGT of America for the Arizona Department of Transportation (March 26, 2009)
5. Consortium Disparity Study Update, prepared by BBC Research & Consulting for the City of Albany, Georgia; Dougherty County, Georgia; Dougherty County School System; Albany Water, Gas & Light Commission; and Albany Tomorrow, Inc. (August 20, 2008)
6. A Disparity Study for the City of Saint Paul and the Saint Paul Housing and Redevelopment Authority, Saint Paul, Minnesota, prepared by MGT of America for the City of Saint Paul and the Redevelopment Authority of Saint Paul (August 4, 2008)
7. Measuring Minority- and Woman-Owned Construction and Professional Service Firm Availability and Utilization, prepared by CRA International for the San Mateo County Transit District and the Peninsula Corridor Joint Powers Board (April 14, 2008)
8. *Race, Sex, and Business Enterprise: Evidence from the City of Austin*, prepared by NERA Economic Consulting for the City of Austin, TX (May, 2008)
9. *Alaska Disadvantaged Business Enterprise Study – Availability and Disparity*, prepared by D. Wilson Consulting Group, LLC for the Alaska Department of Transportation and Public Facilities (June 6, 2008)
10. *A Second-Generation Disparity Study*, prepared by MGT of America, Inc. for the City of Dayton, Ohio (August 8, 2008)
11. *Race, Sex, and Business Enterprise: Evidence from Memphis, Tennessee*, prepared by NERA Economic Consulting for the Memphis-Shelby County Airport Authority (December 18, 2008)

12. *Quantitative Analysis of the Availability of Minority- and Women-Owned Businesses and their Utilization by the Corpus Christi Regional Transportation Authority*, prepared by Jim Lee, Ph.D. for the Corpus Christi Regional Transportation Authority (November 2007)
13. City of Birmingham: Disparity Study Report, prepared by Pendleton, Friedberg, Wilson & Hennessey, P.C. for the City of Birmingham, Alabama (September 28, 2007)
14. Commonwealth of Pennsylvania Department of General Services: Disparity Study in Building Construction and Building Design, prepared by Mason Tillman Associates, Ltd. for the Commonwealth of Pennsylvania Department of General Services (August 2007)
15. City of Philadelphia Fiscal Year 2006 Annual Disparity Study, prepared by Econosult Corporation for the City of Philadelphia Department of Finance (May 30, 2007)
16. Measuring Minority- and Woman-Owned Construction and Professional Service Firm Availability and Utilization, prepared by CRA International for the Santa Clara Valley Transportation Authority (December 14, 2007)
17. *State of Tennessee Department of Transportation*, prepared by Mason Tillman Associates, Ltd. for the Tennessee Department of Transportation (December 11, 2007)
18. *Final Report for Development and Revision of Small, Minority and Women Enterprise Program, Nashville International Airport*, prepared by Griffin & Strong, P.C. for the Metropolitan Nashville Airport Authority (September 19, 2007)
19. *A Study to Determine DBE Availability and Analyze Disparity in the Transportation Contracting Industry in Idaho*, prepared by BBC Research & Consulting for the Idaho Transportation Department (2007)
20. *Availability and Disparity Study for the California Department of Transportation*, prepared by BBC Research & Consulting for the California Department of Transportation (2007)
21. *Availability and Disparity Study for the Nevada Department of Transportation*, prepared by BBC Research & Consulting for the Nevada Department of Transportation (2007)
22. *Disadvantaged Business Enterprise Disparity Study*, prepared by MGT of America, Inc. for the Oregon Department of Transportation (2007)
23. *The Prince George's County Government: Disparity Study Final Report*, prepared by D.J. Miller & Associates, Inc. for the Prince George's County Government (November 15, 2006)
24. State of New Jersey Construction Services: Disparity Study 2003-2004, prepared by Mason Tillman Associates, Ltd. for the New Jersey Disparity Study Commission (June

2006)

25. Minority Business Shares of Prime Contracts Approved by the Board of Pittsburgh Public Schools, January-September 2005, prepared by the University of Pittsburgh Center on Race and Social Problems (June 2006)
26. Multi-Jurisdictional Disparity Study Consultant Services: Hillsborough County Aviation Authority and City of Tampa, prepared by Mason Tillman Associates, Ltd. for the Hillsborough County Aviation Authority Office and City of Tampa, Florida (April 2006)
27. Race, Sex and Business Enterprise: Evidence from the State of Maryland, prepared by NERA Economic Consulting for the Maryland Department of Transportation (State Highway Administration, Maryland Aviation Administration, and Maryland Transit Administration) (2006)
28. *Race, Sex, and Business Enterprise: Evidence from Denver, Colorado*, prepared by NERA Economic Consulting for the City and County of Denver, Colorado (2006)
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47. *Broward County Small Disadvantaged Business Enterprise (SDBE) Study*, prepared by MGT of America for the Broward County Board of Commissioners (2001)
48. *Kansas Department of Transportation Availability and Goal Setting Study*, prepared by MGT of America for the Kansas Department of Transportation (2001)
49. *Disparity Study for the Commonwealth of Kentucky*, prepared by Griffin and Strong for the Commonwealth of Kentucky (2000)

Mr. RUSH. I recognize for 5 minutes for the purposes of opening statement Ms. Ramos Davidson.

Mr. BUTTERFIELD. Mr. Chairman, would you allow me to ask a question of the Chair, please?

Are any of the Minority members of the committee going to join us today; have you received any word?

Mr. RUSH. It was the Ranking Member, Mr. Gingrey. They keep changing Ranking Members on us. He was here. I can't speak for the Minority.

Mr. BUTTERFIELD. How many Republican members are on this subcommittee?

Mr. RUSH. There are 12.

Mr. BUTTERFIELD. Are any of them represented by staff today?

Mr. RUSH. Yes, sir.

Mr. BUTTERFIELD. Thank you, Mr. Chairman.

Mr. RUSH. Ms. Ramos Davidson.

TESTIMONY OF CINDY RAMOS DAVIDSON

Ms. RAMOS DAVIDSON. Good afternoon, Mr. Chairman and members of the subcommittee. Thank you for the opportunity to testify today on recommendations to enhance the prospects of success through the Minority Business Development Agency.

I am Cindy Ramos Davidson, President and CEO of the El Paso Hispanic Chamber, a nationally and statewide recognized Chamber that not only serves our market but small, minority- and women-owned businesses in our borderplex in our region.

I am here today to testify on behalf of the United States Hispanic Chamber of Commerce, the world's largest business federation representing more than 3 million Hispanic-owned businesses and organizations of every size, sector, and region, as well as the El Paso Hispanic Chamber of Commerce, which is an affiliate of the U.S. Hispanic Chamber.

I'm in a unique position to be able to provide you some testimony, because you're looking at the real face on the street every day who utilizes these programs to move opportunity forward.

The El Paso Chamber of Commerce has successfully operated an SBA-funded Women's Business Center for the past 8 years. More recently—and I'm proud to say—as an operator of a Minority Business Enterprise Center in partnership with MBDA and the U.S. Department of Commerce for the last 18 months.

I think it's important to note that I tried five different times to be able to be awarded the Center, because I understood and recognized the need for the services the Center offered in our market. And each time we applied and we didn't get selected, we kept going back and going back. So a lot of that tenacity and sweat equity that we do every day is what we teach in our Centers.

It's of interest to note that the El Paso Hispanic Chamber and the Arizona Hispanic Chamber are the only two minority Chambers in the country currently operating Minority Business Enterprise Centers in partnership with MBDA.

In addition, we operate a satellite PTAC in partnership with our community college, which is partnered with the Department of Defense, Defense Logistics Agency; a HUB Development Center of Excellence for State and Federal HUB certification; an Empowerment

Zone Technical Assistance in partnership with the city of El Paso and HUD; and our newest one that we are going to open on the 28th, which is our Texas Department of Transportation Business Opportunity Center in partnership with TXDOT and the Federal Highway Administration.

We are honored to be associated with each of these agencies and confident that we can provide testimony as an effectiveness of these Centers for minority business populations we serve.

Our efforts are grassroots, provided bilingually, with technical assistance and development, for every phase of startup and growth industry businesses would not be possible without the support of all these agencies.

From January 1, 2003, to July 31, 2009, we have served through our counseling and training centers 28,101 individuals; assisted in financing projects totaling \$51 million; provided successful procurement and bid matches totaling \$61 million; helped assist in the startup of 316 businesses; most notably, assisted 3,668 expanding businesses which helped to create and retain over 11,000 jobs.

As a veteran community, with our military base, Fort Bliss, we have serviced 747 veteran and service-disabled clients; 722 home-based businesses; and 14,152 female clients—all of these Centers providing an estimated impact to our community of \$362 million.

Being on the street and in the trenches every day, we understand firsthand the needs of minority business and feel that these agencies work in tandem with MBDA to complement each other's services.

The SBA has been a primary agency for startup businesses, providing much-needed support in the area of accessing hard-to-find capital through guarantee loan programs, business plan development, and marketing strategies. But MBDA is the core of opportunity for the market we serve. That is where the strength of economic viability is going to come, is through those growth industries, those businesses that we help through the MBDA.

MBDA's Minority Business Enterprise Centers, their Native American Business Enterprise Centers, and their Minority Opportunity Centers provide a much deeper level of assistance to small businesses to grow through larger, more complex traditional lending avenues, such as bonding assistance; guidance on procurement strategies, such as joint ventures and teaming agreements; and providing networking and contracting opportunities through its wide network of resources.

The diversity of services and clients enables all minority entrepreneurs who need assistance to receive it with our support, to be able to champion their own destiny and catch a part of the American dream through free enterprise.

To date, the El Paso MBEC has received and worked through companies in our area \$528,398,207 from the American Recovery and Reinvestment Act. I do have a copy here of all of those jobs through AAR that we have done if anybody needs a copy of those.

With the support of our MBEC and the U.S. Department of Commerce, we have been able to ensure that minority-owned businesses in our community are able to successfully bid and perform on these jobs. The report has also shown there's a significant support ave-

nue in terms of helping these companies not just to stay small, but be able to grow.

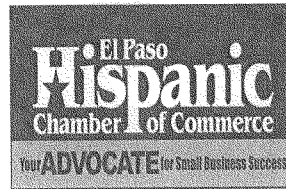
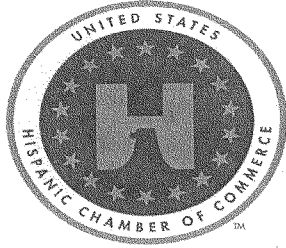
We have seven Centers within our organization and each one of those Centers works hand in hand with the MBEC to be able to provide what is necessary to grow these businesses.

We feel that consideration should be given to making MBDA have a much greater influence in this country because you're looking at the face who works day and day with the company who wants to start a business, has a wonderful idea, and doesn't know where to get started.

The resources we have are great, but we could do so much more if we had more resources. And I am with you, Mr. Chairman; MBDA is the smallest but yet it does the best work. It's got the biggest heart, more compassion than anybody I've seen, but we can certainly triple that if we had more dollars and more resources.

I thank you, because I see my time is up, for the opportunity to testify.

[The prepared statement of Ms. Ramos Davidson follows:]



Statement of the United States Hispanic Chamber of Commerce

On: The Minority Business Development Agency: Enhancing the Prospects for Success

To: House Sub-Committee on Commerce, Trade, and Consumer Protection

By: Cindy Ramos Davidson, Chief Executive Officer

Date: Wednesday, October 14, 2009

The United States Hispanic Chamber of Commerce, founded in 1979, is the advocate for the nation's almost 3 million Hispanic-owned businesses. The mission of the US Hispanic Chamber of Commerce is to foster Hispanic Economic Development and to create sustainable prosperity for the benefit of American Society.

The United States Hispanic Chamber of Commerce

In 1979, several dedicated Hispanic leaders realized the enormous potential of the Hispanic business community in the United States and envisioned the need for a national organization to represent its interests before the public and private sectors. Later that year, the United States Hispanic Chamber of Commerce (USHCC) was incorporated in the state of New Mexico, creating a structured organization aimed at developing a business network that would provide the Hispanic community with cohesion and strength. Since its inception, the USHCC has worked towards bringing the issues and concerns of the nation's almost 3 million Hispanic owned businesses to the forefront of the national economic agenda. Throughout its nearly 30 year history, the Chamber has enjoyed outstanding working relationships with international Heads of State, members of Congress, and the current White House Administration.

Through its network of more than 200 local Hispanic Chambers of Commerce, and Hispanic business organizations, the USHCC effectively communicates the needs and potential of Hispanic enterprise to the public and private sector in several ways, including:

- Implementing and strengthening national programs that assist the economic development of Hispanic firms.
- Increasing business relationships and partnerships between the corporate sector and Hispanic owned businesses.
- Promoting international trade between Hispanic businesses in the United States and Latin America.
- Monitoring legislation, policies, and programs that affect the Hispanic business community and providing technical assistance to Hispanic business associations and entrepreneurs.

El Paso Hispanic Chamber of Commerce

The mission of the El Paso Hispanic Chamber is to promote the interest of small, minority and women owned businesses in the region to improve the economic and educational environment to foster representation on major issues of concern to minority businesses while promoting the awareness and preservation of the heritage and cultural diversity shared in our region.

- 20 years strong in January, 2010
- 1159 members strong
- 421 different market sectors represented
- 1.2 million budget
- 42,000 business register
- 24,687 minority owned
- Large Chamber of the Year for TAMACC 2009
- Large Chamber of the Year for USHCC 2008
- Chamber Executive of the Year for USHCC 2008 and 2009

The ETA Centers provide us the need access to assess the needs of our clients and then direct them to the appropriate ETA Center that will help build the capacity of their businesses or business idea. Ultimately teaching each of them to diversify their people, product and service for long term business growth and sustainability.

ETA Centers: Contract Opportunities Center, HUB Development Center of Excellence, Minority Business Enterprise Center, Women's Business Border Center, Texas Dept. of Transportation Business Opportunity Development Center, Empowerment Zone Technical Assistance Center and the Minority Business Research and Certification Center.

Testimony of

Cindy Ramos Davidson

President and CEO of the El Paso Hispanic Chamber of Commerce

On behalf of the

United States Hispanic Chamber of Commerce

Before the House Sub-Committee on Commerce, Trade,
and Consumer Protection

October 14, 2009

The Minority Business Development Agency
Enhancing the Prospects for Success



Good afternoon Mr. Chairman and members of the sub-committee, thank you for the opportunity to testify today on recommendations to enhance the prospects for success through the Minority Business Development Agency.

I am **Cindy Ramos Davidson**, President and CEO of the El Paso Hispanic Chamber of Commerce, a nationally and statewide recognized Chamber that serves the small, minority, and women owned businesses in our borderplex region of El Paso, and State of Texas.

I am here today to testify on behalf of the United States Hispanic Chamber of Commerce, the world's largest business federation representing more than 3 million Hispanic owned businesses and organizations of every size, sector, and region; as well as the El Paso Hispanic Chamber of Commerce, which is in a unique position to provide testimony today. The El Paso Hispanic Chamber of Commerce has successfully operated an SBA funded Women's Business Border Center, for the past 8 years; and more recently, as the operator of a Minority Business Enterprise Center in partnership with MDBA and the U.S. Department of Commerce, for the past 18 months. Of interest to

note, the El Paso Hispanic Chamber and the Arizona Hispanic Chamber are the only two minority Chambers in the Country currently operating Minority Business Enterprise Centers.

In addition we operate a satellite PTAC in partnership with our community college and the DOD/DLA, a HUB Development Center of Excellence for both state and federal HUB certification , an Empowerment Zone Technical Assistance Center in partnership with the City of El Paso and HUD and a Texas Department of Transportation Business Opportunity Center in partnership with TXDOT and the Federal Highway Administration.

We are honored to be associated with each of these agencies, and confident that we can provide testimony as to the effectiveness of these centers for the minority business populations we serve.

Our grassroots efforts to provide bilingual technical assistance and development for every phase of start up and growth industry businesses wouldn't be possible, without the support of these agencies.

From January 1st, 2003 to July 31, 2009 we have served through counseling and training 28,111. Assisted in financing projects totaling \$51,114,115. Provided successful procurement and bid matches totaling \$61,659,358. Helped assist in the start up of 3,316. Most notably assisted 3,668 expanding businesses which helped to create and retain 10,709 jobs. As a veteran community with our military base Ft. Bliss we have served 747 veteran and service disabled clients. 722 home based business and 14,156 female clients all of these centers providing an estimated economic impact to our community of \$362 million.

Being on the street and in the trenches, we understand the needs of minority businesses, and feel that these agencies work in tandem with MBDA to complement each others' services.

The SBA has been the primary agency for start up business assistance, providing much needed support in the area of accessing hard to find start-up capital through the guarantee loan programs, business plan development and marketing strategies.

The MBDA, through its network of Minority Business Enterprise Centers (MBECs), Native American Business Enterprise Centers (NABECs), and Minority Business Opportunity Centers (MBOCs) provide a deeper level of assistance to assist businesses to grow through larger, more complex traditional lending, bonding assistance, guidance on procurement strategies, such as joint ventures and teaming agreements, and providing networking and contracting opportunities through its wide network of resources.

The diversity of services and clients enables all minority entrepreneurs who need assistance to receive it with our support to be able to champion their own destiny and catch a part of the American dream through free enterprise.

Expansion of MBDA programs, at all levels, from increased levels of funding for the current 48 Centers nationwide, to implementation of new and creative strategies to assist businesses in accessing much needed capital and bonding, are sorely required.

To date El Paso has received \$528,398,207 from the American Recovery and Reinvestment Act, and through the direct assistance of

the El Paso Minority Business Enterprise of the MBDA, and with the support of the U.S. Department of Commerce, we have been able to ensure that minority owned businesses in our community are able to successfully bid and perform on these jobs.

According to the Census Bureau's findings April 2007 report, "Minorities in Business: A Demographic Review of Minority Business Ownership" minorities owned approximately 18 percent of the 23 million U.S. firms. In addition, there are an estimated \$4 million minority firms totaling gross receipts for all U. S. minority firms totaling \$661 billion with 4.7 million paid employees from these minority firms.

The report also showed that, African American owned firms had the highest growth rate for several measures; 45.4 percent for the number of firms; 24.5 percent of total receipts for the group; and 16.7 percent for employer firm receipts. Asians experienced growth in the number of employer firms, at 12.6 percent, and in annual payroll, 25.3 percent. The number of American Indian and Native Alaskan businesses grew by 2.1 percent, while Hispanics or Latinos constituted the largest minority business community and owned 6.6 percent of all U.S. firms

and accounted for 3.7 percent of employer firms. Asians and Islanders owned 4.7 percent of all U.S. firms, 6.1 percent of employer firms.

These statistics, which were compiled from the 2002 Survey of Business Owners (SBO), the latest available data from the U.S. Census Bureau, indicate how imperative it is to continue support these agencies that allow us to continue to provide entrepreneurs with the tools they need, not only to start their businesses, but to grow and compete on a global scale. The true sweat equity that goes hand in hand with our personal approach to every business need would not be available if it were not for agencies like MBDA and all the resources that come with the center.

We feel that consideration should be given to making MDBA an agency of it's own like SBA and not an agency under Commerce. We feel that it would then be able to provide greater outreach for minority businesses to access their respective center and create more diversity of clients nationwide.

Thank you for your time and attention, and for the opportunity to discuss the merits of these two outstanding agencies, and their support of the millions of minority businesses we serve.

Mr. RUSH. The Chair will entertain a unanimous consent request that the aforementioned reports that Ms. Ramos Davidson mentioned in her testimony, that they be entered into the record. Hearing no objections, so ordered.

Mr. RUSH. Now it is my pleasure, again, to recognize the Chicagoan among the group, Ms. Hill. Ms. Hill, you're recognized for 5 minutes. Welcome.

TESTIMONY OF SHELIA HILL

Ms. HILL. Thank you so much, Congressman. Good afternoon. I'd like to thank the Honorable Bobby L. Rush, Chairman of the Subcommittee on Commerce, Trade, and Consumer Protection and the distinguished committee members for giving me the this opportunity to speak.

I am Shelia Hill. I'm President and CEO of the Chicago Minority Supplier Development Council, a 42-year old not-for-profit organization founded on the basic principle that all should have equal access to participate in the commerce of this country.

I have been in this industry for more than 20 years and I have been an entrepreneur, a Fortune 500 corporate professional, and now the leader of the Minority Supplier Development Council.

The Chicago Minority Supplier Development Council is the founding member council of the National Minority Supplier Development Council, and it represents over 37 affiliate councils, 16,000 certified minority businesses, and more than 3,500 major buying organizations. The mission of the Council is to create an environment that maximizes business opportunities between buying organizations and certified MBEs and to provide development services to foster the creation of mutually beneficial business relationships. Therefore, our relationship with MBDA is a perfect marriage.

CMSDC has maintained a 40-plus year relationship with the Minority Business Development Agency, MBDA, U.S. Department of Commerce, and has been the operator of the Chicago Minority Business Opportunity Center for 6 years. We also operate the Gary Minority Business Opportunity Center and co-operate the Chicago MBOC.

Our relationship with MBDA is unique, and it in conjunction with this relationship the minority business community has benefited and business opportunities have prospered. Through this relationship, the operation of the MBOC has created jobs; access to contracts, both public and private sector; increased financial transactions, including but not limited to mergers and acquisitions. In fact, the MBOC has generated approximately \$1 billion in contracts and financial transactions over the past 3 years.

The Chicago model is an excellent model. It is a good working model and it is one that I hope will be replicated across the country.

MBDA provides vital resources to the business community, and although the name says minority, its policies far outreach, far exceed the minority business community. And for the record, committee members, public policy dictates private behavior and policy. MBDA's initiatives impact all Americans, not just minority Americans. It is an American agency, not just a minority business agency.

Parity for people of color in business does not exist. Discrimination is still extremely widespread. Access to contracts, financing, and bonding, which lead to growth, prosperity and employment, continue to be limited. Minority businesses need access and business development. It is through the support of MBDA that these things happen.

At approximately \$29 million, the Minority Business Development Agency is the smallest federally funded agency within the government. Nevertheless, for the last 5 years the citizens of America have realized a minimum return of 54 times and a maximum return of 74 times. I think that is pretty substantial.

As a business professional committed to the growth and development of minority businesses, the growth and development of this country, it is mission critical for MBDA to be better funded.

Had the MBDA budget remained flat over the past 40 years, it would be, minimally, a \$300 million agency.

As operator of the Chicago MBOC, this would allow me to serve more MBEs. Larger, more successful MBEs would hire more employees; more employees would positively contribute to the economy, pay more taxes, and build our country.

MBDA is the only Federal agency specifically devoted to growth and development of minority businesses. It was created back in 1969, as you all know, by executive order. It needs to have statutory authority.

Transparency and accountability to ensure a level playing field is still needed. A perusal of FedBizOps would confirm that minority businesses are not widely being included in the stimulus, TARP, or ARRA. MBDA is critical to enhancing the prospects for success.

Thank you so much for this opportunity.

[The prepared statement of Ms. Hill follows:]

Testimony

**Shelia C. Hill
President & CEO
Chicago Minority Supplier Development Council**

**ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives**

**Subcommittee on Commerce, Trade and
Consumer Protection**

**"The Minority Business Development Agency:
Enhancing the Prospects for Success"**

**Thursday
October 15, 2009
1:00 P.M.**

**2125 Rayburn House Office Building
Room 2322**

Washington, DC

Congress of the United States House of Representative Subcommittee on Commerce, Trade and Consumer Protection
"The Minority Business Development Agency: Enhancing the Prospects for Success"
Testimony of Shelia C. Hill, President & CEO
Chicago Minority Supplier Development Council

Good afternoon. I would like to thank the Honorable Bobby L. Rush (D-IL), Chairman Subcommittee on Commerce, Trade, and Consumer Protection and the distinguished committee members for giving me this opportunity to speak.

My name is Shelia Hill. I am the President and CEO of the Chicago Minority Supplier Development Council (CMSDC) a 43 year old not-for-profit organization founded on the basic principle that all should have equal access to participate in the commerce of this country. I have been in this industry for more than 20 years; have been an entrepreneur, a fortune 500 corporate professional and now the leader of the Chicago Minority Supplier Development Council.

The Chicago Minority Supplier Development Council is the founding council of the National Minority Supplier Development Council (NMSDC). NMSDC represents 37 affiliate councils, over 16,000 certified minority business and more than 3500 major buying organizations.

The mission of the Chicago Minority Supplier Development Council is "To create an environment that maximizes business opportunities between buying organizations, certified MBEs and provide business

development services to foster the creation of mutually beneficial business relationships”.

CMSDC, has maintained a 40+ year relationship with the Minority Business Development Agency (MBDA), US Department of Commerce and has been the operator of the Chicago Minority Business Opportunity Center (MBOC) for the last 6 years.

Our relationship with MBDA is unique and it is in conjunction with this relationship the minority business community has benefited and business opportunities have prospered. Through this relationship, the operation of the MBOC has created jobs, accessed contracts (public and private sector), increased financial transactions including, but not limited to mergers and acquisitions. In fact the MBOC has generated approximately 1 billion dollars in contracts and financial transaction over the past 3 years. The Chicago model is a good working model and one I hope will be replicated across the country.

Committee members, MBDA provides vital resources to the business community and although the name states minority, its policies and outreach far exceed the minority business community and for the record,

my experience validates that “public policy dictates private behavior and policy”! MBDA’s initiatives impact all Americans, not just minority Americans. MBDA is an American agency!

Parity for people of color in business does not exist, discrimination is still widespread. Access to contracts, financing and bonding which lead to growth, prosperity and employment continues to be limited. Minority businesses need access and business development.

At approximately 29 million dollars, the Minority Business Development is the smallest federally funded agency within the government; never-the-less, for the last 5 years the citizens of America have realized a minimum return of 54 times and a maximum return of 74 times.

As a business professional committed to the growth and development of minority businesses, the growth and development of this country, it is mission critical that MBDA, be better funded.

Had the MBDA budget remained flat over these past 40 years, even with inflation, the agency would be funded at 300 million dollars.

As operator of the Chicago MBOC, this would allow me to serve more MBEs. Larger, more successful MBEs would hire more employees, more employees would positively contribute to the economy, pay more taxes and build our country, our world!

MBDA the only Federal agency specifically devoted to the growth and development of minority businesses was created in 1969 by Executive Order. Statutory Authority must be granted to MBDA.

Transparency and accountability to ensure a level playing field is still needed, A perusal of FedBizOps will confirm that minority businesses are not widely being included in the Stimulus, TARP or ARRA. MBDA is critical to "Enhancing the Prospects for Success"!

Thank you.

Mr. RUSH. The Chair thanks the witness. And now the Chair recognizes Mrs. Allen for 5 minutes for the purposes of opening statement.

TESTIMONY OF SUSAN AU ALLEN

Ms. ALLEN. Thank you, Mr. Chairman and distinguished subcommittee members. The U.S. Pan Asian American Chamber Education Foundation welcomes this invitation and opportunity to speak before this subcommittee on the subject of enhancing the prospects for success for the Minority Business Development Agency and the Minority-owned Business Enterprise Community in the United States.

I would like to ask, Mr. Chairman, that my more lengthy written statement be incorporated in the official record.

Mr. RUSH. So ordered.

Ms. ALLEN. To start, we did apply for the opportunity to run a center, and we didn't get it either.

In 1984, 11 Asian Pacific Americans from Maryland, Virginia, and Washington, D.C., had an idea. We wanted to bring together the very diverse Asian Pacific business owners for the common purpose of developing a national business and professional network. That was also the year I received my law degree. As the only lawyer in the group, I was asked to form the U.S. Pan Asian American Chamber of Commerce Foundation.

My goal then was to create for the Asian American business community a strong voice in our Nation's capital and in the rest of the country that would speak to their talents, capabilities, aspirations, concerns, challenges, and the contributions that they have made to this country since the year 79 A.D.

Since our founding, we have been working to help Asian American businesses to succeed and thrive, including providing certification to qualified Asian American businesses that want to do business in the minority business community and in the mainstream marketplace. This is a very important program for Asian Americans to get involved in. In order for them to get into this area, they have to be certified as a minority business. And I will talk about that further.

Today, USPAACC has expanded its nationwide reach with national headquarters in Washington, D.C., and six regional chapters in California, Texas, Georgia, Illinois, and the D.C.-Maryland-Virginia area. We have the largest database that contains information about the most important, innovative, and cost-effective Asian American suppliers across industries.

Our small business transportation resource center in the southwest region, based in San Francisco, helps to prepare small businesses, that include Hispanic, African American, Asian, Native American, women, veterans, and disabled veterans-owned businesses located in Arizona, California, Hawaii, Nevada, and Utah, so they could have an equal opportunity to participate in U.S. Department of Commerce and related contracts at the local, State, and Federal levels.

Through our unique one-on-one prescheduled business match-making meetings, we were the first to introduce the platform that allows suppliers to build business connections and strengthen rela-

tionships with potential customers, and, along with our summits, seminars and workshops, we continue to educate and nurture our members.

Asian Americans now account for approximately 15.2 million of the U.S. population, with the majority born overseas. As an ethnic group we are diverse and complex, with origins from countries in East Asia, Southeast Asia, the Indian subcontinent, and the Pacific Islands, speaking over 100 languages and dialects.

By the year 2050, Mr. Chairman and members of the committee, the Asian American population is projected to climb to over 40 million people, or 10 percent of the U.S. population.

We have now enjoyed the highest median household income in the United States, with a buying power of \$526 billion a year. Today, Asian Americans are relatively young, well educated, and the most wired, Internet savvy, bilingual ethnic group with deep pockets—and technologically savvy, too, Ms. Castor.

Among U.S. small businesses, MBEs are the fastest growing sector, and Asian American businesses are the fastest growing in this group. Over 1.1 million Asian American businesses generated more than \$393 billion in revenue in 2002 and hired 2.5 million employees, the largest among all ethnic groups.

Most Asian American businesses, however, do not fit the stereotypical high-tech garage setups or mom and pop operations. The biggest share of businesses fall into the service category, such as technical services, health care, transportation, construction, and so on.

What are the issues and challenges that Asian American businesses face? Despite the large positive numbers registered by American business in the past several years, many continue to struggle in today's competitive global economy. In the area of diversity, a program that encourages the utilization of businesses owned by minorities and women, Asian American-owned businesses continue to be underrepresented in all sectors except for information technology and telecommunications.

Contract bundling is a major hurdle for small businesses and all minority businesses. Getting certification accepted is a major hurdle for Asian American-owned businesses.

What do I suggest that we could do with MBDA? I suggest that MBDA work with organizations such as us, USPAACC, such as MBDC, such as the U.S. Hispanic Chamber of Commerce and its many, many affiliates to reach out to the nooks and crannies of the country, because we are the people in the grassroots. We have our ear on the ground. We know where the footsteps are coming. With us, we can help MBDA reach down to all corners of the country and perform the services that are so much needed and send information out about opportunities that will truly benefit and bring prosperity to the country.

[The prepared statement of Ms. Allen follows:]

Testimony of Susan Au Allen
National President & CEO
US Pan Asian American Chamber of Commerce
Education Foundation

Subcommittee on Commerce, Trade, and Consumer Protection
Chairman Bobby L. Rush

Hearing on:
THE MINORITY BUSINESS DEVELOPMENT AGENCY:
ENHANCING THE PROSPECTS FOR SUCCESS

October 15, 2009

1:00 pm

CONTENTS

Introduction

About US Pan Asian American Chamber of Commerce Education Foundation

Asian Americans Is a Diverse Group

Asian American Business Owners

Issues and Challenges Facing Asian American Businesses

Contract Bundling

Access and Inclusion

Certification of Asian and Minority Business Enterprises (MBEs)

Asian Americans and MBEs in the Current Marketplace

Strengthening Strategic Partnerships

Recommendations for the Minority Business Development Agency

1:00 pm

Introduction

Mr. Chairman and distinguished subcommittee members, the US Pan Asian American Chamber of Commerce Education Foundation (USPAACC-EF) welcomes this opportunity to speak before this subcommittee on the subject of enhancing the prospects for success for the Minority Business Development Agency (MBDA) and the minority-owned business enterprise (MBE) community.

USPAACC-EF is a national non-profit organization that promotes, nurtures and propels economic growth by opening doors to contract, educational and professional opportunities for Asian Americans and their business partners in the Federal government, corporate America, and the small and MBE community who are doing business in the United States and in Asia.

We are grateful to you for convening this hearing on this important issue because the success of the MBDA means the success of MBEs that are among the community members we serve.

I will make an opening statement and then look forward to answering your questions.

About US Pan Asian American Chamber of Commerce Education Foundation

The US Pan Asian American Chamber of Commerce Education Foundation (USPAACC-EF) was formed in 1984 as a national, non-profit, non-partisan organization representing all Asian Americans and Asian American-related groups in business.

Since our founding, we have been working to help Asian American businesses to succeed and thrive. We have also been providing certification to qualified Asian American businesses that want to do business in the MBE development arena in the mainstream marketplace. Through our active participation in Supplier Diversity programs nationwide, USPAACC-EF has been establishing direct links between Asian

American suppliers and buyers, program managers and end users from the federal, state and local governments, corporate America, and the small and MBE community.

Our national headquarters is based here in Washington, DC. It is also here where I began my career as a lawyer specializing in immigration and international trade more than 20 years ago. Together with my husband Paul, we embarked on a journey to work with people who wanted a better life for themselves and for their families.

Through this work, I have come to meet and know many immigrants from the Asia-Pacific region and the Indian subcontinent: students taking their undergrad and graduate studies at American colleges and universities, regular folks with professional careers and special skills, entrepreneurs who wanted to build or expand a successful business here in the United States, and investors who believed America is the safest destination for their money.

They all had one thing in common: they were all on a journey in pursuit of their American Dream.

It soon became apparent to me that many Asian American entrepreneurs were struggling to compete effectively in mainstream America. The language and cultural differences became their major stumbling blocks toward successful integration and effective competition in the mainstream marketplace. There was not a single organization that sought to unite them, understand their issues, offer solutions, and advocate for them.

I saw an opportunity to help to mitigate these challenges. I was already in the nation's capital—where important decisions are made and laws are passed. In fact, our law office was just a stone's throw away from the White House and the U.S. Congress. And so I took the important first step to talk to some Washington movers and shakers I have come to know.

My goal was to create for the Asian American business community, a strong voice in our nation's capital and in the rest of the country that would speak to their talents, capabilities, aspirations, concerns, and challenges.

In 1984, together with 11 Asian Americans, I organized the US Pan Asian American Chamber of Commerce Education Foundation as a volunteer. I balanced my work as partner at my husband's law firm, as well as being a wife and a mother to our two young sons; the work was grueling but gratifying.

I testified and participated at meetings in Congress, and told the Asian American stories in Congress, the White House, the Small Business Administration and the MBDA. I told them that Asian Americans are not only the stereotypical mom-and-pop store owners, restaurant owners, and laundromat operators; that we are also successful doctors, lawyers, architects, engineers, inventors, artists, athletes, entrepreneurs, and more.

I also reached out to other federal government agencies and knocked on doors of Fortune companies wherever they would listen. At first it was difficult. But slowly, some opened their minds and they too listened. And since then, they have opened their doors to us.

Today, 24 years later, I am proud to say that we have accomplished a lot.

We have grown in membership and have extended our reach nationwide with seven Regional Chapters: Our national headquarters in Washington, DC covers the DC-Virginia-Maryland region; our Regional Chapters in New York cover the Northeast; Atlanta covers the Southeast region, Chicago covers the Midwest; Arlington (Texas) covers the Southwest; and we have our Northern and Southern California Chapters in San Francisco and Los Angeles.

USPAACC-EF has become and continues to be the preeminent organization that connects the Asian American business community with the federal, state and local governments, Fortune corporations, and the small and MBE community.

We are also the first Pan Asian American organization to take a serious and sustained interest in one of the fastest-growing ethnic groups and one of the most diverse in the country—with heritage from East Asia, Southeast Asia, the Indian subcontinent, and the Pacific Islands.

We have the largest database that contains information about the most innovative and cost-effective Asian American suppliers across industries; a strong connection to Asian American business communities here and to successful businesses based in the Asia-Pacific region. This is our unique added value that our corporate members could tap and take advantage of to grow their market share and their bottom line.

Our Small Business Transportation Resource Center, Southwest Region (SBTRC-SW), based in San Francisco, helps to prepare small businesses in Arizona, California, Hawaii, Nevada and Utah, so that they could have an equal opportunity to participate in U.S. Department of Transportation-funded contracts at the local, state and federal levels. To help these businesses, SBTRC-SW draws upon a variety of resources for business assessment, technical assistance, financial assistance, business training, one-on-one counseling, conference participation, and dissemination contract opportunity information throughout the region.

Through our unique one-on-one business matchmaking meetings, USPAACC-EF was the first to introduce this platform that allows suppliers to build business connections and strengthen relationships with potential customers in government agencies at the federal, state, and local levels, as well as corporate America. Along with our summits, seminars and workshops, we continue to educate and nurture our members with one main goal in mind: for them to succeed in the domestic and global market place.

There are still, however, challenges today and on the horizon. The current economy is still reeling from a downturn. And the American demographic landscape has changed dramatically in the last two decades. We now have a mosaic of ethnic population of all shades—white, black, brown, yellow, red and all shades in between. This change represents more opportunities and diverse markets to tap—as well as challenges—for Asian Americans, who are now among the fastest-growing ethnic groups in the country.

Asian Americans is a Diverse Group

Asian Americans now account for approximately five percent of the total U.S. population (15.2 million out of total U.S. population of 302 billion in 2007), with the majority born overseas. Asian Americans constitute more than one-quarter of the foreign-born population in the United States. Immigrants have come from China, India, the Philippines, Vietnam, Korea, and other Asian countries in search of better educational and economic opportunities, and freedom. They packed their belongings in a container, or a suit case, or on their bare backs, and brought with them a diverse set of cultures, languages, customs, and mores.

To better understand how Asian Americans fit within the minority context in this country; I'd like to briefly describe who we are ethnically and where we fit in American mainstream society.

To say that Asian Americans are diverse may be an understatement, considering, as I have laid out earlier, we have origins in countries in East Asia, Southeast Asia, the Indian subcontinent and the Pacific Islands. We are a complex ethnic group: the Census lists 16 different classifications for Asian Americans, and 28 Asian and 19 Pacific Islander groups. In all, we speak over 100 languages and dialects.

The total number of Asian Americans compared to other ethnic groups may be relatively smaller, but the numbers are changing. By 2050, the Asian American population is

projected to climb to 40.6 million or 9.2 percent of the total U.S. population (US Census data projections – August 2008).

Asian Americans live in different parts of the country, but are heavily concentrated in the western part of the United States with an overwhelming majority (96%) living in metropolitan areas. More than half of this group (54%) lived in the West in 2004. About 35 percent of Asians lived in California, 10 percent in New York, and 6 percent in Texas. Together, these three states account for more than 50 percent of the Asian population.

The largest proportion of nearly every major Asian American ethnic group lived in California (35%). The most recent Census figures show that three-fifths of Chinese Americans lived in California or New York, while about two-thirds of Filipinos and Japanese lived in California and Hawaii.

Asian Indian (or South Asians) and Korean populations are somewhat less concentrated geographically, although large communities have emerged in a handful of States, including Illinois, New Jersey, California, New York, and Texas.

Southeast Asians are distributed in a different pattern because of Federal resettlement programs that created pockets of Southeast Asian refugees in a few States. Nearly two-fifths of the Hmong population, for example, lived in Minnesota and Wisconsin in 1990. One-tenth of Vietnamese Americans live in Texas—the largest concentration of Vietnamese Americans lived outside of California (Census 2006).

Today's Asian American is a relatively younger, well-educated, the most wired, internet-savvy bilingual ethnic group with deeper pockets.

Asian Americans have the highest median household income in the United States. The average Asian American household earns over \$63,000 annually—the highest of any racial group and higher than the national average. The disposable income among Asian Americans has reached a buying power of \$526 billion in the last couple of years (Selig

estimates). The strong buying power is propelled by the fact that overall most Asian Americans have a good education and therefore hold relatively high-level jobs or are business owners with substantial amount of disposable income.

Asian Americans Business Owners

Among U.S. small businesses, MBEs are the fastest-growing sector; and Asian American businesses are the fastest-growing of this group. Based on the most recent Census Survey of Business Owners (Revised 2008), over 1.1 million Asian American businesses generated more than \$393 billion in revenues—proportionately the largest among all ethnic groups.

According to the same Survey, the growth of Asian American-owned firms outpaced the national rate, as they grew by 24% compared to 10% for all classifiable firms, which are all U.S. firms excluding publicly-held firms, and gross receipts increased by 8%, surpassing the growth rate for all firms (between 1997 and 2002).

Asian American-owned firms hired 2.5 million paid employees—the largest among all ethnic groups. Almost 1-in-3 of all Asian American-owned firms (319,300 businesses) had paid employees.

In 2008 alone, the Top Ten of the USPAACC-EF's "Fast 50 Asian American Businesses" generated a combined \$4.9 billion in revenue. This year, we introduced another group of Asian American firms which have bucked the downward economic trend to post surprising growth rates—averaging 75%.

Most Asian American businesses, however, do not fit the stereotypical hi-tech garage start-ups or the "mom-and-pop" operations. In fact, according to the latest Census Report, the biggest share of Asian American businesses falls into the services category, with heavy concentration in professional, scientific, and technical services, health care, personal care and social assistance, retail, personal services, retail, accommodation

and food, repair and maintenance, etc. They are also in transportation, construction, wholesale, waste and remediation services.

Issues and Challenges Facing Asian American Businesses

Despite the largely positive numbers registered by Asian American businesses in the past several years, many continue to struggle to compete effectively in the mainstream marketplace in today's competitive global economy. In the area of Supplier Diversity, a program that encourages utilization of businesses owned by minorities and women, Asian American-owned businesses continue to be under-represented in all sectors except for information technology (IT) and telecommunications. The current economic climate has further diminished their chances to grow and be competitive.

A) Contract Bundling

From the corporate perspective, the shift toward increased utilization of fewer but larger suppliers, also called contract bundling, has had a major negative impact on MBEs. Today, major changes have occurred by which companies approach and manage their supply base. Most notably, companies in the manufacturing industry have streamlined the total number of suppliers they maintain. They now utilize larger, full-service suppliers to design and build products, eliminating many suppliers who provide varying components of the product.

The ripple effect from this consolidation effort has also adversely affected Asian American businesses—as most contracts offered are too large for small businesses to participate in.

B) Access and Inclusion

Indeed, there is much work to be done in the realm of Supplier Diversity, especially in addressing issues that are most important to Asian American businesses: access and inclusion.

USPAACC-EF is the organization that is uniquely positioned to help Asian American businesses in their pursuit for successful entry and effective competition in the world of Supplier Diversity. Apart from strong cultural ties with our constituency, we have designed programs and tools for sustainability to help Asian American businesses connect and do business with Fortune corporations and the federal government.

Asian American suppliers, however, continue to meet challenges in their efforts with many corporations. Until recently, a common practice for corporate buyers was to offer only limited, short-term contracts and frequently switch suppliers.

To make matters worse, a number of major corporations have not been recognizing USPAACC-EF certification of Asian American suppliers—a roadblock that virtually suspends entry into the world of Supplier Diversity.

C) Certification of Asian American Business as MBE

Supplier Diversity is a strategic business process and a tool for equal opportunity, aimed at providing businesses owned by minorities and women, a way to become suppliers to major corporations and government agencies. For many buyers, this process is part of a mindset that as responsible corporate citizens, they should purchase their goods and services from a diverse group of suppliers, just as they would ask a diverse group of consumers to purchase their products or services.

Certification of MBEs creates an environment that maximizes participation by MBEs in corporate and government contract awards. Suppliers are able to tap into a rich vein—commonly known as the “Supplier Diversity” program—which sets aside billions of dollars annually in procurement contracts to certified MBEs. Certification, however, is by no means a guarantee that minority business owner will land a lucrative contract with a Fortune 1000 corporation or the government. Yet it provides that all-important opportunity to have a foot in the door to their Supplier Diversity programs.

Yet, Asian American suppliers have met resistance for access and inclusion in a playing field that is not level... Many Asian American businesses have not taken advantage of this program in part because certification—a requisite process in Supplier Diversity—is perceived as complex, confusing, and time-consuming. Moreover, they do not fully comprehend the process. Thus, Asian American business owners still require a practical understanding of why it is necessary to be certified as a MBE and the processes certification would entail.

USPAACC-EF is in our 10th year in training, developing, and certifying Asian American businesses. We have already educated thousands about the efficacy of Supplier Diversity, certified as many as we could; and we plan to continue to inform businesses about the merits of certification.

USPAACC-EF is the most logical choice for Asian American businesses that want to be certified because of our Gold standard review process and the patient manner with which we educate and work with those who ask for certification. USPAACC-EF certification is the premier stamp of approval for Asian American businesses—an assurance that a supplier is a bona fide minority-owned business.

USPAACC-EF also has the definite advantage of speaking the multitude of Asian languages, the familiarity and understanding of the cultural nuances that are essential to effectively reach Asian American entrepreneurs and consumers—a clear advantage which corporations and governments value.

Working with USPAACC-EF results in mutual benefits for suppliers and buyers. For corporations, accepting USPAACC-EF certification demonstrates their strong commitment to diversity and MBE utilization, especially the fastest-growing Asian American community. They will have unique access to the most diverse, innovative, competitive and cost-effective Asian American suppliers of products and services.

For Asian American suppliers, their most important ally is USPAACC-EF, an organization that continues to advocate for them and continues to provide an enhanced value proposition to their business partners in corporate America and the government. It is a win-win situation.

Two major Factors affect the successful participation of Asian American businesses in Supplier Diversity:

1) For most Asian American business owners who aspire to increasing their participation in the mainstream through Supplier Diversity, getting certified as a minority supplier could still be a major hurdle. In addition to a serious lack of knowledge and awareness about certification, their tendency toward less transparent financial disclosure and company ownership structure discourages their participation as well. And when dealing with the government, their cautious disposition is apparent, many having come from backgrounds where they would avoid the government at all costs.

Most of these challenges, however, could be explained by antecedent cultural orientations, as most Asian American entrepreneurs are new immigrants or are not familiar with "Western-style" business practices. A primary reason is that a good number of Asian American business owners are immigrants from cultures where transparency in business is not the norm. It is difficult for them to transition to an unfamiliar way of doing business.

While in general Asian American entrepreneurs are competitive, they are not procurement-savvy and still need to get a full grasp of the requisite processes of Supplier Diversity programs. Compared to other ethnic groups, they are newcomers to this business process.

2) As a strategic business imperative, corporations deal with certified MBEs to demonstrate their sincere interest in doing business with them as evidence of being good corporate citizens. This process also helps them to meet their internal diversity

goals for various reasons. Still, there are corporations who do not recognize USPAACC-EF certification without good reason, despite our rigorous certification procedures.

The adverse impact of the aforementioned issues will be mitigated by the following:

1) USPAACC-EF to fill the gap. In order to boost Asian American participation in this competitive marketplace, USPAACC-EF will continue our certification program to increase the number of qualified Asian American suppliers in Supplier Diversity programs and will help them to successfully navigate this complex arena.

USPAACC-EF will continue to seek and identify world-class products and services by top-calibre Asian American suppliers. We will also provide Asian American suppliers with important access to Supplier Diversity programs through our unique one-on-one matchmaking and networking sessions, and will educate them through summits and workshops.

2) Asian American businesses who need special attention. We will reach out to Asian American businesses through in-language communication. In many cases, Asian American entrepreneurs feel most comfortable discussing complex issues in their native language and in a manner consistent with their culture. This is one of the core strengths of USPAACC-EF. We will also assuage members of these cultures that they could comfortably walk through strange doors and eventually achieve in the marketplace.

To successfully reach the Asian American business community, USPAACC-EF will continue to work closely with our seven regional chapters and continue to strengthen our nationwide information and referral network of civic, community and government partners and collaborators.

3) Collaborate with corporations. We will continue a dialogue with corporations to discuss reciprocal acceptance of certification with other organizations that perform similar services for their constituents based on the merits of the USPAACC-EF

certification. The ultimate goal is to create a universal/reciprocal certification process that would be adopted by all stake holders.

Further, USPAACC-EF will continue to deliver maximum value to its corporate members by helping to identify and offer solutions to issues in the procurement process in combined efforts and in consultation with corporations.

USPAACC-EF will also continue to hold our regular Procurement Connections events nationwide. These special events—primarily designed for education, networking, and discussing contract opportunities—will also provide corporations with the chance to address the unique challenges they face when dealing with Asian American suppliers. It will be a learning process for corporations who want to be more aware about cultural sensitivities, as well as an opportunity for them to tap into one of the most innovative and cost-effective supplier market across industries.

By working with USPAACC-EF, corporations will have access to a larger pool of qualified Asian American suppliers, high quality goods and services, and superior customer service—while achieving their strategic Supplier Diversity objectives. They will also gain the rare opportunity to open doors to new markets through USPAACC-EF's direct link with burgeoning businesses in the established and emerging economies in the Asia-Pacific region.

The current strains in both the global and U.S. economies have indeed brought more challenges for companies that try to do more with less. Even more established businesses have to work harder to win contracts, and certification becomes even more vital to growth—and survival—in the global marketplace.

USPAACC-EF is steadfastly committed to helping its Asian American members to establish successful contracting relationships with Fortune corporations and the government. And bridging the cultural divide, building trust, and effective collaboration with corporations is a matter of paramount importance in providing a level playing field

for USPAACC-EF's constituency, and good products and services to corporations and government...

Asian American and MBEs in the Current Marketplace

By 2050, the U.S. Census Bureau predicts minorities will make up more than half of the U.S. population. By these numbers, the MBE community's endeavors will continue to thrive as the backbone of the U.S. economy.

Therefore, it is a strategic imperative for our government to ensure the sustainability of the MBE community, because along with small businesses, they are the laboratory of innovation: they invent more than half of the nation's technological know-how. Their contributions are making major impacts in technology, computers and peripherals, semiconductors and telecommunications. From NASA, to Transportation, Defense, NIH, and Silicon Valley—all are vying for the intellectual property churned out from the small and MBE community.

The future of our economy depends on the success of this vital community.

Yet, in the current business trenches, MBEs are still struggling. The gap in revenue between minority-owned firms and the non-minority-owned firms has grown wider. The most glaring issues affecting MBEs are: access to capital, access to contract opportunities, access to timely and useful information, and access to affordable financing structures. For those MBEs that have grown successfully over the years, access to capital may not be as important to them as access to contract opportunities.

The rapid globalization of markets and competition has also given rise to more challenges for Asian American businesses and other MBEs. According to the U.S. Census International Data Base (IDB), the three largest country populations in the world today are: China (1.3 billion); India (1.1 billion); and the United States (307 million). The

total global population is 6.8 billion. By 2020, the population ranking remains the same: China (1.4 billion); India (1.3 billion) and the United States (341 million).

These numbers are hard to ignore. The top two most populous countries in the world today and in the next decade are China and India. They are our trading partners as well as our competitors—they also represent a huge consumer market for U.S. businesses on this side of the Pacific Ocean.

China's economy continues to rapidly develop and become more influential in the global marketplace. China is the second largest economy in the world after that of the United States with a GDP of \$7.9 trillion (2008) when measured on purchasing power parity (ppp) basis. It has been the fastest-growing major economy for the past 30 years, with an average annual GDP growth rate above 10%."

Likewise, India's economy continues to thrive. The country's industrial sector has seen double-digit growth in the manufacturing, mining and electricity output sectors. Moreover, the increased presence of transnational corporations in India has led to more jobs and the rapid growth of the middle class with more disposable income. India has also made significant strides in liberalizing its trade and foreign investment policies, giving market access to India's agricultural market and key service sectors for U.S. exports and foreign direct investment. Bilateral merchandise trade between India and the U.S. has grown from \$6 billion in 1990 to \$33 billion in 2006.

This is where USPAACC-EF comes in. We have the expertise and connections to bridge the gap and connect U.S.-based businesses with their counterparts in these rapidly emerging markets. USPAACC-EF has a wealth of knowledge and information about what and where the market opportunities are in the Asia-Pacific region.

USPAACC-EF's successful trade missions to China in the past few years—which have included MBEs—have opened a new gateway for U.S.-based businesses and have built stronger relations that become the basis for meaningful and strategic future ventures.

Our goal is to bring down barriers to these growing markets and provide U.S.-based businesses the wellspring of opportunity found in the emerging markets in the Asia-Pacific region.

Strengthening Strategic Partnerships

Here in the United States, USPAACC-EF's main goal is to help Asian American-owned businesses to compete effectively and achieve economic parity in the mainstream marketplace.

We can achieve this goal by working together with the MBDA, along with other national organizations such as the National Minority Supplier Development Council (NMSDC), the U.S. Hispanic Chamber of Commerce (USHCC), as well as state and local business development organizations.

We must work together to advance our constituents' shared aspirations. We may have our specific interests, but we strive to be inclusive, look at what we have in common with organizations with similar goals, albeit different constituents and priorities, and work on those common goals. Sharing best practices amongst Supplier Diversity advocacy, development and training organizations will be a good start.

Through these strategic partnerships, we could ensure a level playing field, and create a "blueprint" or roadmap to help MBEs to succeed in the mainstream marketplace.

We must find solutions to improve the performance of MBEs in the supply chain of major corporations, help MBEs to gain access to capital, contracts, and new and emerging industries, and streamline their market entry process.

We also seek to help to position MBEs in the new economy of the future, The Green Economy. We will counsel them to re-tool, innovate, re-invent themselves, and/or diversify their product or service offerings that are in line with the mandates of a more viable and sustainable green economy.

On the government side, we will continue to advocate for the elimination of unreasonable "contract bundling" and to help MBEs to gain greater access to stronger relationships throughout the various channels of the federal government. By doing so, they will be better positioned to compete for more substantial contracts. It is in these larger federal contracts that lay the real economic value for MBEs.

With MBDA, we could explore new market opportunities and growth sectors, help to reach out to our constituents and become the pipeline or gateway to strategic partnerships and creative financing with the private sector, financial institutions, local businesses, organizations, and with the academic community.

We will tap into the "brain trust" in our communities—colleges and universities, federal and state agencies, chambers of commerce, local civic leaders, banks and financial institutions, successful companies in the private sector, and entrepreneurs, etc.—and leverage their strengths to help capacity building efforts and for economic development. They will be the source of innovation, a ready workforce, new ideas, contracts, capital, mentorship, strategic alliances, etc., as we address and implement overall growth strategies

It is important to note that mentoring is especially important for minorities because we do not have access to the usual, common and informal networks to gain useful information. At some point, there has to be someone who explains to them the way the system works and how to work inside it.

We will also emphasize the importance of the Asian business concept of "guanxi" or making "connections" or strengthening the business "relationship." Especially in this kind of economic downturn, when it comes to building and cementing relationships, nothing beats the personal touch of a face-to-face meeting, and the savvy business owner builds such visits into the marketing plan. The value of the "face time" and the power of the handshake build relationships, these build trust. And people want to do business with people they trust.

We will also help them to be always on solutions-based mode. MBEs will fully understand and work on their core competencies and build on these strengths. They will maintain a focused agenda for growth and stay ahead of the curve through innovation and reinvention.

To overcome the current economy, it is incumbent upon MBEs to become more proactive, find creative financing means, seek alternative means to diversify their product or service offerings, form strategic alliances, or reinvent for the future. Indeed, this is a daunting task to accomplish. This is why we are here today: to help to provide the solutions and to give them hope.

Recommendations for MBDA

- 1) Establish proactive and strategic partnerships with the private sector and government agencies to ensure a level playing field and to create a "blueprint" or roadmap to provide MBEs access to the mainstream marketplace. Set specific targets and benchmarks and build creative strategies and solutions around them.
- 2) Strengthen inter-agency collaboration and coordination to identify new opportunities throughout the federal government, in emerging markets here and abroad. These opportunities include those arising from The American Recovery and Reinvestment Act of 2009 (ARRA).
- 3) Establish accountability among MBDA staff. Put more of its resources for the work at the regional level, the business development centers, to identify contract opportunities and help MBE to bid for the opportunities.
- 4) Help to streamline processes and provide MBEs with greater access to stronger relationships throughout the various channels of the federal government. By doing so, they will be better positioned to compete for more substantial contracts. It is in these larger federal contracts that lay the real economic value for MBEs.

- 5) Create programs to help to position MBEs in the new economy of the future: The Green Economy. Help them to innovate, re-invent themselves, and/or diversify their product or service offerings that are in line with the mandates of a more viable and sustainable green economy.
- 6) Collaborate with Fortune corporations and find creative solutions to improve MBE performance in the supply chain of these major corporations.
- 7) Collaborate with local and national organizations such as USPAACC-EF in a grassroots effort to disseminate news about business opportunities, technical information, and other useful news items in a timely manner to MBEs and help them in their marketing and vetting process. Partner with these organizations to build a pipeline to help MBEs to re-tool, innovate, and streamline the market entry process. Join them in their business development events to reach out to MBEs, bring contract opportunities to the events to meet and work with the MBEs to prepare for bidding and winning contracts.
- 8) Tap into the “brain trust” in local communities—community colleges and universities, chambers of commerce, local banks, the private sector, entrepreneurs, etc.—and leverage their strengths for economic development. They will be the source of innovation, workforce, new ideas, contracts, creative financing, mentorship, strategic alliances, etc.
- 9) Support the elimination of unreasonable “contract bundling.”
- 10) Explore policy incentives to support MBEs and investors through tax breaks, streamlined processes, access to more contract opportunities, etc.

Conclusion

In order to survive and thrive in the current marketplace, it is incumbent upon MBEs to become more proactive, find creative financing means, seek alternative means to diversify their product or service offerings, form strategic alliances, or reinvent for the future. Indeed, these are daunting tasks. This is why we are here today. Through a re-tooled MBDA, we should be able to help to pave the way, provide the solutions, and to give them hope.

At USPAACC-EF, we recognize that, at the end of the day, our role goes beyond brokering business relationships. Our goal is to help to provide a level playing field for Asian American-owned businesses and to bring in as many of them as part of the ongoing dialogues and processes to ensure their economic growth. As stewards and advocates for economic growth, we are mindful of the responsibilities that accompany our plan to continue this legacy. That is why we work conscientiously everyday to ensure that Asian American businesses continue to succeed and thrive in a more prosperous America where people of all race, color, ethnic origin, creed and gender have equal access to business opportunities in the government and corporate procurement marketplace.

Mr. Chairman, thank you again for holding this very timely and important hearing, and for the invitation to testify today. I would be happy to answer any questions that you and your colleagues may have.

*Certification is needed to prevent fraud and to prove that diverse suppliers are tapped, especially in instances where government contracts call for a portion of the contract to be directed to MBEs.

USPAACC-EF applies the same high standards—if not higher—to every certification process. To obtain USPAACC-EF certification, a business owner will complete an

application, provide corporate and financial records, evidence of at least 51% ownership, control and management of the business by one or more Asian Americans, and be interviewed at a site visit to verify the veracity of the statement made in the application. Despite this rigorous process, some corporations tell Asian American suppliers who have been certified by USPAACC-EF that they are not eligible to do business with their corporations under the Supplier Diversity program.

“In 2008, China bought the following items from the United States, among other products: Soybeans (worth \$7.2 billion); Meat and Poultry (\$1 billion); Raw Cattle (\$1.6 billion); Fish and Shellfish (\$585 million); Copper (\$2.4 billion); Steel (\$5 billion); Plastics (\$3 billion); Chemicals (\$3.5 billion); Electric Apparatus (\$1.4 billion); Computer Accessories and Telecommunications/Semiconductor Equipment (\$10 billion).

Mr. RUSH. The Chair thanks you. The Chair has been generous in the time allocated to you, but we do have to move on. Did you bring your statement to a conclusion?

Ms. ALLEN. Yes. I shall be happy to answer any questions.

Mr. RUSH. Thank you so very much. There is a vote that is occurring on the floor as we speak, but we are going to try to move as fast as we can.

The Chair recognizes himself for 2 minutes for questions.

Director Hinson, it is unfortunate that MBDA is a largely unknown agency. Can you outline some steps that you plan to take to raise the profile of the only agency designed to assist and promote minority businesses?

Mr. HINSON. Thank you for that question, Mr. Chairman. The Minority Business Development Agency, as is the Commerce Department, is moving aggressively to expose the activities of MBDA to our constituents nationwide. We are doing quite a number of things to increase our visibility in conjunction with the Department of Commerce.

We are going around and meeting with many of the stakeholders that are across the Nation. They have expressed an interest in meeting with me personally. I have taken on that task to meet with them and to listen to all of their concerns. We are actively pursuing technology.

We actually are one of the first agencies in the Commerce Department to begin to use social networking to expand our messaging around the Nation. We are engaging with many of the other Federal agencies. This is in partnership with the Small Business Administration under the economic stimulus activity to ensure that they are aware of what we are doing and what our agency is doing.

So we are taking quite a number of steps.

Mr. RUSH. Let me ask you this. There's a new Office of Innovation and Entrepreneurship in the Department of Commerce. What kind of relationship do you intend to have with that office?

Mr. HINSON. Thank you again, Mr. Chairman, for that question. We expect to have a very close relationship with that new area.

Mr. RUSH. That office is not going to supplant you and your mission?

Mr. HINSON. No, sir. It is a separate group that has a separate mission, and it is a vital mission. What it is doing is bringing the best—and this is under the leadership of Secretary Locke—is bringing the best of what the Department of Commerce has to offer to early stage and startup businesses and providing a variety of technical services and support for those businesses. So it is a complementary effort.

Mr. RUSH. The chairman's time has expired.

The Chair now recognizes Ms. Castor for 2 minutes.

Ms. CASTOR. Thank you, Mr. Chairman. Director Hinson, what is the extent of MBDA's cooperation with the Small Business Administration in assisting small minority-owned businesses that grow too large for SBA programs? Does SBA communicate with MBDA and identify enterprises that they might not be able to help any more but could benefit from the assistance of your agency?

Mr. HINSON. Thank you for that question. Many of those firms—you're talking about, I think, specifically about firms that graduate

from the 8A program. We actually interact with quite a number of those firms through our 46 centers nationwide, and we actively engage them to help them prepare to actually compete in the open market.

We have a great relationship with SBA. Our missions are different. We serve, in some respects, a different constituency, in that MBDA works with minority-owned firms of all sizes at all levels in their growth cycle. SBA tends to work with more early stage companies. And so what happens is many of the companies that we work with actually exceed the size standards of the SBA.

But, with that in mind, we have worked closely with them, again, particularly on a point you made earlier, on promoting economic stimulus contracting for small and minority business. We are engaged, under the leadership of Secretary Locke and Administrator Karen Mills, to make sure that small and minority businesses gain their fair share of economic stimulus contracts. We have been engaged in quite a number of activities in that regard.

If I might take a moment to share some of them with you. There have been—under their leadership there have been near 200 different information and outreach sessions nationwide on economic stimulus. We have engaged in pulling together actual lists of shovel-ready companies that we can present—and this is us on the State level—that we can present to State procurement people and to the State government to make them aware that companies are ready to participate in these contracts.

We, in conjunction, again with the leadership, have developed a tracking system to help begin to track the results of contracts. We have now begun to see some of the results of those efforts in terms of contracts that come from the Federal agencies.

We have been engaging all of the Federal agencies to make them aware of the importance of working with minority and small businesses relative to economic stimulus contracts. We have done quite a number of B-to-Bs, business-to-business programs, to engage, particularly in the construction industry, prime contractors with subcontractors and build those relationships—and relationships are critical to making sure that subcontractors are added to the prime contractor structure under economic stimulus.

So we've done quite a lot with SBA in that respect.

Mr. RUSH. The Chair now—we have votes occurring on the floor and I think there are less than 5 minutes for the vote. So I'm going to ask the witnesses, if you can, would you be willing to remain until after we conclude? I think there are two or three votes. And then we will reconvene this committee hearing after the votes.

Mr. HINSON. We'd be delighted to, Mr. Chairman.

Mr. RUSH. This committee stands—did you have something?

Ms. RAMOS DAVIDSON. I've got a very special opportunity to meet Judge Sotomayor this evening and I have to be at the building by six o'clock.

Mr. RUSH. We intend for you to be there a long time before six o'clock. So the Chair will reconvene the hearing within 5 minutes after the last vote. Thank you.

[Recess.]

Mr. RUSH. The subcommittee will come to order.

The Chair now recognizes the gentleman from Texas, Mr. Gonzalez, for 5 minutes for questioning.

Mr. GONZALEZ. Thank you very much, Mr. Chairman, for the generous amount of time you have provided me.

Welcome one and all. And your testimony has so much in it for later use by us. What we do with the statements of course and staff is we refer to them as resource materials in the future. I just ran over here. I am not what I used to be. I will tell you that.

But I do have a couple of observations. There is a statement in here, and it is Ms. Hill's statement, that basically tells us why we are here today and why we have within departments and agencies certain sections that are devoted to the proposition that the world just may not be all that fair and that government has a responsibility to right a wrong and to pursue justice. And your statement is: "Parity for people of color in business does not exist. Discrimination is still widespread. Access to contracts, financing, and bonding, which lead to growth, prosperity, and employment, continues to be limited. Minority businesses need access and business development."

And this is not one of these "woe is me." I think we are just recognizing a fact of life and what we need to do and what we are all seeking is that opportunity, and I just wanted to pay special emphasis to those couple of—three sentences that you have that really gives us the guidance.

I don't know if there is a member on this subcommittee, Mr. Chairman, that hasn't at one time or another served on the Small Business Committee. So we have had a lot of experience with the Small Business Administration, and I will tell Mr. Hinson that you are quite lucky because in every hearing that I ever attended when I was on Small Business when we either had the Administrator or someone in one of the sections from the Small Business Administration and we had other witnesses from the small business community, they were never greeted with words of praise and looking at a promising future to be working with you. So I just think you are doing something right and just to continue on that path.

It appears to me that every one of the witnesses here had great emphasis on the Minority Business Enterprise Centers. So, of course, the first thing is do we have something like that in San Antonio? We are blessed. It is not necessarily for the auspices of our Chambers of Commerce but rather our University of Texas at San Antonio. And I guess that is going to be Mr. Hinson. You have how many—was it 46? I can't remember.

Mr. HINSON. Forty-six centers, sir.

Mr. GONZALEZ. Forty-six. And they seem to be a highly valued service that you provide with partnering up with individuals in these communities. And you may have touched on it, but what do you view as your biggest asset, your most effective tool, because you seem to have identified that as one of them, and what do you propose to do to expand on that which has already been identified as quite valuable?

Mr. HINSON. I thank you for the question. I frankly think our biggest asset is the leadership at the senior levels in the Commerce Department who have demonstrated a commitment to the Minority Business Development Agency. I think a very solid asset is the sup-

port we get from the White House, and quite candidly, another solid asset is this committee right here because you are illuminating in a very great way both the issues that minority businesses face and the opportunities to the Nation if we can eradicate the obstacles that prevent minority firms from competing successfully and effectively in all industries.

What we will do at MBDA is to continue to do what we are doing, with one caveat, and that is we will certainly continue to integrate ourselves more into the Department of Commerce, taking advantage of agencies like the International Trade Administration, taking advantage of NIST and NOAA and building strong relationships there. In addition to that—and what that means is—for our clients is really a greater focus on globalizing the minority business community, and there are tremendous opportunities around the world that we haven't—we typically don't even discuss in a normal course of discussion on minority businesses. We are going to continue to focus with the resources that we have on attempting to build a generation of substantial minority businesses.

I mentioned in my oral comments the importance of building minority businesses that are \$100 million or larger. That is typically the size that you need for these firms to compete as primes. The other unique component of that is that these firms create the vehicle from a relationship standpoint and from an access standpoint to help smaller firms actually grow and prosper.

We will continue to focus on the President's initiative to move minority firms into frontier industries, which is very important, technology, alternative energy, health care IT. And so we will focus on that as a part of our relationship both with our centers and as a part of the activities that are going on inside the Department of Commerce.

So that just gives you a thumbnail of the things that we are thinking about and focusing on.

Mr. GONZALEZ. Again, I just appreciate your testimony here today.

And I think, Mr. Chairman, I have about 40 seconds, but I will yield back to you.

Mr. RUSH. Thank you very much.

Let me ask Mr. Hinson, and then I am going to ask the other witnesses also. The Chair recognizes himself for as much time as he may consume and the Chair will for the second round extend that to the gentleman and any other member of the subcommittee.

Mr. Hinson, in the Secretary's announcement of this new Office of Innovation and Entrepreneurship and also his comments there were mirrored in a statement that you made in the Minority Enterprise Development news conference where you alluded to the idea that minority businesses must move away from service-oriented businesses and embrace huge innovative opportunities such as clean energy, smart grid technology, and health care IT.

How involved are you at MBDA and how involved will you be in terms of making those types of transitions, and are you suggesting then that small businesses need to abandon their service-related industries?

Mr. HINSON. Thank you for that question, Mr. Chairman. I will answer the second part.

No, I am not suggesting that minority firms exit service industries. I am suggesting that minority firms have traditionally been concentrated in several industries. Those industries don't fully embrace the frontier industries that will be really the next generation for job growth. I mean 20 years, 30 years from now we will be talking about, you know, alternative energy not as something that is new and innovative but something that is part and parcel to our day-to-day vocabulary.

So, no, I am not suggesting that at all. But it is important as, frankly, the Commerce Secretary has outlined, as President Obama has touched upon, that minority firms do move more into the frontier industries, and it is a commitment certainly on our part, and certainly it is of a great interest to the Department of Commerce, that these companies be helped to move into these industries in larger numbers. So it is important that this occur and we are here to make that happen.

Mr. RUSH. Now, let me ask the other three witnesses. Given what the Director has said, first of all, are you prepared, each one of you, are you prepared, or your businesses, are they prepared to move into the, quote, frontier industries, as he has indicated, and what are the obstacles and what do you think we can as members of this committee, as the Congress, can do in order to help you to overcome the obstacles?

Ms. RAMOS DAVIDSON. I will start if you don't mind, Mr. Chairman. I would say most definitely, yes, our businesses are ready to move into frontier with services and opportunities that MBEC in our market provided that allows us to do that. We have been teaching our market for the longest time how to diversify their people, their product, and their service. And that means looking for a different type of customer than they normally do.

The challenge for the small minority women—minority market in our avenue is that there is so much opportunity that they are so busy working in their business as opposed to on it that it is challenging for them sometimes to be able to utilize the resources that the MBEC has. And that is what our challenge is on the grassroots floor is getting all the wonderful resources from our MBEC and getting the business to use it and get them out of working in their business and on it, and working on it is finding ways to get into that new frontier.

What I hear from a lot of our businesses is when they get into there, what is the Federal Government going to do to help to give them additional resources to do that, whether it be in tax incentives or lessening the burden of rules and regulations they have to go through and all the hurdles they jump through every day just to be able to find a widget and identify a new market and, oh, by the way, find a new growth industry and a new frontier.

So it isn't that they don't have the capability and the imagination to do it. It is about the resources available to help them to do that. And you can see with MBDA being one of the smaller agencies in terms of funding and all that they have been able to do with what they have, they are truly entrepreneurs because they are constantly doing more and more with less and less. But you can certainly see what they could do if more resources and influence was given to the agencies.

Mr. RUSH. Ms. Hill.

Ms. HILL. Absolutely we have businesses that are poised right now and are looking for new opportunities. One of the businesses in your district, in fact, Congressman, is Funk Linko. They are out in the south suburbs and they are poised for energy and new technology. One of their challenges, quite frankly, oftentimes, though, is money. You know, access to capital still continues to be a problem for minority businesses. Whether they are small, mid-size, or large, you know, money is an issue and especially as you are transitioning into a new business.

I would like to see this group, this committee, focus on getting us more access to money. And also because MBDA is not focused on a business that is of any particular size, it may be small and may be very large, I am a firm believer that the larger the businesses—and I am not ignoring is small business because we certainly have to do that, but the larger businesses can help the smaller businesses. So if they don't have access to capital, then it affects us all down the pipeline.

So when you ask what are the challenges, the challenges, quite frankly, are access, access to opportunity and access to money.

Mr. RUSH. Ms. Allen.

Ms. ALLEN. Yes, chairman. First of all, sure, there are lots of Asian-American-owned companies who already have the innovation. They need help to put that into a full prototype. One of our companies is called Rabbit Air in southern California. He has created—from a very simple device, he created a bigger device that will help to clean the air within buildings, and he is now selling to the veterans hospital, but he wants to expand that market and he needs some extra money to take him there or some new business.

Another company in Virginia and in New York has come up with an innovation that will help to retrofit some of the government buildings, and he has lined up some potential contracts with many Federal agencies, but he needs somebody who will have the confidence to “try my building first.”

So what I think I suggest is that MBDA consider having a program such as the SBIC, Small Business Innovation Investment Corporation, type, so that MBDA will be able to have access to that type of working capital or innovative capital for minority businesses to take whatever they have already created to the market.

I also want to take this opportunity, Mr. Chairman, to say that my testimony beginning was intended to give all the good news first before I come to the bad news or the sobbing story. And I want to say despite all the good numbers about Asian-American businesses, there are still a major portion of them who are underrepresented in the minority business community.

And I was beginning to talk about contract bundling. I think this is an issue—and I myself personally have fought for 10 years, 10 years, and I remember my husband used to tell me, Don't do it, Susan. It is a fact of life. Don't cry over spilled milk. And I said, We could change it. And I think hopefully with this administration and your leadership we could actually take a look at contract bundling because this consolidation practice, although sometimes it makes sense, unless it has reasonable grounds for bundling all the

contracts, it is going to bundle all the minority businesses out of the market.

What I suggest also is that we do work with MBDA. MBDA works with us. And there is lots of programs that the MMSCC, the Hispanic Chamber of Commerce, and we, the only national organization that represents this umbrella group of minority businesses, come to our events and be our partner. When we have our conference, be there with us so that we can further promote the MBDA's programs and practices.

One thing you could do is to work with the agency, not just the SBA or IT but all agencies, and work through the top. Go to the procurement offices and ask them to account for their spin, their contract opportunities, because the buyers are not going to listen to you unless the decision comes from the top.

Similarly, I also suggest that MBDA also work with the major corporations and go all the way to the top and ask the CEO of all these companies, who many of them are dressing in small business costumes and going to the Federal sector and get small business contracts—ask them to make sure that their procurement offices will absolutely take supply diversity or doing business with minorities seriously and give the CEO report.

I think with the new interest in minority businesses and, Mr. Chairman, your interest and the current administration's interest, I think there is a lot we could do to influence corporate America to spend more money in minority businesses because we are good. We are very flexible. We can turn overnight and make things happen when major corporations have a hard time turning. Just like a barracuda turning around in the Pacific Ocean, it would take about 3 days, but we would take about 30 seconds.

Thank you.

Mr. RUSH. All right.

Director Hinson, the MBDA was really created under the administration of President Nixon, was created to be, as Ms. Allen characterized it, as being one barracuda. But now today in today's climate, one barracuda in terms of the Federal Government, or the main barracuda, the big tuna, a big barracuda in the Federal Government, but now it is swallowed a lot of little mini barracudas. As a matter of fact, every agency, every department, has its own version of MBDA, its own office of minority procurement and its own operations. So that means that minority interests, business interests in terms of creation and expansion, growth and opportunities, that there is such a divergence of focus among the different departments, and different departments have uneven application levels and achievement levels. Some are doing great, some are doing not so great, and some are doing actually poor.

Do you see that as being a problem, or do you think that there should be more of a centralization of the resources and the mission approach to MBDA, that it should return back to its original mission and with that should it be—I mean the whole—I think MBDA is still operating under the original directive in 1969 and it hasn't been updated at all.

Mr. HINSON. There was amendment, but generally, yes.

Mr. RUSH. Generally, yes. Even to the point where "Negro" is still being used to describe African Americans in its directive.

So let me just ask you should it be renewed, should it be reinvigorated, reformed, and should it have more of a centralized responsibility as it relates to minority businesses?

Mr. HINSON. Let me just say—thank you for that question, Mr. Chairman. And let me just say that, you know, we welcome all of your views and all your wisdom and all of your advice on these types of issues and your leadership in that respect. The fact that there are multiple government agencies that provide exposure, if you will, and have offices for minority businesses could be looked at as a source of dispersion, which would then be deemed negative or to be looked at as an opportunity. I look at it as an opportunity. I think that anywhere there is an opportunity for minority businesses to engage the Federal Government through any office is a good thing. What we need to do better and what we have initiated at MBDA is an effort to try to coordinate these efforts.

Keep in mind that Commerce Secretary Locke has been very much interested and forceful in trying to create better coordination, and it is that leadership that we have taken to heart and that is the direction that we move in. And as a part of that, we want to better coordinate our activities with all governmental agencies that focus on the issues that minority businesses face.

So I look at that as an opportunity, and we are taking the steps to coordinate ourselves with the other Federal agencies in that respect.

Mr. RUSH. Mr. Gonzalez.

Mr. GONZALEZ. Thank you very much, Mr. Chairman. And I will be brief because I know Ms. Ramos Davidson does not want to miss meeting with Sonia Sotomayor. I don't blame you. She is incredible, by the way.

But Ms. Allen brought something up, and, Mr. Chairman, you have heard it, as you have been here longer than I have, the dreaded word "bundling" and the disadvantage it plays in small business. But even if we graduate from, let's say, small business category and we are where Mr. Hinson is more relative to that size business, you still have that issue because I don't think that minority-owned businesses, even after they graduate from the small business category, are free of some of the same problems that you have referenced already. And this could have been a Small Business hearing in part because I just think it is a cousin of the same problem. It just kind of follows.

So it leads me back to the Director. Staff will always prepare memos and they are so good and I want to go over the last sentence of the memo because—and I do not want to discourage you from thinking big because you are thinking big and maybe it is a new way of looking at things, but MBDA National Director David Hinson has laid out three strategic goals for fiscal year 2010: One, increase the number of businesses that are minority owned at the \$1 billion level; establish MBDA as the agency of choice for businesses that are minority-owned, policymakers and the private sector; and, three, implement operational efficiencies. In addition he has explained that minority businesses, quote, "must move away from service," and we went over this but I want to hit on the three, "and embrace the innovative opportunities of clean energy, smart grid technology, and health care IT."

But those areas are hugely capital intensive, even in San Antonio, and it is not a really small firm but it is an IT firm, and they are incredible. And it is minority owned, a woman, and you may know Ms. Mendosa, Elaine, a Ph.D., and she has a difficult time competing. And I hate to tell you, just the big enterprises out there in the IT world and heaven knows when we get into the clean energy and smart grid, how will a minority-owned business that just doesn't have that kind of leverage, doesn't have that size, doesn't have the access to capital and such, how do you envision bringing them in? Because, like I said, I don't want to discourage. You are ambitious, you are young, you are thinking differently than many other people, and we need that. And what can we do to assist you to accomplish what is a very ambitious goal but one that we would love to be successful in?

And I am going to leave that question with you, Mr. Hinson, and then for the three witnesses if they have any suggestions.

Mr. HINSON. Thank you for that question. When you start talking about—and I appreciate your point, and you make an excellent point. When you start talking about the growth of capital-intensive businesses within companies that are smaller, it does raise the specter of extreme difficulty. But what it does is—what it also does is it necessitates a reevaluation of the growth model of the company, and it necessitates a reevaluation of the growth model away from organic growth strategies, which are typically part and parcel to companies that are more service oriented and, therefore, less capital intensive. And it forces the entrepreneur, the business owner, to consider growth strategies that perhaps they would not consider before.

Those strategies include growth through merger and growth through acquisition, as Ms. Hill alluded to in her opening statement, growth through strategic partnership and growth through joint venture. Those growth models allow for smaller businesses to acquire the scale to then obtain the capital to then go into these industries in a bigger way.

And so size of firm is not really the limiting factor if the business owner or the management team is willing to consider alternative growth models.

Mr. GONZALEZ. Thank you. I can start with Ms. Allen, since I referenced your bundling issue.

Ms. ALLEN. Yes, sir. Most of the innovation in the United States did not come out of major corporations. They came out of small and minority businesses. They are the laboratory of innovation. If you look at the patents that are filed with the U.S. Patent Office, many of them were filed by small business and therefore the minority business community. I have a—one of our members, and he doesn't want me to talk about him; so I would leave his name alone. He has a product that can put out fire very quickly. But he is afraid—he wants to expand into the national market but he does not want to have any major company coming to his business because he is afraid that once his formula is utilized, is exposed, he will lose that secret.

So maybe we could put our heads together and find out how to protect these small and minority businesses who came up with in-

novation and ideas so they do not have to be absorbed and taken over by major companies.

So going through partnership, joint ventures, and at the same time making sure that whatever they have spent their hard-earned savings, their mortgaged house to create that innovation, will stay with them for some time just like with the patent, 12 years, let me have it, and then you can take it somewhere else. That will probably give the minority businesses the ability to go into more capital-intensive markets where they can bring the idea in and become a partner with major corporations.

I also want to say that in a way America has become a place where making widgets is no longer our strength. There will be these competing economies in China and India who are together—the world population such that China has the highest population. The second is India and third is the United States. And in the next 10 years, these three countries will dominate the population of the world, and China and India are rapidly growing in the global marketplace. They are our trading partners, but they are also our fiercest competitors. So we need to look at that as well and find out how we can partner with them. But that is where the market is. As they have more business in the country, there will be consumers who love the “made in USA” label, and it is up to us to go across the Pacific Ocean and sell to them.

So we ought to be thinking about what Americans are best at, what is in our head, brain, our brain power, and that comes with service, and our technology, the latest innovation.

Mr. GONZALEZ. Thank you.

Ms. Hill.

Ms. HILL. I have to agree with Director Hinson. There is a way for us to grow larger businesses but it is not the traditional model. You know, we have to start thinking differently than we have always thought. But before that I want to say there is a place in the marketplace for everybody. Some businesses might want to be lifestyle businesses. They might be small and that might be the best place for them to be, and they contribute to the economy, and that is a good thing. You know, some might be mom and pop and small businesses, and that is really OK.

On the other hand, businesses that want to grow and compete and be in a larger space ought to be able to do that as well. But in order to do that, you can't do that organically. You can't just get a contract and a contract and a contract and expect that you will grow to be a billion dollar business or even a hundred million dollars or even a \$10 or \$20 million business. You have to do something differently.

The reason I am so strongly and so adamant and so much in support of MBDA is because those strategies exist. There is a natural marriage between my organization and MBDA because we have businesses of all sizes that want to serve the entire community. What happens, however, when we start talking about small and we just talk about small businesses, then it doesn't allow the businesses to grow and to contribute to their best ability.

I mentioned Funk Linko, for example. Funk Linko is already in the space that we are talking about, in that new energy space. They are, in fact, trying to build—trying to engage in opportunities

in the Chicagoland area now, but in fact they tried to get a loan. They were denied a loan to fund and develop a wind farm in Chicago, you know. So, again, there are businesses that are there that are poised and ready to grow. We just need to help support them and to help find a way that they can continue to grow. Strategic alliances, buying businesses, mergers, acquisitions, joint ventures, that is the way to grow if you are not going to grow just organically.

Thank you.

Mr. GONZALEZ. Thank you.

Ms. Ramos Davidson.

Ms. RAMOS DAVIDSON. Well, I would agree with everyone on the panel, but I am going to add a few more things. Mentor-protege programs are a great opportunity, especially in the IT arena. We have a company in El Paso that attended a conference last year, and this company now has major, major contracts with companies here in the D.C. Area because of what this individual learned at one of the conferences about the benefits of mentor-protege. It also taught the mentor what it takes to be a mentor, and it taught the protege how to create this relationship of trust because that is what it is all about. Had it not been for the MBDA conference and their affiliation with our chamber and them coming in to us, this individual would never have understood the dynamics of what it takes to get to that component.

I think elevating the awareness of the critical components of MBDA across the board from every agency is very important because there is a disconnect in terms of understanding what SBA offers, what MBDA offers, and what other agencies offer.

I have been doing small business minority development for over 30 years, and the biggest challenge is always how to better communicate, inform, and educate the market we are trying to serve to access and capitalize on these programs. The Federal Government makes it a little challenging because there is so much bureaucracy, there are so many rules and regulations and some unclear communications about what agency does what.

SBA is a great start place for someone who has an idea. MBDA is critical to taking that idea once they have gone to the year 5 and growing it larger than anything. But I think because people still don't understand what the two agencies do and how they can help, that that tends to be a stopgap.

I would agree with both these ladies that the most critical mass for minority business is capital access. I am very fortunate to sit on the board of the Federal Reserve Bank in El Paso, Texas, which is our local branch, and I create a true face in terms of reality on that board with the more conservative bankers on that board. The challenge we face all the time is they will not lend unless there is a relationship with that individual. And it is teaching our market, specifically our minority market, how to build that relationship.

And from a Hispanic perspective, my grandmother used to keep her money under the mattress because she didn't trust the bankers, but yet she had a hair business. So it is how to teach them, you know, to do these things and be able to create that trust. Had she had centers like the MBEC, God knows where she would have been back then in terms of her business.

So the critical mass here is looking at how to create more resources through MBDA to allow us what we need on the ground floor to grow these minority businesses because the heart and soul is definitely there, but the resources sometimes are lacking.

Mr. GONZALEZ. Thank you very much.

I yield back, Mr. Chairman.

Mr. RUSH. Yes. The Chair is really just bursting to ask one final question. I think I will if you don't mind.

The American Recovery and Reinvestment Act, what kind of impact is that? You mentioned bundling sources.

Ms. RAMOS DAVIDSON. To date we have helped a quite a few businesses to the total of \$528,398,207, and I have a list of all the projects. These are projects from a construction perspective, from building roads to schools to revamping industries to all kinds of different things. The challenge with helping these businesses, and get this, which is a lot of money in our market, was helping them work through the maze of where it starts and where it ends because it started up here but it is filtered through the States and then the States filter it to the cities but then the cities filter it through agencies but then some cities don't and some States just do it through the agencies. So you can see, I got to make a widget. I have to find a customer. I have to get it out the door. I have got employee rules and regulations. I have taxes I have to pay. And you want me to go through a maze of information to have shovel-ready projects?

You can see how challenging it is. Without the resources of what we do through our MBEC and all the other six centers, the businesses in our market would have never been able to capitalize on this because the maze of trying to find this has been absolutely grueling.

Mr. RUSH. Anybody else want to comment on that?

Ms. HILL. I hate to be the naysayer among the group again. ARRA has been wonderful and many have benefited from it, but I wanted to make a particular point today to talk about some of the people that are in our space that are particularly being served by the MBECs and the MBOCs but that didn't have opportunity, that were stymied for one reason or another. Escendant IT Staffing, it is an African American firm. Clerysys, a \$21 million IT Asian Indian firm. Weld Tech, a Hispanic-owned firm. VCT, an Asian firm that is about \$40 million.

All these people—and I have others here. I won't list all of them. But all of them were looking for opportunities and particularly, again, access to capital. The banks aren't lending. You know, the money's supposed to be there. And in Illinois you know how it works, is come into Illinois and then it goes to the cities, and then sometimes the money is held up at the State level. So the people from—as much as we can determine—that are getting the opportunities and the contracts are the same old people that have always gotten the contracts and the opportunities. The shovel-ready projects for us were shovel ready, and even though they may have had DBE goals in them or some minority goal, actually the minorities didn't get benefit of those projects. At least so far they are really not getting benefit.

There is a lot of opportunity and all the money in Chicago or in the Illinois area hasn't actually been let as of yet, but that that has been let we have not substantially benefited from.

Thank you.

Ms. ALLEN. We just held two regional conferences on ARRA, particularly on transportation related, in San Francisco and in San Gabriel, which is right outside of Los Angeles, 2 weeks ago. We had folks coming from different parts of a Federal agency. Here is what we found out: First of all, recovery.gov, that Web site was created. It was so confusing they have to redo it again. So people tried to navigate, and they all gave up, and now we are spending I think another \$10 million to redo the Web site. But once that is done, hopefully the American people will be able to get a better grasp of how to drill down that Web site and go to the local, State and city.

One-third, Mr. Chairman, as you know, of the Recovery—of the ARRA is only for stimulus. The rest are tax cuts and also State tax relief. So one-third. And that for this year, most of the money was spent on health IT. Construction had not—is just beginning to get out this quarter. So I think the jury is still out whether they are reaching America. I have talked to somebody from OPM—OMB when they came to our conference in Los Angeles to speak, and she said that—and I understand it because the President wants this program to be abuse proof, waste proof, and fraud proof, and therefore the government folks are very, very careful for, and we endorse that. What we are looking to us now is for the current quarter of next year how the recovery money will be coming through. It would be good if we could have more transparency in how things are done.

It is still an old boys network. And here is the truth, ok? They need to spend the money within the next 18 months. They are in a hurry or the money will be gone. So what are they going to do? They are going to look at a minority business and say I don't know who you are. I can't trust you. I am going to go to my same old supplier and use them. Good-bye. That is what we are hearing right now.

Now, what we are—go to our suppliers, minority businesses, is go to find the prime contractor, find out who has been awarded those contracts, who has been doing business with the Federal Government or the major companies who are going to be doing business with the government through ARRA or continue with ARRA, and knock on their door. And here is where MBDA could come in because MBDA has been given the responsibility to monitor contracts. Maybe we could give some more teeth to that role and as—like what the SBA does. They have small business specialists in every agency and say how much are you doing business with small businesses, and if you don't do well the Inspector General from—I think from SBA will write a letter to the corporation—the president, and the president will send a letter to the general counsel. Everything will move around. I think that you have that capability. You may be able to move some—move the chess a bit over.

Mr. HINSON. Under the leadership of the Commerce Secretary, as you know, Vice President Biden tasked the Department of Commerce and SBA to work with minority and small businesses to ensure they get their fair and equitable share of economic stimulus

contracts. I will tell you we are already there. We have in our 46 centers people who are focusing almost exclusively on creating opportunities, creating contract relationships for minority businesses. We have, as I indicated in my prior comments, been engaging in B-to-B relationships, particularly in the construction industry. We are actually doing the work to find out who—what primes are getting contracts and we are engaging with minority subcontractors to ensure that that relationship is there that will lend itself to them getting a subcontract from a prime contract.

So we are actually already doing what you suggested, and I thank you for your suggestion. We have been tasked with also doing tracking, and so we are completing the final stages of computer software capability that will allow us to track on the State and local level. We actually already have our first run, if you will, which once we complete an evaluation I would be delighted to give you, of what minority firms have achieved from economic stimulus on the Federal level. And so we are right now scrubbing these numbers to make sure that there is a high level of accuracy and therefore a high level of confidence. But we think these numbers are extremely encouraging.

So all of the things that have been outlined that MBDA, the Department of Commerce should do, we are doing as it pertains to making sure that, again, minority firms achieve their fair and equitable share of economic stimulus contracts.

Mr. RUSH. I will be looking forward to that report as soon as you complete it, and we will make it available to all the members of the subcommittee.

That concludes this hearing. Again I want to thank all the witnesses for the generous use of your time. You have been extraordinary and you really have helped this committee move this ball along.

So it has been pretty exciting and informative to hear your testimony, and I will just ask you to keep up the good work. You are doing a magnificent job, and we will do all that we can to make sure that you are able to accomplish your goals and your mission as your organizations deem fit. So thank you so very much.

And Director Hinson, thank you so much for your time, and please pass my dissatisfaction somewhat to the Secretary. You have done—maybe the next time you will be promoted to Assistant Secretary and we won't have any beef. No comment on that, ok?

Mr. HINSON. I appreciate that.

Mr. RUSH. Thank you very much. God bless you, and this committee now stands adjourned.

[Whereupon, at 3:53 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

The State of
MINORITY
BUSINESS ENTERPRISES

AN OVERVIEW OF THE
2002 SURVEY OF BUSINESS OWNERS:

Number of Firms, Gross Receipts, and Paid Employees

U.S. Department of Commerce
Carlos M. Gutierrez, Secretary
Minority Business Development Agency
Ronald N. Langston, National Director
August 2006

U.S. DEPARTMENT OF COMMERCE
MBDA
MINORITY BUSINESS DEVELOPMENT AGENCY

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Table of Contents

Preface	1
Executive Summary	2
Introduction	6
National Picture	7
Growth in Number of Firms	7
Growth in Gross Receipts	7
Average Gross Receipts	9
Growth in Paid Employees	10
Entrepreneurial Parity	12
Geographic Picture	15
States	15
Growth in Number of Firms	15
Growth in Gross Receipts	19
Combined Statistical Areas	20
Industry Picture	22
Average Gross Receipts	25
SGL Firms vs. Non-SGL firms	27
Growth in Number of Firms	27
Growth in Gross Receipts	27
Average Gross Receipts	28
Growth in Paid Employees	28
Conclusion	30
Methodology	31
Sources	33
Appendix A: MBDA Programs	34
Appendix B: Maps	36
Appendix C: Additional Tables on Industry	39
Appendix D: Relative Standard Error	41
Appendix E: List of Tables and Charts	47

Preface

As more individuals in the African-American, Latino, Asian/Pacific Islander, Native American and Alaska Native communities embrace entrepreneurship, we celebrate the contributions that over 4.1 million minority-owned businesses are making to the growth of the U.S. and global economies.

More minority business enterprises are being created at every level, from small/micro operations to rapidly growing technology companies. According to this report, *State of Minority Business Enterprises: An Overview of the 2002 Survey of Business Owners*, minority-owned firms generated over \$668 billion in annual sales, and employed about 4.7 million people in 2002.

Businesses grossing over \$500,000 annually in sales represented 75 percent of all minority annual gross receipts and 73 percent of all employees in the minority business community in 2002. These firms provide millions of people with steady jobs and create wealth in minority communities. The Minority Business Development Agency (MBDA) recognizes the critical importance of these firms to the economies of minority communities, the nation and the global markets, and has become an advocate for programs serving these companies.

Minorities frequently commence their careers by working for a minority-owned firm or starting their own business. The minority population is projected to continue to grow rapidly and will constitute an increasingly significant part of the overall U.S. population. Empowering minority entrepreneurs and accelerating their level of productivity is critical to strengthening U.S. competitiveness nationally and worldwide.

Although minority-owned firms are increasing in number at a faster pace than the rate of the minority population, the gap in annual gross receipts slightly widened when compared to the share of the minority population. With increased sources of financing for minority-owned businesses at all stages, strategic alliances, and access to the marketplace, many minority firms can expand and succeed.

This report analyzes the U.S. Census Bureau's economic survey to identify trends in minority business enterprises, which can be the basis for further research. Findings from this document provide a benchmark that we hope will influence the development of policies and programs to support the growth and expansion of minority business enterprises.

In partnership with corporate America, government agencies, non-profit organizations and educational institutions, MBDA will continue accelerating the competitiveness and growth of minority-owned businesses by supporting programs addressing their specific needs.

Ronald N. Langston
National Director
Minority Business Development Agency

Executive Summary

This report provides a snapshot of the data on minority business enterprises (MBEs)¹ from two U.S. Census Bureau's surveys: the 1997 Survey of Minority-Owned Business Enterprises (SMOBE) and the 2002 Survey of Business Owners (SBO).² These surveys offer insight into the economic activity of these MBEs in the United States.

Findings

In 2002, there were 4.1 million MBEs representing almost 18 percent of firms that could be classified according to the race, ethnicity, or gender of ownership (classifiable firms).³ These firms earned gross receipts of \$668 billion (8 percent of gross receipts attributable to classifiable firms) and employed 4.7 million workers (9 percent of workers employed by classifiable firms).⁴

For a number of measures, MBEs showed strong growth in the 5 years between the surveys:

- Between 1997 and 2002, the number of MBEs increased by 35 percent. The number of non-minority firms⁵ increased by only 6 percent. The number of all U.S. firms increased by 10 percent.
- From 1997 to 2002, annual gross receipts generated by MBEs increased by 13 percent. Annual gross receipts generated by non-minority firms increased only 3 percent over the same period.
- The number of workers employed by MBEs grew by 5 percent between 1997 and 2002. Over the same period, the number of workers employed by non-minority firms declined 7 percent.

However:

- In 2002, average gross receipts of minority firms were \$162 thousand. This was considerably lower than the \$448 thousand average gross receipts of non-minority firms.
- The average gross receipts of MBEs decreased by 16 percent between 1997 and 2002. Over the same period, average gross receipts of non-minority firms remained level.

¹ Minority business enterprises are firms that can be classified in terms of the race and ethnicity, and/or gender of ownership. These firms are owned by African Americans, American Indians and Alaska Natives, Asians, Hispanics, and Native Hawaiians and Other Pacific Islanders.

² Available standard errors for the data presented in this report are provided in the appendix.

³ The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

⁴ Workers refer to paid employees.

⁵ Non-minority firms are a sub-set of firms that can be classified with respect to the race, ethnicity, or gender status of ownership.

Large MBEs—MBEs with gross annual receipts greater than \$500,000—showed particularly strong performance.⁶

- In 2002, there were 194 thousand large MBEs, representing 5 percent of all MBEs. These firms generated \$498 billion in annual receipts and employed 3.4 million people. That year, large MBEs generated 75 percent of total gross receipts attributable to MBEs, and employed 73 percent of the workers employed by MBEs.
- The number of large MBEs increased by 15 percent between 1997 and 2002. The number of similarly sized non-minority firms grew by 13 percent.
- From 1997 and 2002, annual gross receipts of large MBEs grew by 11 percent. Annual gross receipts of similarly sized non-minority firms grew by only 3 percent.
- Over the same period, the number of workers employed by large MBEs increased by 9 percent. The number of workers employed by similarly sized non-minority firms declined by 6 percent.
- Average gross receipts of large MBEs decreased by 3 percent between 1997 and 2002. Over that same time period, average gross receipts of similarly sized non-minority firms declined 9 percent.

Some measures showed growth among small MBEs—MBEs with less than \$500,000 in annual gross receipts—although these firms account for a relatively small share of total economic activity attributable to MBEs.

- In 2002, small MBEs accounted for 95 percent of all MBEs. That year, they generated 25 percent gross receipts attributable to MBEs and employed 27 percent of workers employed by MBEs.
- Between 1997 and 2002, the number of small MBEs grew 36 percent.
- Gross receipts of small MBEs grew 19 percent between 1997 and 2002.

Parity is a benchmark used by the U.S. Department of Commerce's Minority Business Development Agency in assessing the performance of minority businesses. Parity is achieved when economic measures (such as number of firms, gross receipts, or paid employees) show that MBEs contribute to the economy at rates comparable to the minority share of the population age 18 and older.

MBEs have yet to reach parity in number of firms, gross receipts, and paid employees.

- In 2002, minorities represented 29 percent of people age 18 and older in the United States. As previously noted, MBEs represented almost 18 percent of firms that could be classified according to the race, ethnicity, or gender of ownership. They earned 8 percent of gross receipts and employed 9 percent of the people employed by these classifiable firms.

⁶ The "Strategic Growth Initiative" (SGI) of the U.S. Department of Commerce's Minority Business Development Agency focuses on large MBEs; i.e. those MBEs with annual revenues in excess of \$500,000.

- If parity had been reached, minority firms would have represented 29 percent of classifiable firms and generated comparable percentages in gross receipts and employment.
- Although MBEs have not yet reached parity, the gap in the proportion of firms narrowed between 1997 and 2002. The growth rate in number of MBEs (35 percent), which is larger than the growth of the minority population (25 percent) between 1997 and 2002, has contributed, in part, to closing the parity gap in number of firms.
- MBEs' gap in gross receipts and paid employees remained essentially level over the same period. While MBEs needed \$1.6 trillion more (2.7 times more) gross receipts to reach parity with their population share in 1997, an additional \$1.9 trillion (2.8 times more) was required in 2002.
- Given the extent to which MBEs contribute to the nation's economic growth, and employ a minority workforce, special emphasis must be placed in assisting these firms in closing this gap.

MBEs exist in all 50 states and the District of Columbia, with various degrees of concentration.

- Fifty-seven percent of all minority businesses in the nation resided in California, Texas, New York and Florida in 2002.
- Between 1997 and 2002, the fastest growth in number of minority firms occurred in Nevada, Georgia, New York, Florida, and Minnesota.
- The greatest growth in gross receipts was generated by MBEs in Nebraska, South Carolina, Wyoming, Alaska, and Virginia.
- Forty-four percent of all MBEs are located in five Combined Statistical Areas that included Los Angeles, New York, San Francisco, Miami, and Washington, D.C.

MBEs are more highly concentrated in industries such as health care and social assistance; professional, scientific and technical services; retail trade; administrative support, waste management, and remediation services; and other services.

- MBEs in the management of companies and enterprises industry had higher average gross receipts than non-minority businesses in that same industry.
- MBEs in all other industries had lower average gross receipts than non-minority firms, with the largest gap occurring in the utilities industry.

Recommendations

Further research is needed to try to explain the trends in the MBE community, particularly with respect to the gap in average sales, and slower growth of gross receipts and paid employees compared to the growth in number of firms. An analysis of the upcoming release of the 2002 Characteristics of Businesses and Business Owners from the U.S. Census Bureau, and longitudinal field research may assist us to answer some of these questions.

Additional studies of MBEs and non-minority firms by industries and kinds of companies would contribute to a better understanding of MBE performance. Research on American Indian and Alaska Native businesses is particularly crucial, since the data from the U.S. Census 2002 SBO and 1997 SMOBE were not directly comparable.

Introduction

The U.S. Department of Commerce's Minority Business Development Agency (MBDA) is the only Federal agency established to foster the establishment and growth of minority-owned businesses in America. Created in 1971, MBDA provides services to African American, Asian/Pacific Islander, Hasidic Jew, Hispanic, and Native American/Alaskan entrepreneurs. Since its inception, MBDA has provided business development services to minority entrepreneurs and developed research and information about the minority business community.

MBDA's mission is to achieve entrepreneurial parity for minority business enterprises (MBEs) by enhancing their growth and expansion. The agency coordinates and leverages public and private-sector resources in support of its mission.

Over the past several years, MBDA has focused on providing business services to minority entrepreneurs who are pursuing accelerated growth. These entrepreneurs are well-positioned to impact the local economies by creating jobs and generating significant revenues, and expanding into national and global markets.

MBDA analyzes economic and population data to understand the economic conditions of businesses, particularly minority enterprises. These analyses help the agency shape its strategies, program design and implementation, and develop its advocacy efforts.

The Final Estimates of the 2002 Survey of Business Owners (SBO), released by the U.S. Census Bureau from March through June of 2006, contain statistics on U.S. businesses by race and Hispanic or Latino origin. The U.S. Census Bureau first conducted this survey in 1969, and has produced subsequent surveys every 5 years, since 1972. Previous surveys were entitled, *Survey of Minority-Owned Business Enterprises (SMOBE)*.

MBDA's *State of Minority Business Enterprises: An Overview of the 2002 Survey of Business Owners*, analyzes data from the 2002 SBO and the 1997 SMOBE to understand better the status of minority-owned businesses as it relates to all U.S. firms. Additional SBO statistics on business and business owner's characteristics, to be released by the U.S. Census in September of 2006, will be reviewed and discussed in a future publication.

The *State of Minority Business Enterprises* reveals trends in the growth of minority-owned businesses as compared to all U.S. firms, and the minority population in the United States. MBDA defines parity as a measure where the percentage share of minority-owned firms, minority gross sales and paid employees, are equivalent to the share of the minority population in the United States. By benchmarking the representation and performance of minority business enterprises in the U.S. economy, we can report on the progress made in narrowing the parity gap.

This publication was prepared by the Minority Business Development Agency, Office of Business Development. Ivonne Cunarro, David Whitfield, and Jerry Miller contributed to this report. We would also like to acknowledge U.S. Census Bureau Lee Wentela and Valerie Strang, and MBDA Edith McCloud, Anita Wells, Efrain Gonzalez, Bernice Martinez, Carlos Guzman, Melda Cabrera and Tandra Stevenson for their support and editing of this document.

National Picture

In 2002, MBEs⁷ represented almost 18 percent (4.1 million) of classifiable firms⁸, grossed 8 percent of all annual gross receipts (\$668 billion) and employed 9 percent of all paid employees (4.7 million).

Between 1997 and 2002, minority-owned companies increased in number, annual gross receipts, and paid employees at a faster rate than non-minority firms.⁹

Growth in Number of Firms

From 1997 until 2002, minority-owned businesses grew in number at a higher pace than non-minority firms. MBEs increased at a rate of 35 percent, with the number of minority firms growing from 3 million in 1997 to over 4.1 million MBEs in 2002. By comparison, non-minority firms grew at a rate of 6 percent, from 17.4 million in 1997 to 18.4 million businesses in 2002. The growth in minority firms also exceeded the growth of the minority population (25 percent) during the same period. (Table 1a)

Native Hawaiian and Other Pacific Islander-owned firms led all minority groups in growth of number of firms with a 49 percent increase from 1997 to 2002. During the same period, African American-owned firms grew by 45 percent, Hispanic-owned businesses by 31 percent, and Asian-owned firms by 24 percent.

The number of American Indian and Alaska Native-owned firms in 1997 is not directly comparable to that of 2002, because the U.S. Census introduced new questions in the 2002 SBO survey which allowed for the exclusion of some tribally owned businesses, while some of these firms may have been included in the 1997 SMOBE survey.

Growth in Gross Receipts

Between 1997 and 2002, the growth in annual gross receipts for MBEs was also much greater than that for non-minority firms. While MBEs increased their overall annual gross receipts by 13 percent, from about \$591 billion in 1997 to \$668 billion in 2002, non-minority firms grew their annual gross receipts by 4 percent, from \$7.8 trillion in 1997 to \$8.1 trillion in 2002.

African American businesses led the growth in annual gross receipts and at a faster pace than all U.S. firms.¹⁰ The receipts of African American businesses grew by 25 percent, from \$71

⁷ Total number of minority firms and other business measures for all minorities for 2002 represent MBDA estimates only by Hispanic or Latino origin and race (excluding white). Hispanics may be of any race, as business owners were allowed to identify with more than one race category.

⁸ The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

⁹ Total number of non-minority owned firms and other business measures for non-minority businesses for 2002 represent MBDA estimates.

¹⁰ These U.S. firms include publicly held, foreign-owned, not-for-profit and other firms not classifiable firms by race, Hispanic or Latino origin.

billion in 1997 to almost \$89 billion in 2002. Hispanic-owned businesses followed with a 19 percent growth, from \$186 billion in 1997 to almost \$222 billion in 2002.

In 2002, Asian-owned firms generated the largest annual gross receipts, \$326 billion, which represented almost 45 percent of all minority receipts in that year. Compared to 1997 gross sales, Asian firms' growth rate was 8 percent.

Native Hawaiian and Other Pacific Islanders increased their firms' receipts by a slower rate than non-minority firms (3 percent), from \$4.1 billion in 1997 to almost \$4.3 billion in 2002.

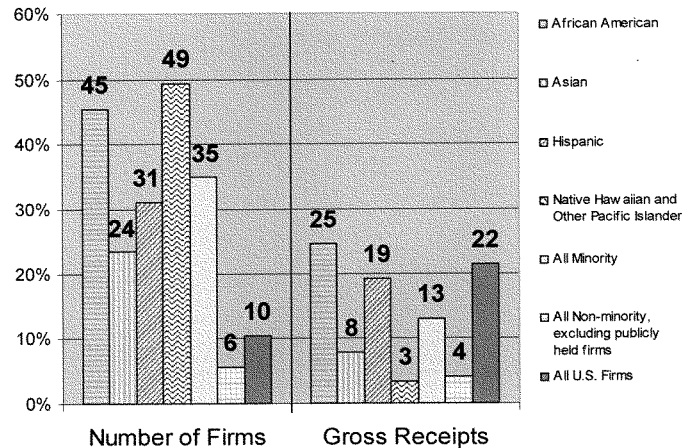
American Indian and Alaska Native businesses generated \$26 billion in annual gross sales in 2002. As noted earlier, data for this group are not comparable to 1997 statistics.

Table 1a: Total Firms, Total Gross Receipts and Total Paid Employees, 1997 - 2002¹¹

Group	Year	Number of Firms	% Change	Gross Receipts (\$1,000)	% Change	Number of Employees	% Change
African American	2002	1,197,661	45%	\$88,779,041	25%	756,697	5%
	1997	823,499		\$71,214,662		718,341	
American Indian and Alaska Native	2002	201,387		\$26,872,947		191,270	
	1997	197,300		\$34,343,907		298,661	
Asian	2002	1,104,189	24%	\$326,352,983	8%	2,212,813	2%
	1997	893,590		\$302,794,624		2,169,033	
Hispanic	2002	1,573,600	31%	\$221,976,823	19%	1,537,801	11%
	1997	1,199,896		\$186,274,582		1,388,746	
Native Hawaiian and Other Pacific Islander	2002	28,948	49%	\$4,279,591	3%	29,319	-14%
	1997	19,370		\$4,138,358		34,047	
All Minority	2002	4,105,785	35%	\$668,261,385	13%	4,727,900	5%
	1997	3,039,033		\$591,259,123		4,514,699	
Non-Minority Firms	2002	18,374,647	6%	\$8,125,089,776	4%	50,699,892	-7%
	1997	17,401,382		\$7,800,742,138		54,386,713	
Classifiable Firms (Minority + Non-Minority)	2002	22,480,432	10%	\$8,793,351,161	5%	55,427,792	-6%
	1997	20,440,415		\$8,392,001,261		58,901,412	
All U.S. Firms, includes publicly held	2002	22,974,685	10%	\$22,627,167,224	22%	110,786,416	7%
	1997	20,821,934		\$18,553,243,047		103,359,815	

¹¹ Due to the exclusion of tribally held governments in 2002, data for American Indian and Alaska Native firms for 1997 and 2002 are not comparable, and therefore the percent change for that period is not represented. The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender. All U.S. Firms include publicly held, foreign-owned, not-for-profit and other firms not classifiable by race and Hispanic or Latino origin. The change in gross receipts for Native Hawaiian and Other Pacific Islander firms was not statistically significant from zero. Available relative standard errors from which the reliability of the estimates in this table can be determined can be found in Table 1b on page 41.

Chart I: Change in Number of Firms and Gross Receipts, 1997-2002



Average Gross Receipts

While minority-owned businesses overall had an extraordinary increase in the number of firms from 1997 to 2002, and many minority groups experienced healthy growth in gross receipts, the average receipts grossed by these firms declined between 1997 and 2002. Minority firms generated average gross receipts of about \$195,000 per firm in 1997, compared with \$163,000 in 2002, a decrease of more than 16 percent. Average gross receipts of non-minority firms decreased slightly (1 percent) from about \$448,000 in 1997 to \$442,000. However, all U.S. firms, including publicly held and other firms, increased their average gross receipts by 11 percent, from \$891,000 per firm in 1997 to \$985,000 in 2002. (Table 2)

Businesses owned by each minority group also had declining average gross receipts. Native Hawaiian and Other Pacific Islanders businesses saw the biggest decline in average gross receipts, from about \$214,000 in 1997 to nearly \$148,000 in 2002, a 31 percent decline.

Despite strong growth in total gross receipts, between 1997 and 2002 the average sales for African American firms declined more than 14 percent. The average gross receipts for Asian and Hispanic businesses also declined by almost 13 percent, and 9 percent, respectively. American Indian and Alaska Native firms generated, on average, about \$133,000 in gross receipts in 2002.

The extent of formation of new minority firms may have posed a challenge in the generation of greater gross receipts, since start-ups tend to earn less or have negative returns on their investment during their first few years of operation. Also, lack of access to financing, and such trends as supplier consolidation, contract bundling, and global outsourcing, may have impacted the growth of minority firms. Further research is needed to identify more clearly the challenges behind the performance of minority firms.

Table 2: Change in Average Gross Receipts, 1997-2002¹²

Group	1997 Average Gross Receipts	2002 Average Gross Receipts	% Change
African American	\$86,478	\$74,127	-14%
American Indian and Alaska Native	\$174,069	\$133,439	
Asian	\$338,852	\$295,559	-13%
Hispanic	\$155,242	\$141,063	-9%
Native Hawaiian and Other Pacific Islander	\$213,648	\$147,837	-31%
All Minority	\$194,555	\$162,761	-16%
All Non-Minority Firms	\$448,283	\$442,190	-1%
Classifiable Firms	\$410,559	\$391,156	-5%
All U.S. Firms	\$891,043	\$984,874	11%

Growth in Paid Employees

Between 1997 and 2002, minority-owned firms outperformed non-minority firms in the growth of paid employees. Minority firms employed over 4.7 million people in 2002, compared to 4.5 million in 1997. This represents an increase of 5 percent in paid employees. In comparison, the number of paid employees declined for non-minority firms by 7 percent, from 54.4 million in 1997 to 50.7 million in 2002.

Hispanic-owned firms exceeded the growth rate of all U.S. firms with respect to employees. Hispanic firms employed over 1.5 million people in 2002 and 1.4 million in 1997, an 11 percent increase. African American-owned firms followed with over 756,000 paid employees in 2002, a 5 percent increase from 1997.

Asian-owned firms employed the largest number of people, 2.2 million in 2002. This represents nearly 50 percent of all employees hired by minority-owned firms.

Despite their growth in number of firms (49 percent) and gross receipts (3 percent), businesses owned by Native Hawaiian and Other Pacific Islanders experienced a decrease in employees. These firms employed 34,000 persons in 1997 but only 29,000 in 2002, a 14 percent decline during the five-year period. American Indian and Alaska Native businesses employed over 191,000 people in 2002.

MBEs employed more people as a percentage of their share of gross receipts when compared to classifiable firms. While MBEs' gross receipts represented 8 percent of these firms' gross receipts, MBEs' number of paid employees accounted for 9 percent of these firms' paid employees.

¹² Due to the exclusion of tribally held governments in 2002, data for American Indian and Alaska Native firms for 1997 and 2002 are not directly comparable, and therefore the percent change for that period is not represented.

For every \$141,000 generated by a minority business enterprise, there is one paid employee. While for every \$160,000 grossed by all non-minority firms, one person is employed.

Moreover, MBEs allocate less money in payroll on average compared to non-minority firms. Minority firms allocate on average \$25,000 in payroll per paid employee, while non-minority firms assign on average \$30,000.

Minority entrepreneurs generally hire more minorities than non-minority business owners. Studies indicate that minority-owned firms, specifically African American-owned firms, hired a workforce that was predominantly minority, while non-minority firms employed more non-minorities than minorities.¹³ Given historically higher unemployment rates of African Americans and Hispanics when compared to the U.S. unemployment rate, the ability of minority entrepreneurs to employ a large workforce is critical to the economic strength of minority communities and the country overall.

¹³ Bates (2006).

Entrepreneurial Parity

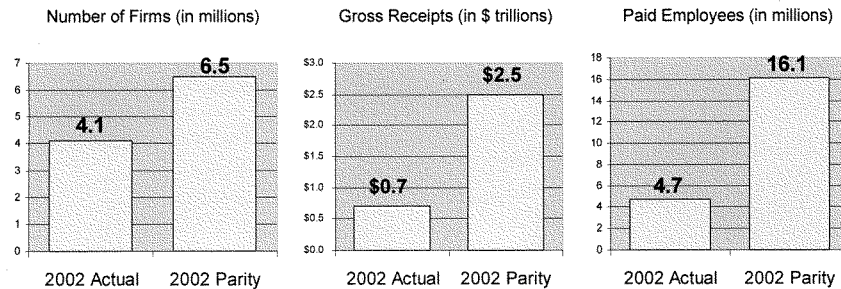
Despite the accelerated growth in number of firms, minority-owned firms have yet to reach entrepreneurial parity within the group of classifiable firms, as compared to the representation of minorities in the U.S. population. While the parity gap for MBEs in terms of the number of firms drew closer between 1997 and 2002, it slightly widened in terms of gross receipts and paid employees during the same period.

MBDA defines parity as an economic benchmark whereby minority business enterprises are contributing to the U.S. economy at a rate comparable to the percentage of the U.S. minority population. Parity is measured by reaching proportionality between the percentage of the minority population 18 years old and over, and the percentage share of minority-owned firms in business development measures such as numbers of firms, gross receipts, and employment.¹⁴

According to U.S. Census population estimates, in 2002 the minority population age 18 and older in the United States represented over 62 million people or 29 percent of the total U.S. population 18 years and older. However, minority-owned firms that year accounted for only 18 percent (4.1 million firms) of classifiable firms in that same year. These firms also generated only 8 percent (about \$668.3 billion) of classifiable firms' gross receipts, and employed only 9 percent (almost 4.8 million people) of classifiable firms' paid employees.

If minority-owned firms had reached entrepreneurial parity, there would be about 6.5 million (2.4 million more) minority business enterprises. Gross receipts would have reached \$2.5 trillion (1.9 trillion more), and these firms would have employed 16.1 million people (11.3 million more). (Chart 2)

Chart 2: Number of Minority Firms (in millions), Total Receipts (in \$ trillions), and Paid Employment (in millions) for Minority Firms¹⁵

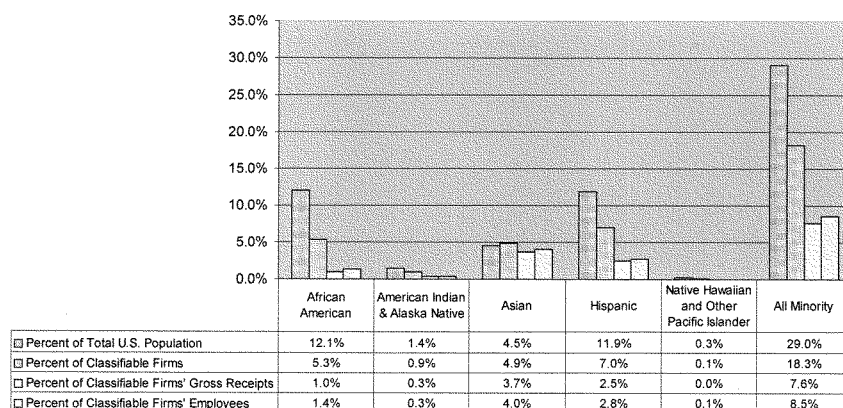


¹⁴ Because individuals under the age of 18 are highly unlikely to be business owners, that segment of the population was excluded to provide a more accurate measure for entrepreneurial parity.

¹⁵ Parity figures were based on totals for 'classifiable firms.' The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

No minority group has reached parity in gross receipts and employment compared to that group's population. However, the Asian community has reached parity in the number of firms compared to their population share. The Asian population 18 years and above represented 4.5 percent of the U.S. population of the same age group, and owned 4.9 percent of all U.S. businesses. No other minority group independently has attained proportionality between the number of firms and their representation in the U.S. population. (Chart 3)

Chart 3: Percentage of Minority Population, Number of Firms and Gross Receipts, 2002¹⁶



Moreover, while the gap in entrepreneurial parity narrowed in terms of number of firms, it remained unchanged for paid employees and slightly widened for gross receipts between 1997 and 2002.

While MBEs required 2.3 million (75 percent) more firms to reach parity in 1997, 2.4 million (only 59 percent) more were required in 2002. However, an additional \$1.6 trillion (270 percent) in gross receipts would have been needed to reach parity in 1997, compared to \$1.9 trillion more (281 percent) in 2002, and 11.3 million more (240 percent) paid employees would have been required to attain parity in 1997, instead of 10.8 million more (240 percent) in 1997. The minority population represented 26 percent of the total population 18 years and older in 1997. (Charts 4, 5, and 6)

Further analysis is required to explain why MBEs are growing in number but not fast enough in size of receipts and paid employees. The relatively large growth in number of smaller MBEs grossing less than \$25,000 annually, lack of capital, consolidation of suppliers, global competition, and other factors may be affecting this performance.

¹⁶ Population estimates for group comparisons are for ages 18 and older. Percent of total U.S. firms excludes publicly held, foreign-owned, not-for-profit and other firms not classifiable by race and Hispanic or Latino origin.

Chart 4: Parity Comparison for Number of Minority Firms (in millions)

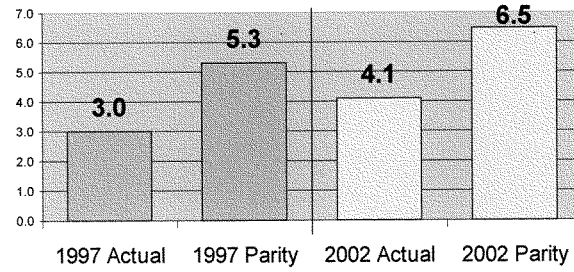


Chart 5: Parity Comparison for Total Receipts for Minority Firms (in \$ trillions)

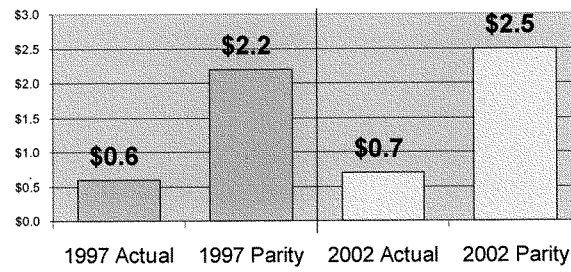
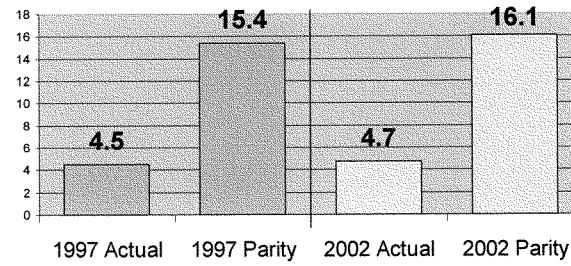


Chart 6: Parity Comparison for Paid Employment for Minority Firms (in millions)



Geographic Picture

States

Minority business enterprises exist in all 50 states and the District of Columbia, with various degrees of concentration. In 2002, most MBEs were located in the states of California (957,000), Texas (504,000), New York (453,000), and Florida (421,000). In fact, almost 57 percent of all MBEs were located in these four states and over 23 percent in California alone. In 2002, 47 percent of the minority population in the United States resided in these four states. (Table 3a)

Moreover, all five minority groups surveyed by the U.S. Census had the highest concentration of their businesses in California, Texas, and New York. In 2002, four minority groups, African Americans, American Indian and Alaska Natives, Hispanics, and Native Hawaiian and Other Pacific Islanders, included Florida in the top five states where their businesses were located. In addition, over 74 percent of firms owned by Hispanic and Native Hawaiian and Other Pacific Islanders were located in the top five states for their respective group's concentration.

The representation of minority-owned firms in terms of number of firms was smaller than the percentage share of the minority population in each of the 50 states and in the District of Columbia. This illustrates that minorities have not reached entrepreneurial parity based on the number of minority firms in any state or the District of Columbia. (Table 4)

Growth in Number of Firms

In 44 states and the District of Columbia, MBEs grew in number at a more rapid rate than the 6 percent national growth rate for non-minority firms between 1997 and 2002. In addition, MBEs also increased their number of firms at a faster pace in 40 states and the District of Columbia compared to the rate of increase for classifiable firms (10 percent) and all U.S. firms¹⁷ (10 percent) during that same period.

Nevada enjoyed the highest growth rate in number of minority firms, 66 percent, followed by Georgia (58 percent), New York (53 percent), Rhode Island (48 percent), and Florida and Minnesota (both at 47 percent). By comparison, the minority population grew in Nevada by 69 percent, in Georgia by 32 percent, in New York by 21 percent, in Rhode Island by 55 percent, in Florida by 34 percent and in Minnesota by 64 percent, between 1997 and 2002. (Table 6)

New Mexico, Hawaii, Idaho, New Hampshire, and Iowa showed increases in the number of MBEs, at a growth rate of 8 percent, 7 percent, 7 percent, 7 percent, and 5 percent, respectively, lower than the national average for all U.S. firms.

Five states experienced a decline in the number of minority firms during the same period. Vermont, Alaska, West Virginia, Maine, and North Dakota saw declines in the number of minority firms of 32 percent, 12 percent, 12 percent, 8 percent, and 6 percent, respectively. American Indian and Alaska Native businesses decreased in these five states, from 1997 to 2002. New U.S. Census survey questions, which excluded tribally owned businesses from the

¹⁷ This is true for all U.S. firms including or excluding publicly held, foreign-owned, not-for-profit, and other not classifiable firms by race, ethnicity, and gender.

2002 SBO survey, may have contributed, in part, to the decline in American Indian and Alaska Native businesses, as noted earlier. In addition to these firms, Hispanic-owned firms also decreased in number in North Dakota, between 1997 and 2002.

Table 3a: Top Five States for Minority Firm Concentration, 2002¹⁸

State Ranking	State	Number of Firms	Percentage of Firms in Minority Group
All Minority			
1	California	957,214	23.3%
2	Texas	503,683	12.3%
3	New York	452,645	11.0%
4	Florida	421,487	10.3%
5	Illinois	156,761	3.8%
	Total	2,491,790	60.7%
African American			
1	New York	129,324	10.8%
2	California	112,873	9.4%
3	Florida	102,079	8.5%
4	Georgia	90,461	7.6%
5	Texas	88,769	7.4%
	Total	523,506	43.7%
American Indian & Alaska Native			
1	California	38,125	18.9%
2	Oklahoma	17,097	8.5%
3	Texas	16,204	8.0%
4	New York	11,158	5.5%
5	Florida	9,923	4.9%
	Total	92,507	45.9%
Asian			
1	California	371,415	33.6%
2	New York	145,519	13.2%
3	Texas	77,980	7.1%
4	New Jersey	51,948	4.7%
5	Hawaii	44,969	4.1%
	Total	691,831	62.7%
Hispanic			
1	California	427,727	27.2%
2	Texas	319,339	20.3%
3	Florida	266,727	17.0%
4	New York	163,639	10.4%
5	New Jersey	49,841	3.2%
	Total	1,227,273	78.0%
Native Hawaiian & Other Pacific Islander			
1	Hawaii	8,359	28.9%
2	California	7,074	24.4%
3	New York	3,005	10.4%
4	Florida	1,480	5.1%
5	Texas	1,391	4.8%
	Total	21,309	73.6%

¹⁸ Available relative standard errors for the data in this table are found in Table 3b on page 42.

Table 4: Share of Minority Firms and Minority Population by State, 2002¹⁹

State	Number of Minority Firms	State Share	Minority Population (Numbers in thousands)	State Share
Alabama	38,464	12.73%	1,356	30.22%
Alaska	9,378	15.57%	209	32.47%
Arizona	58,552	15.78%	2,066	37.86%
Arkansas	15,427	7.58%	599	22.11%
California	957,214	33.61%	19,084	54.35%
Colorado	46,352	10.24%	1,198	26.59%
Connecticut	28,262	9.68%	802	23.17%
Delaware	7,049	11.91%	225	27.90%
District of Columbia	17,039	38.74%	412	72.24%
Florida	421,487	27.96%	6,050	36.20%
Georgia	140,316	21.30%	3,246	37.92%
Hawaii	58,132	60.38%	953	76.52%
Idaho	5,501	4.65%	168	12.53%
Illinois	156,761	16.80%	4,171	33.10%
Indiana	27,697	6.55%	897	14.57%
Iowa	5,579	2.44%	231	7.88%
Kansas	13,991	6.58%	481	17.70%
Kentucky	14,306	4.88%	452	11.03%
Louisiana	58,891	18.39%	1,697	37.85%
Maine	2,601	1.97%	46	3.59%
Maryland	114,744	26.60%	2,090	38.30%
Massachusetts	49,242	8.99%	1,181	18.37%
Michigan	75,051	10.46%	2,167	21.56%
Minnesota	22,382	5.18%	624	12.43%
Mississippi	30,052	16.48%	1,144	39.85%
Missouri	30,158	7.06%	938	16.53%
Montana	3,726	3.83%	98	10.73%
Nebraska	5,950	4.24%	232	13.40%
Nevada	25,172	15.35%	778	35.80%
New Hampshire	3,457	2.84%	65	5.10%
New Jersey	141,132	20.45%	2,999	34.91%
New Mexico	40,579	30.55%	1,037	55.93%
New York	452,645	27.20%	7,462	38.95%
North Carolina	81,021	12.92%	2,546	30.60%
North Dakota	1,439	2.66%	54	8.54%
Ohio	59,859	7.51%	1,852	16.21%
Oklahoma	34,849	12.23%	922	26.39%
Oregon	21,046	7.22%	607	17.24%
Pennsylvania	58,698	6.90%	2,006	16.27%
Rhode Island	7,058	8.35%	193	18.08%
South Carolina	37,520	13.19%	1,415	34.45%
South Dakota	2,093	3.13%	94	12.34%
Tennessee	42,012	9.44%	1,230	21.21%
Texas	503,683	29.65%	10,648	48.89%
Utah	10,221	5.47%	360	15.52%
Vermont	1,438	2.06%	24	3.90%
Virginia	93,691	18.21%	2,225	30.51%
Washington	50,586	11.14%	1,314	21.66%
West Virginia	3,770	3.45%	99	5.52%
Wisconsin	18,012	4.71%	720	13.23%
Wyoming	2,489	4.84%	57	11.36%

¹⁹ Population estimates are for all ages. State share of minority firms represents minority firms as a percentage of all firms in the state.

Table 5a: Minority Firms by State and Race or Hispanic Origin, 2002²⁰

State	All Minority	African American	American Indian & Alaska Native	Asian	Hispanic	Native Hawaiian & Other Pacific Islander
Alabama	38,464	28,666	2,910	4,269	2,523	96
Alaska	9,378	926	5,151	1,908	1,241	152
Arizona	58,552	6,337	6,548	10,215	35,104	348
Arkansas	15,427	8,942	2,278	2,052	2,094	61
California	957,214	112,873	38,125	371,415	427,727	7,074
Colorado	46,352	7,066	3,931	10,910	24,054	391
Connecticut	28,262	10,309	1,208	7,170	9,408	167
Delaware	7,049	4,258	S	1,895	879	17
District of Columbia	17,039	12,198	220	2,411	2,162	48
Florida	421,487	102,079	9,923	41,278	266,727	1,480
Georgia	140,316	90,461	4,453	26,916	18,310	176
Hawaii	58,132	817	892	44,969	3,095	8,359
Idaho	5,501	373	1,143	1,111	2,775	99
Illinois	156,761	68,704	3,379	44,480	39,542	656
Indiana	27,697	14,068	1,957	6,077	5,481	114
Iowa	5,579	1,610	640	1,776	1,536	17
Kansas	13,991	4,468	1,727	3,564	4,188	44
Kentucky	14,306	7,592	1,324	3,236	2,094	60
Louisiana	58,891	40,243	2,705	8,218	7,645	80
Maine	2,601	327	680	834	731	29
Maryland	114,744	69,410	3,589	26,309	15,353	83
Massachusetts	49,242	12,818	2,231	18,063	15,922	208
Michigan	75,051	44,366	5,361	15,286	9,842	196
Minnesota	22,382	7,837	2,742	7,700	3,984	119
Mississippi	30,052	25,002	684	2,914	1,326	126
Missouri	30,158	16,750	3,280	6,380	3,652	96
Montana	3,726	220	1,990	512	964	40
Nebraska	5,950	2,091	428	1,456	1,966	9
Nevada	25,172	4,343	1,904	8,872	9,740	313
New Hampshire	3,457	470	529	1,528	913	17
New Jersey	141,132	36,282	2,613	51,948	49,841	448
New Mexico	40,579	1,541	6,826	2,364	29,708	140
New York	452,645	129,324	11,158	145,519	163,639	3,005
North Carolina	81,021	52,122	5,971	13,694	9,043	191
North Dakota	1,439	78	852	277	230	2
Ohio	59,859	35,658	3,123	13,740	7,109	229
Oklahoma	34,849	7,441	17,097	4,587	5,442	282
Oregon	21,046	2,222	3,061	9,053	6,360	350
Pennsylvania	58,698	24,757	S	22,627	11,023	291
Rhode Island	7,058	1,609	445	1,544	3,415	45
South Carolina	37,520	28,613	1,441	4,410	3,015	41
South Dakota	2,093	122	1,303	300	355	13
Tennessee	42,012	26,811	3,565	7,241	4,301	94
Texas	503,683	88,769	16,204	77,980	319,339	1,391
Utah	10,221	649	1,145	2,821	5,177	429
Vermont	1,438	211	299	433	452	43
Virginia	93,691	41,149	2,669	30,462	18,988	423
Washington	50,586	6,985	5,731	26,880	10,262	728
West Virginia	3,770	1,473	405	1,234	648	10
Wisconsin	18,012	6,685	2,517	4,956	3,750	104
Wyoming	2,489	149	596	401	1,320	23

²⁰ S = Estimates are suppressed when publication standards are not met. Available relative standard errors for the data in this table are found in Table 5b on page 43.

Growth in Gross Receipts

Some of the states that experienced a decrease in the number of minority-owned firms led the growth in gross receipts from 1997 to 2002. This is the case for MBEs in Alaska and Wyoming, which increased their annual gross receipts by 57 percent and 62 percent, respectively. Nebraska, South Carolina, and Virginia also led the growth in gross receipts by 121 percent, 72 percent, and 52 percent, respectively. Further research regarding kinds of businesses and other variables is needed to explain this business performance. (Table 6)

MBEs in 20 states matched or surpassed the 22 percent growth rate of gross receipts of all U.S. firms, including publicly held firms, non-profit, and foreign firms. Moreover, MBEs in 14 of the 20 states had a higher growth rate in gross receipts than in number of firms during the same period. The 14 states include Alaska, Arkansas, Colorado, Idaho, Indiana, Kentucky, Montana, Nebraska, New Mexico, North Carolina, South Carolina, Utah, Virginia, and Wyoming.

From 1997 until 2002, MBEs had lower growth in receipts than those generated by non-minority firms in only 11 states. Minority firms in these states also saw decreases in gross receipts, but MBEs increased in number in eight of these states during the same period: Connecticut, Delaware, Hawaii, New Hampshire, Ohio, Rhode Island, Washington, and Wisconsin.

Table 6: Change in Minority Firms, Gross Receipts and Population, 1997-2002²¹

State	Change in Number of Firms	Change in Gross Receipts	Change in Minority Population	State	Change in Number of Firms	Change in Gross Receipts	Change in Minority Population
Alabama	36%	35%	13%	Montana	11%	20%	29%
Alaska	-12%	57%	25%	Nebraska	28%	121%	42%
Arizona	35%	10%	44%	Nevada	66%	23%	69%
Arkansas	18%	24%	26%	New Hampshire	7%	-19%	65%
California	30%	8%	21%	New Jersey	38%	21%	22%
Colorado	25%	46%	47%	New Mexico	8%	23%	17%
Connecticut	38%	-11%	30%	New York	53%	8%	21%
Delaware	32%	-22%	26%	North Carolina	32%	41%	30%
District of Columbia	12%	4%	8%	North Dakota	-6%	4%	22%
Florida	47%	15%	34%	Ohio	21%	-6%	17%
Georgia	58%	43%	32%	Oklahoma	22%	10%	39%
Hawaii	7%	-1%	13%	Oregon	16%	11%	61%
Idaho	7%	22%	46%	Pennsylvania	19%	21%	23%
Illinois	42%	14%	24%	Rhode Island	48%	-10%	55%
Indiana	22%	25%	32%	South Carolina	22%	72%	16%
Iowa	5%	21%	56%	South Dakota	27%	15%	27%
Kansas	20%	8%	41%	Tennessee	29%	22%	23%
Kentucky	13%	35%	33%	Texas	38%	7%	26%
Louisiana	41%	17%	8%	Utah	19%	39%	62%
Maine	-8%	-1%	66%	Vermont	-32%	-62%	69%
Maryland	39%	25%	19%	Virginia	31%	52%	24%
Massachusetts	26%	24%	31%	Washington	18%	-4%	45%
Michigan	45%	5%	18%	West Virginia	-12%	-9%	28%
Minnesota	47%	4%	64%	Wisconsin	32%	-11%	37%
Mississippi	37%	41%	10%	Wyoming	16%	62%	26%
Missouri	14%	13%	24%				

²¹ Population estimates were for all ages.

Combined Statistical Areas

The following five combined statistical areas (CSAs) had the largest number of minority business enterprises (MBEs): Los Angeles-Long Beach-Riverside, California - CSA; New York-Newark-Bridgeport, New York-New Jersey-Connecticut-Pennsylvania - CSA; Miami-Fort Lauderdale-Miami Beach, Florida - MeSA²²; San Jose-San Francisco-Oakland, California - CSA; and the Washington-Baltimore-Northern Virginia, DC-Maryland-Virginia-West Virginia - CSA. These five regions combined had almost 1,805,000 MBEs, representing 44 percent of all MBEs in the United States. (Table 7a)

The five racial and ethnic minority groups surveyed by the U.S. Census had the highest concentration of their businesses in the Los Angeles-Long Beach-Riverside, California - CSA, and the New York-Newark-Bridgeport, New York-New Jersey-Connecticut-Pennsylvania - CSA.

The San Jose-San Francisco-Oakland, California - CSA is among one of the five CSAs with highest concentration of firms owned by four minority groups, Asians, American Indians and Alaska Natives, Hispanics and Native Hawaiians and Other Pacific Islanders. In addition, African Americans, American Indians and Alaska Natives, and Asians, included the Washington-Baltimore-Northern Virginia, DC-Maryland-Virginia-West Virginia - CSA among the top five CSAs where their businesses were located.

Additionally, over 50 percent of the Asian, Hispanic, and Native Hawaiian and Other Pacific Islander firms were located in the top five CSAs for their respective group's firm concentration.

Table 7a: Top Five Combined Statistical Areas (CSAs) for Minority Firm Concentration, 2002²³

CSA Ranking	CSA	Number of Firms	Percentage of Firms in Minority Group
All Minority			
1	Los Angeles-Long Beach-Riverside, CA - CSA	580,960	14.1%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	569,311	13.9%
3	Miami-Fort Lauderdale-Miami Beach, FL - MeSA	284,736	6.9%
4	San Jose-San Francisco-Oakland, CA - CSA	181,760	4.4%
5	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	190,387	4.6%
	Total	1,804,913	44.0%
African American			
1	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	155,271	13.0%
2	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	92,267	7.7%
3	Los Angeles-Long Beach-Riverside, CA - CSA	70,353	5.9%
4	Atlanta-Sandy Springs-Gainesville, GA-AL - CSA	64,875	5.4%
5	Chicago-Naperville-Michigan City, IL-IN-WI - CSA	64,844	5.4%
	Total	447,610	37.4%

²² Data were not provided for Hilo, Honolulu, and Miami as CSAs, therefore, data at the MeSA level or MiSA level for these statistical areas were used instead. CSAs are given as defined by the Office of Management and Budget.

²³ Available relative standard errors for the data in this table are found in Table 7b on page 44.

CSA Ranking	CSA	Number of Firms	Percentage of Firms in Minority Group
American Indian & Alaska Native			
1	Los Angeles-Long Beach-Riverside, CA - CSA	20,380	10.1%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	12,311	6.1%
3	San Jose-San Francisco-Oakland, CA - CSA	6,549	3.3%
4	Tulsa-Bartlesville, OK - CSA	4,745	2.4%
5	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	4,699	2.3%
	Total	48,684	24.2%
Asian			
1	Los Angeles-Long Beach-Riverside, CA - CSA	209,229	18.9%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	187,480	17.0%
3	San Jose-San Francisco-Oakland, CA - CSA	104,424	9.5%
4	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	49,798	4.5%
5	Chicago-Naperville-Michigan City, IL-IN-WI - CSA	41,096	3.7%
	Total	592,027	53.6%
Hispanic			
1	Los Angeles-Long Beach-Riverside, CA - CSA	277,908	17.7%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	211,075	13.4%
3	Miami-Fort Lauderdale-Miami Beach, FL - MeSA	206,048	13.1%
4	Houston-Baytown-Huntsville, TX - CSA	75,562	4.8%
5	San Jose-San Francisco-Oakland, CA - CSA	53,488	3.4%
	Total	824,081	52.4%
Native Hawaiian & Other Pacific Islander			
1	Honolulu, HI - MeSA	5,052	17.5%
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	3,174	11.0%
3	Los Angeles-Long Beach-Riverside, CA - CSA	3,090	10.7%
4	San Jose-San Francisco-Oakland, CA - CSA	2,078	7.2%
5	Hilo, HI - MISA	1,548	5.3%
	Total	14,942	51.6%

Industry Picture

Both minority-owned firms and the larger group of classifiable firms²⁴ had the highest concentration of firms in the professional, scientific, and technical services industry and other services. The other services industry sector includes such companies as those operating in repair and maintenance, as well as personal and laundry services. (See footnote 26)

In 2002, most firms owned by minorities were in the following industry sectors: other services (16.4 percent of all minority firms) health care and social assistance (14 percent); professional, scientific, and technical services (10.6 percent); retail trade (10.5 percent); and administrative support, waste management, and remediation services (9.8 percent).

African American firms had the highest concentration of firms in health care and social assistance, with over 20 percent of the firms in this sector. The largest concentration of American Indian and Alaska Native firms is in the construction industry, with over 16 percent. For Asian-owned and Hispanic-owned firms, most firms were in other services, 17 percent and almost 16 percent, respectively, than in any other industry sector. Additionally, Native Hawaiian and Other Pacific Islander businesses were more prevalent in the retail trade industry, accounting for 16 percent of this group's firms. (Table 8a)

Other industries that ranked in the top five based on the concentration of firms owned by a particular minority group included accommodation and food services for Asian-owned firms (9.5 percent), and real estate and rental and leasing, for Native Hawaiian and Other Pacific Islanders (6.4 percent).

In comparison, classifiable firms exhibited the highest concentration in the following sectors: professional, scientific and technical services (14.4 percent); construction (12.2 percent), retail trade (11.4 percent); other services (11.8 percent); and real estate and rental and leasing (9.1 percent). (Chart 7)

Minority entrepreneurs also exhibited a higher share of businesses in health care and social assistance; administrative support, waste management, and remediation services; transportation and warehousing; accommodation and food services; and other services, compared the share of classifiable firms in those industries.

Data on industries from the 2002 SBO is not directly comparable to the 1997 SMOBE because each survey used a different industrial classification system.²⁵

²⁴ The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

²⁵ The 1997 SMOBE is based on the 1987 Standard Industrial Classification (SIC) system, and the 2002 SBO uses the newer North American Industry Classification System (NAICS).

Table 8a: Top Five Industry Sectors for Minority Firm Concentration, 2002²⁶

Industry Sector Ranking	Industry Sector	Number of Firms	Percentage of Firms in Minority Group
All Minority			
1	Other Services	675,099	16.4%
2	Health Care and Social Assistance	575,561	14.0%
3	Professional, Scientific, and Technical Services	434,089	10.6%
4	Retail Trade	429,270	10.5%
5	Administrative Support, Waste Management, and Remediation Services	401,596	9.8%
	Total	2,515,615	61.3%
African American			
1	Health Care and Social Assistance	245,767	20.5%
2	Other Services	210,498	17.6%
3	Administrative Support, Waste Management, and Remediation Services	121,143	10.1%
4	Professional, Scientific, and Technical Services	115,765	9.7%
5	Retail Trade	102,123	8.5%
	Total	795,296	66.4%
American Indian & Alaska Native			
1	Construction	32,253	16.0%
2	Other Services	26,651	13.2%
3	Health Care and Social Assistance	24,428	12.1%
4	Professional, Scientific, and Technical Services	22,505	11.2%
5	Retail Trade	20,494	10.2%
	Total	126,331	62.7%
Asian			
1	Other Services	188,673	17.1%
2	Professional, Scientific, and Technical Services	154,235	14.0%
3	Retail Trade	151,551	13.7%
4	Health Care and Social Assistance	123,689	11.2%
5	Accommodation and Food Services	104,978	9.5%
	Total	723,126	65.5%
Hispanic			
1	Other Services	249,277	15.8%
2	Construction	212,496	13.5%
3	Administrative Support, Waste Management, and Remediation Services	208,125	13.2%
4	Health Care and Social Assistance	181,677	11.5%
5	Retail Trade	151,501	9.6%
	Total	1,003,076	63.7%
Native Hawaiian & Other Pacific Islander			
1	Retail Trade	3,601	12.4%
2	Administrative Support, Waste Management, and Remediation Services	3,362	11.6%
3	Professional, Scientific, and Technical Services	3,239	11.2%
4	Construction	2,853	9.9%
5	Real Estate and Rental and Leasing	1,851	6.4%
	Total	14,906	51.5%

²⁶ Other Services includes establishments not provided for elsewhere in the classification system that are engaged in activities such as equipment and machinery repairing, promoting religious activities, grant-making, advocacy, providing dry-cleaning and laundry services, personal care services, and dating services. It does not include public administration. Available relative standard errors for the data in this table are found in Table 8b on page 45.

Chart 7: Industries Distribution for Minority-Owned Firms, 2002

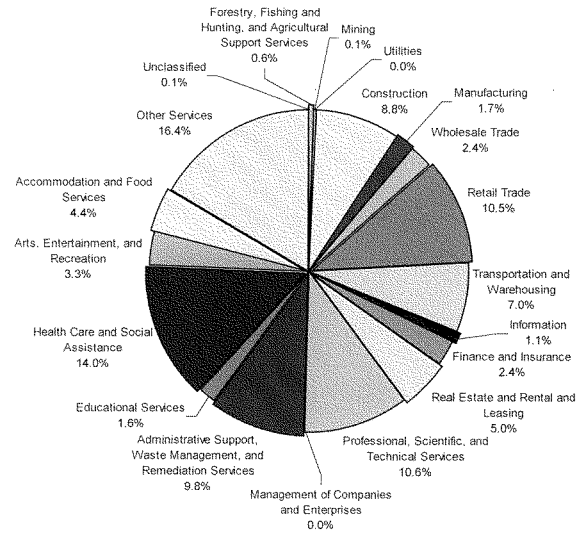
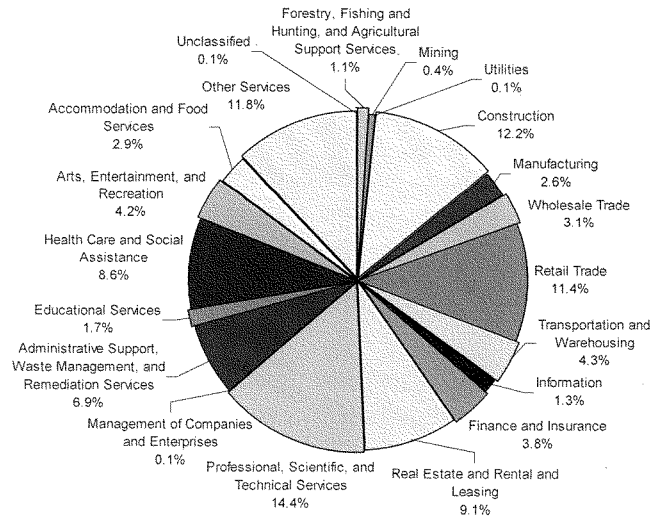


Chart 8: Industries Distribution for Classifiable Firms, 2002



Average Gross Receipts

Among classifiable firms, minority firms continued to have lower average gross receipts than non-minority firms in 2002. The average gross receipts for all minority-owned business was about \$163,000 per firm, compared to \$442,000 for non-minority firms in 2002. Non-minority firms' average sales were 1.7 times larger (171 percent) than those of minority-owned firms in that same year.

Minority-owned firms generated on average lower gross receipts in all the industries included in the 2002 SBO survey than non-minority firms, with the exception of firms under the Management of Companies and Enterprises industry. Minority firms grossed a greater amount of average sales, \$1,339,000, in the Management of Companies and Enterprises industry, compared to \$1,163,000 for non-minority firms in that same industry, in 2002. However, we should note that there were only 960 minority firms in this industry in that year.

The highest gross receipts for minority firms were generated in the following industries: Wholesale Trade (\$1,376,000), Management of Companies and Enterprises (\$1,339,000), Manufacturing (\$737,000), and Mining (\$437,000). In comparison, non-minority firms grossed average sales of \$2,888,000 in Wholesale Trade, \$1,163,000 in Management of Companies and Enterprises, \$1,963,000 in Manufacturing, and \$534,000 in Mining.

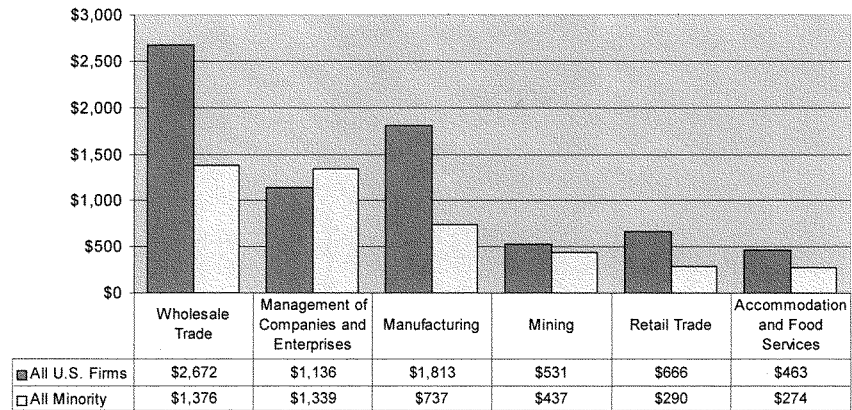
The gap in average gross receipts is narrower in some industries and wider in other sectors. For example, MBEs in Forestry, Fishing and Hunting, and Agricultural Support Services generated average gross receipts of about \$90,000 compared to \$115,000 for non-minority firms, only 28 percent more.

Average gross receipts for firms in the Professional, Scientific and Technical Services industry also had narrower gaps than the average for all industry sectors. Minority firms in the Professional, Scientific, and Technical Services grossed, on average, \$124,000, while non-minority firms in this sector grossed on average about \$188,000, 52 percent higher.

The gap in average gross receipts between minority and non-minority firms is greater in industries such as Utilities; Transportation; and in Administrative and Support and Waste Management and Remediation Services, among other. For example, in 2002 minority firms in the Utilities industry generated \$118,000 on average gross receipts compared to \$1 million for non-minority firms, 7.5 times more. In that same year, minority firms grossed \$77,000 on average sales in the Transportation industry, while non-minority firms in that same industry generated on average \$301,000, 2.9 times greater.

Further research of business industries is necessary to try to explain the differences in gross receipts between minority and non-minority firms.

Chart 9: Industries with the Highest Average Gross Receipts (in Thousands) for Minority Firms Compared to Classifiable Firms, 2002



SGI Firms vs. Non-SGI Firms

MBDA defines companies under the Strategic Growth Initiative (SGI) as minority businesses that generate \$500,000 or more in annual gross receipts, and have a high potential for future growth. Generally companies in the high-tech sector, manufacturing, energy, and telecommunications industries, among others, are considered high growth firms. These companies also employ more people compared to other sectors, such as Professional Services, which may constitute of only one high-paid consultant.

Non-SGI firms are defined as minority companies, which gross less than \$500,000 in annual sales. Micro operations, which are generally run by an entrepreneur with few or no employees, and lifestyle companies, which are started by individuals to replace a salary, are examples of non-SGI firms.

For the purposes of this report, we defined SGI firms as minority firms grossing \$500,000 or more in annual receipts. Non-SGI firms are minority firms generating less than \$500,000 in annual sales.

SGI firms represented about 195,000 firms, generated \$498 billion in gross receipts, and employed 3.4 million people in 2002. These firms accounted for 10 percent of classifiable firms²⁷ grossing \$500,000 or more. SGI firms also represented 7 percent of all gross receipts generated and 7 percent of all workers paid by these larger classifiable firms. Non-SGI firms accounted for 3.9 million firms, grossed about \$170 billion in sales, and had about 1.3 million paid employees.

Growth in Number of Firms

SGI firms grew slightly faster than non-minority firms in the same size category. SGI firms grew in number at a rate of 15 percent from 1997 to 2002, compared to the 13 percent growth of non-minority firms grossing \$500,000 or more.

On the other hand, non-SGI firms grew much faster during the same period, at a rate of 36 percent, compared to non-minority firms grossing less than \$500,000, which grew by 5 percent. Non-SGI firms also represented 95 percent of all minority-owned firms. (Chart 10 and 11)

Growth in Gross Receipts

Between 1997 and 2002, SGI firms grew annual gross receipts at a faster pace than non-minority firms in the same size category. While SGI firms increased their receipts by 15 percent in 2002, non-minority firms of that size grew their sales by only 3 percent in that same period.

SGI firms also generated annual gross receipts which were more comparable to their growth in numbers than non-SGI firms, from 1997 to 2002. While SGI firms grew by 15 percent, their annual gross receipts grew by 11 percent. Gross receipts also represented 74 percent of all sales generated by minority-owned firms.

²⁷ The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender.

Non-SGI firms increased in number by 36 percent but their gross receipts only grew by 19 percent during the same period. In comparison, non-minority firms grossing less than \$500,000 grew in number by 5 percent, and increased their annual receipts at a much faster pace, by 10 percent. (Chart 11)

Average Gross Receipts

In 2002, the average gross receipts of SGI businesses was closer to that of non-minority firms grossing \$500,000 and more, as compared to non-minority firms of all sizes, which was 1.7 times larger (171 percent). SGI firms grossed \$2.6 million in average sales, while non-minority firms of that same size had average sales of \$4 million, only 57 percent greater.

Average gross sales of non-SGI were \$43,000 in 2002, compared to \$61,000 for non-minority firms generating less than \$500,000 in sales, a difference of 41 percent.

Growth in Paid Employees

SGI firms outperformed non-minority firms of that same size in growth of paid employees, from 1997 to 2002. SGI firms grew their number of paid employees by 9 percent, while non-minority firms grossing \$500,000 or more in sales had a decline in paid workforce of 6 percent.

On the other hand, the number of employed people by non-SGI firms decreased by 8 percent, compared to a 12 percent decline for all smaller non-minority firms of that same size, between 1997 and 2002.

Chart 10: SGI and Non-SGI Firms as a Percentage of All Minority Firms, 2002

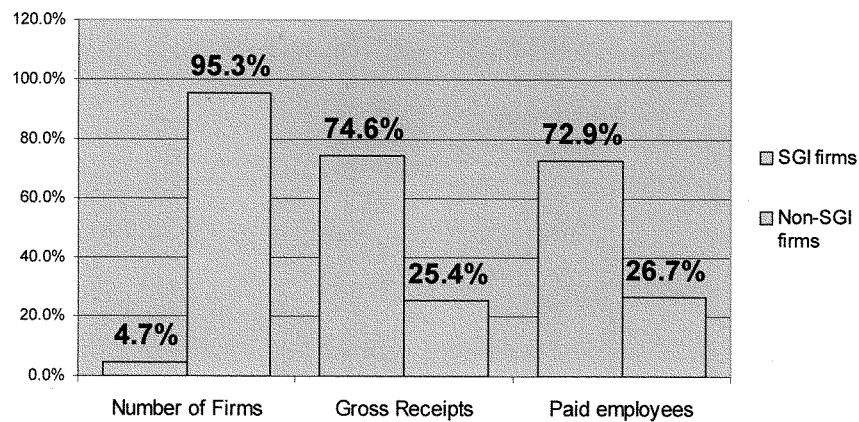
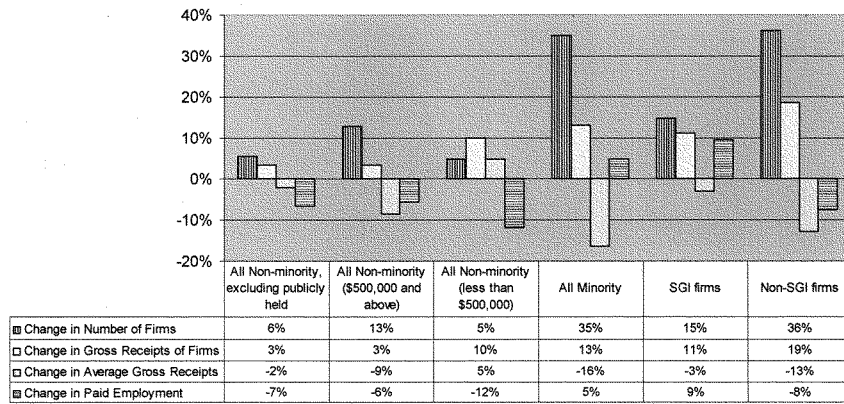


Chart II: Change in Number of Firms, Gross Receipts, Average Gross Receipts, and Paid Employment for All Minority and All Non-Minority Firms, 1997-2002



Conclusion

There is a continuous need to implement programs that address the needs of minority business enterprises to help them grow faster, particularly in annual sales and employment, and to close the entrepreneurial parity gap.

MBEs are growing more rapidly in number, but their average gross sales, as well as their growth in gross receipts and paid employees is lagging behind their growth in number of firms. Challenges in developing capacity, including lack of capital access, globalization, increased contract bundling, intensified supply chain competition, and a larger share of minority start-ups, among others, may be affecting the performance of minority businesses. Further research is necessary to try to explain the issues that are slowing down the growth in gross receipts for MBEs.

MBEs are an engine of employment. Although minority-owned firms grossed less in annual receipts and average sales compared to non-minority firms, these firms employed more people as a share of receipts than non-minority firms, as well as compared to all U.S. firms in the U.S. economy. It is critical to facilitate programs that can help these firms grow to their full potential.

Strategic Growth Initiative firms grew faster in gross receipts and paid employees than minority firms grossing less than \$500,000 in sales, between 1997 and 2002. Programs tailored for SGI firms, such as those supported by the Minority Business Development Agency, are helping these firms gain the knowledge and access to the marketplace and capital, which are necessary to remain competitive.

While minorities have increased in population and number of firms, MBEs are not closing the parity gap in terms of gross receipts and paid employees when compared to the share of the minority population. This fact calls for action from government, educational institutions, and the private sector to find solutions that could address more effectively the challenges affecting the growth of minority-owned businesses.

Methodology

Minority-Owned Firms

The source for the number of minority-owned firms for 1997 is the U.S. Census Bureau's Survey of Minority-Owned Business Enterprises (SMOBE). The Census 2002 Survey of Business Owners did not provide data for minority-owned firms, but included data on firms owned by five separate minority groups (African American, American Indian and Alaska Native, Asian, Hispanic, and Native Hawaiian and Other Pacific Islander).

MBDA calculates the number of minority firms by adding up the five minority groups reported in the 2002 Survey of Business Owners (SBO). The total number of minority firms is slightly overrepresented because businesses that are owned by Hispanic or Latinos may be of any race. In addition, in accordance with the Office of Management and Budget guidelines, each owner in 2002 had the option of selecting more than one race; so therefore, businesses could be tabulated in more than one racial group. Owners that reported more than one race may be counted more than once in the report. Figures for 2002 business measures such as, annual receipts, paid employees average gross sales, and size of firm, of minority-owned firms are calculated using the same methodology as the number of minority-owned firms.

Non Minority-Owned Firms

The source for the number of non minority-owned firms for 1997 is the U.S. Census Bureau's Survey of Minority-Owned Business Enterprises (SMOBE). MBDA calculates this number of non minority-owned firms by deducting from the number of all U.S. firms, the number of minority-owned firms and the number of firms that are publicly held, not-for-profit, foreign owned, and not classifiable by race or Hispanic or Latino origin.

To calculate the number of non-minority firms for 2002, MBDA deducts from the 2002 total number of all U.S. firms, the number of minority-owned firms, which is calculated as described previously. MBDA also deducts from the number of all U.S. firms the number of firms that are publicly held, not-for-profit, foreign owned, and not classifiable by race or Hispanic or Latino origin. Because business measures for minority-owned firms, including the number of firms, may be slightly overestimated, business measures for non-minority firms could also be underestimated by the same degree. Figures for 2002 annual receipts, paid employees, average gross sales, and size of firm, of non minority-owned firms are calculated in a similar fashion as the number of non minority-owned firms.

American Indian and Alaska Native

The data on firms owned by American Indian and Alaska Natives from the 1997 SMOBE survey is not directly comparable to the data from the 2002 SBO survey. MBDA reports this data but makes no comparisons between those years because it would not be statistically valid. New questions in the 2002 SBO survey may have allowed for the exclusion of tribally-owned firms that may have been included in the 1997 survey.

Reliability of Data

Relative Standard Errors

The relative standard error (RSE) of an estimate is a measure of the reliability or precision of that estimate. Relative standard error is defined as the ratio of the standard error to the survey estimate. For example, a relative standard error of 10 percent implies that the standard error is one-tenth as large as the survey estimate.

The RSE of an estimate is calculated by dividing the standard error of the estimate (SE(r)) by the estimate itself (r). This quantity is expressed as a percent of the estimate.

The sample estimate and an estimate of its standard error allow us to construct interval estimates with prescribed confidence that the interval includes the average result of all possible samples with the same size and design. For example, Table 1 shows that there were an estimated 1,197,661 firms operated by African Americans in 2002. Table 1b shows that the RSE of this estimate is 1 percent. Multiplying 1,197,661 by 0.01, we obtain 11,977 as the standard error. This means that we are confident, with 2 chances out of 3 of being correct, that the average estimate from all possible samples of classifiable African American businesses is between 1,185,684 and 1,209,638 businesses. To increase the probability to about 9 chances out of 10 that the interval contains the average value over all possible samples (this is called a 90-percent confidence interval), multiply 11,977 by 1.6, yielding limits of 1,178,498 and 1,216,824 (1,197,661 businesses plus or minus 19,163).

When a RSE is not available for a particular estimate, we cannot define with precision the ratio of the standard error of the estimate.

For information on the reliability of individual minority group estimates and their relative standard errors, please visit the U.S. Census Bureau website at www.census.gov/csd/sbo.

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For questions or additional information on this report, please contact MBDA's Office of Business Development, at 202-482-1940.

For media inquiries, please contact MBDA's Office of Legislative, Education and Intergovernmental Affairs, at 202-482-6272.

Also, please visit www.mbda.gov/minoritybizfacts.

Appendix A: MBDA Programs

The Minority Business Development Agency (MBDA) has created and redesigned some of its programs to address more specifically the needs of minority business enterprises. A special focus has been placed on assisting MBEs with high growth potential and greater impact on the national economy. Some of these programs follow.

MBEC/NABEC

MBDA funds a network of Minority Business Enterprise Centers (MBECs) and Native American Business Enterprise Centers (NABECs), which are located throughout the United States and in Puerto Rico, that provide business development services to minority-owned businesses. The centers provide consulting services on management, market and growth strategies, and facilitate contracting and financial opportunities.

MBOC

MBDA also funds Minority Business Opportunity Centers (MBOCs), which are located in strategic cities across the nation. The centers act as one-stop brokering services by facilitating contract and financial transactions between MBE clients and the public and private sector.

Phoenix Opportunity Matching System

The Phoenix Opportunity Matching System is an online system that matches contracting opportunities with minority businesses. Phoenix is the formal point of entry for registering minority business enterprises and Opportunity is the data repository of contracting opportunities. Together, the systems interact to identify and match minority firms with opportunities based on the firms' capability profiles. Notifications are sent via email.

Business-to-Business (B2B) Linkages Forums

MBDA brings together smaller MBEs with medium and large-size MBEs for teaming and potential partnership arrangements. The linkage forums revolve around major procurement opportunities and capacity-building among the teams to qualify for multi-million dollar contracts. These forums also introduce the teams with contracting officials to learn more about specific contracting opportunities. The forums are held in cities across the nation and target specific projects and industries.

Capital Access

MBDA, through its nationwide network of funded programs and staff, provides consulting and referral services, to minority business enterprises to obtain business loans, equity investment, or bonding. MBDA works closely with both public and private capital providers (financial institutions, venture capitalists, alternative lenders, government programs, and surety companies) to support the growth and expansion of minority business enterprises.

Technology Commercialization

The Federal Government and the private sector spend billions of dollars on research and development annually. The result of this large investment is innovation and new technologies. Many of the products and ideas simply sit on the shelf. MBDA seeks to help match MBE's with these new technologies that have potential for commercialization. In addition, MBDA helps MBEs introduce their new technologies to the Federal government to be considered for participation in the Small Business Innovation Research program. Through this program, MBEs may receive grant money to enhance their technology to fit the government and for commercialization. MBDA provides these services in partnership with the West Virginia High Technology Consortium Foundation.

Research and Knowledge Management

MBDA conducts research studies on the state of MBEs, trends impacting MBEs, their performance, and challenges and opportunities for minority business growth. MBDA conducts some of its studies in collaboration with the Tuck School of Business at Dartmouth College. Through knowledge management, MBDA shares research and best practices with minority entrepreneurs and business development professionals to support MBEs growth and expansion. MBDA also shares its research with academia and government agencies to expand the knowledge of MBEs and to provide additional information that can shape programs in support of MBEs.

Appendix B: Maps

Chart 12: U.S. Map of Minority Firms, by State Concentration, 2002

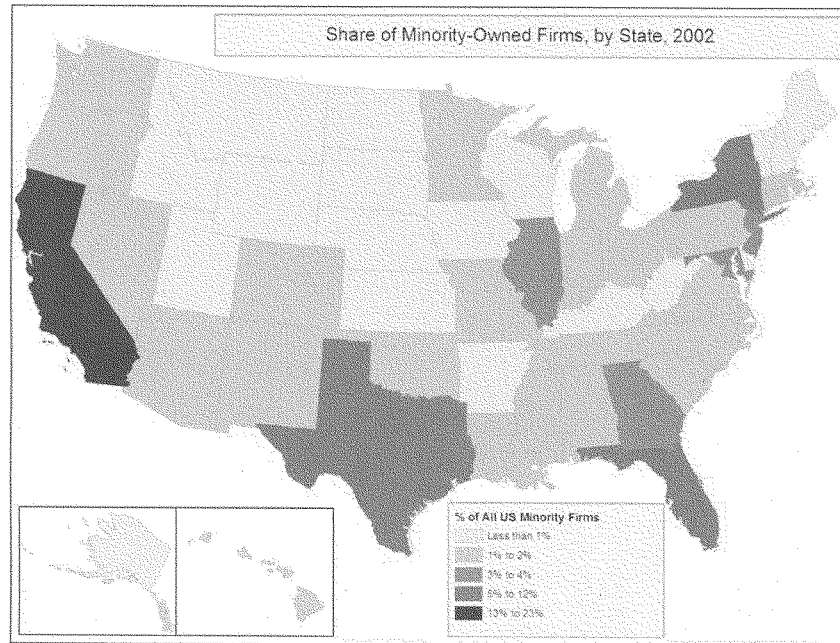


Chart 13: U.S. Map of Change in Concentration of Minority Firms by State, 2002

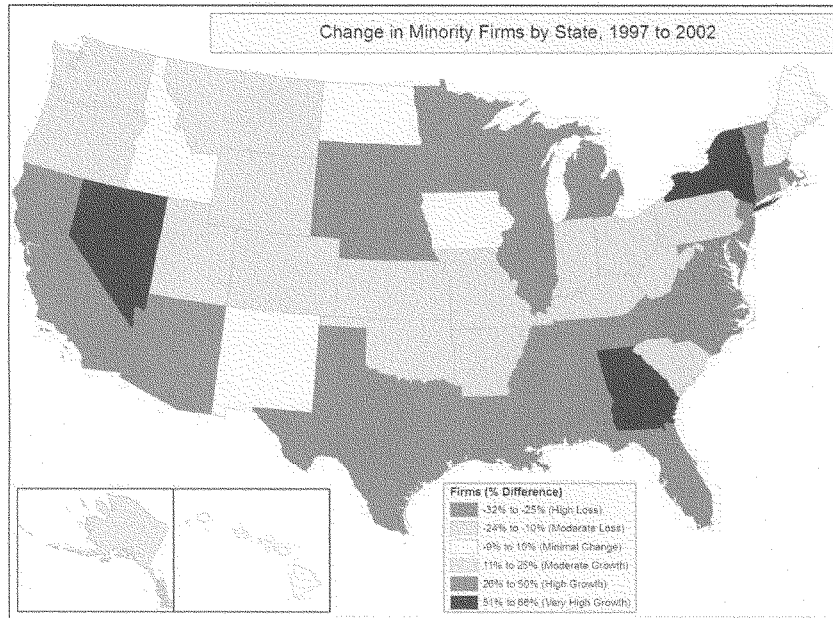
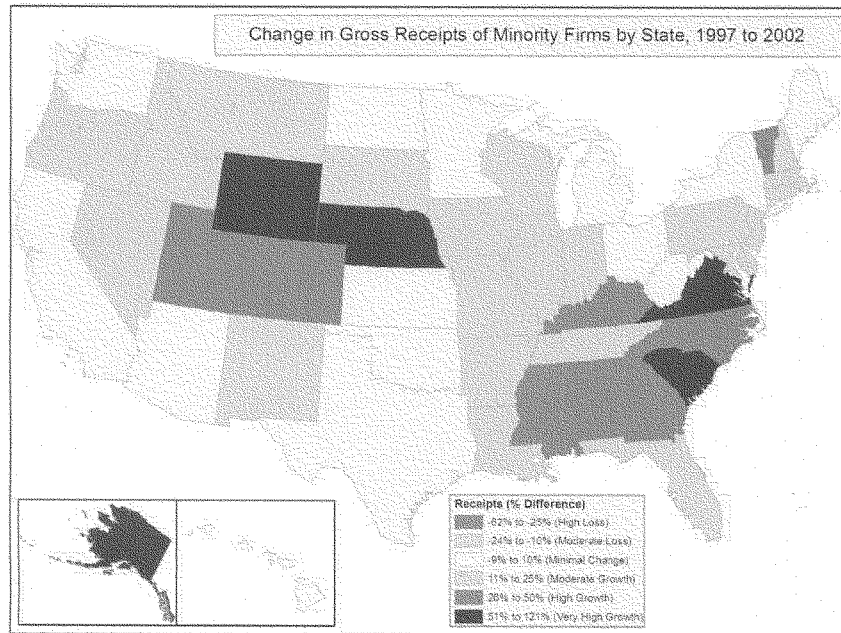


Chart I4: U.S. Map of Change in Gross Receipts of Minority Firms by State, 2002



Appendix C: Additional Tables on Industry

Table 9a: Number of Firms by Industry Division, 2002²⁸

Industry	Classifiable Firms	All Minority	African American	American Indian and Alaska Native	Asian	Hispanic	Native Hawaiian and Other Pacific Islander
Total for all sectors	22,480,432	4,105,785	1,197,861	201,387	1,104,189	1,573,600	28,948
Forestry, Fishing and Hunting, and Agricultural Support Services	246,640	24,829	3,724	4,594	6,261	9,710	540
Mining	98,462	3,385	325	1,028	456	1,473	103
Utilities	14,965	1,738	508	287	225	717	1
Construction	2,751,575	361,364	75,020	32,253	38,742	212,496	2,853
Manufacturing	580,281	71,076	10,084	6,004	23,716	30,948	324
Wholesale Trade	685,863	97,869	12,498	4,252	46,554	34,188	377
Retail Trade	2,551,811	429,270	102,123	20,494	151,551	151,501	3,601
Transportation and Warehousing	964,799	288,507	99,341	9,958	52,046	125,750	1,412
Information	298,331	43,856	14,319	2,618	12,092	14,516	311
Finance and Insurance	860,878	97,151	28,324	4,925	30,041	33,282	579
Real Estate and Rental and Leasing	2,039,557	206,992	52,375	9,277	74,666	68,823	1,851
Professional, Scientific, and Technical Services	3,244,829	434,089	115,765	22,505	154,235	138,345	3,239
Management of Companies and Enterprises	17,862	960	178	66	478	235	3
Administrative Support, Waste Management, and Remediation Services	1,550,032	401,596	121,143	15,712	53,254	208,125	3,362
Educational Services	385,560	64,414	25,256	3,609	15,518	19,589	442
Health Care and Social Assistance	1,943,974	575,561	245,767	24,428	123,689	181,677	S
Arts, Entertainment, and Recreation	943,518	136,068	54,430	9,249	26,543	44,168	1,678
Accommodation and Food Services	654,332	182,489	25,326	3,605	104,978	48,069	511
Other Services	2,668,541	675,099	210,498	26,651	188,673	249,277	S
Unclassified	27,705	3,491	1,012	112	1,201	1,166	S

²⁸ S = Estimates are suppressed when publication standards are not met. The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender. Available relative standard errors for the data in this table are found in Table 9b on page 46.

Table 10: Distribution of Firms by Group and Industry, 2002²⁹

Industry	Classifiable Firms	All Minority	African American	American Indian and Alaska Native	Asian	Hispanic	Native Hawaiian and Other Pacific Islander
Forestry, Fishing and Hunting, and Agricultural Support Services	1.1%	0.6%	0.3%	2.3%	0.6%	0.6%	1.9%
Mining	0.4%	0.1%	0.0%	0.5%	0.0%	0.1%	0.4%
Utilities	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Construction	12.2%	8.8%	6.3%	16.0%	3.5%	13.5%	9.9%
Manufacturing	2.6%	1.7%	0.8%	3.0%	2.1%	2.0%	1.1%
Wholesale Trade	3.1%	2.4%	1.0%	2.1%	4.2%	2.2%	1.3%
Retail Trade	11.4%	10.5%	8.5%	10.2%	13.7%	9.6%	12.4%
Transportation and Warehousing	4.3%	7.0%	8.3%	4.9%	4.7%	8.0%	4.9%
Information	1.3%	1.1%	1.2%	1.3%	1.1%	0.9%	1.1%
Finance and Insurance	3.8%	2.4%	2.4%	2.4%	2.7%	2.1%	2.0%
Real Estate and Rental and Leasing	9.1%	5.0%	4.4%	4.6%	6.8%	4.4%	6.4%
Professional, Scientific, and Technical Services	14.4%	10.6%	9.7%	11.2%	14.0%	8.8%	11.2%
Management of Companies and Enterprises	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Administrative Support, Waste Management, and Remediation Services	6.9%	9.8%	10.1%	7.8%	4.8%	13.2%	11.6%
Educational Services	1.7%	1.6%	2.1%	1.8%	1.4%	1.2%	1.5%
Health Care and Social Assistance	8.6%	14.0%	20.5%	12.1%	11.2%	11.5%	N
Arts, Entertainment, and Recreation	4.2%	3.3%	4.5%	4.6%	2.4%	2.8%	5.8%
Accommodation and Food Services	2.9%	4.4%	2.1%	1.6%	9.5%	3.1%	1.8%
Other Services	11.8%	16.4%	17.6%	13.2%	17.1%	15.8%	N
Unclassified	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	N

²⁹ The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender. N = Not available or not comparable.

Appendix D: Relative Standard Error

Table 1b: Relative Standard Error of Estimate (Percent) for Total Firms, Total Gross Receipts and Total Paid Employees, 1997 - 2002³⁰

Group	Year	RSE of Estimate (Percent) for Number of Firms	SE of Percent Change in Number of Firms	RSE of Estimate (Percent) for Gross Receipts (\$1,000)	SE of Percent Change in Gross Receipts	RSE of Estimate (Percent) for Number of Employees	SE of Percent Change in Number of Employees
African American	2002	1	2	1	2	3	NA
	1997	1		2		4	
American Indian & Alaska Native	2002	1	NA	4	NA	3	NA
	1997	2		6		13	
Asian	2002	-	1	2	5	1	NA
	1997	1		4		5	
Hispanic	2002	1	4	2	20	3	NA
	1997	-		3		3	
Native Hawaiian and Other Pacific Islander	2002	3	8	8	9	10	NA
	1997	6		5		10	
All Minority	2002	NA	NA	NA	NA	NA	NA
	1997	NA		NA		NA	
Non-Minority Firms, excludes publicly held	2002	NA	NA	NA	NA	NA	NA
	1997	NA		NA		NA	
All U.S. Firms, excludes publicly held	2002	NA	NA	NA	NA	NA	NA
	1997	NA		NA		NA	
All U.S. Firms, includes publicly held	2002	-	-	-	-	-	-
	1997	-		-		-	

³⁰ RSE = Relative standard error; SE = Standard error; NA = Not available; - represents zero.

Table 3b: Relative Standard Error of Estimate (Percent) for the Top Five States for Minority Firm Concentration, 2002³¹

State Ranking	State	Relative Standard Error of Estimate (Percent) for Number of Firms	Relative Standard Error of Estimate (Percent) for Percentage of Firms in Minority Group
All Minority			
1	California	NA	NA
2	Texas	NA	NA
3	New York	NA	NA
4	Florida	NA	NA
5	Illinois	NA	NA
	Total	NA	NA
African American			
1	New York	1	NA
2	California	2	NA
3	Florida	2	NA
4	Georgia	2	NA
5	Texas	2	NA
	Total	NA	NA
American Indian & Alaska Native			
1	California	3	NA
2	Oklahoma	4	NA
3	Texas	6	NA
4	New York	6	NA
5	Florida	6	NA
	Total	NA	NA
Asian			
1	California	1	NA
2	New York	1	NA
3	Texas	2	NA
4	New Jersey	1	NA
5	Hawaii	1	NA
	Total	NA	NA
Hispanic			
1	California	1	NA
2	Texas	1	NA
3	Florida	1	NA
4	New York	1	NA
5	New Jersey	3	NA
	Total	NA	NA
Native Hawaiian & Other Pacific Islander			
1	Hawaii	6	NA
2	California	9	NA
3	New York	14	NA
4	Florida	20	NA
5	Texas	25	NA
	Total	NA	NA

³¹ NA = Not available

Table 5b: Relative Standard Error of Estimate (Percent) for Minority Firms by State and Race or Hispanic Origin, 2002³²

State	All Minority	African American	American Indian and Alaska Native	Asian	Hispanic	Native Hawaiian and Other Pacific Islander
Alabama	NA	2	14	5	10	48
Alaska	NA	10	7	6	6	46
Arizona	NA	5	10	7	3	26
Arkansas	NA	3	16	5	4	54
California	NA	2	3	1	1	9
Colorado	NA	5	8	3	3	20
Connecticut	NA	4	9	3	5	50
Delaware	NA	6	S	7	8	72
District of Columbia	NA	3	22	7	7	S
Florida	NA	2	6	2	1	20
Georgia	NA	2	9	3	4	29
Hawaii	NA	14	20	1	10	6
Idaho	NA	19	18	15	10	39
Illinois	NA	2	12	2	3	22
Indiana	NA	3	8	6	5	52
Iowa	NA	9	14	5	9	27
Kansas	NA	5	11	6	6	39
Kentucky	NA	5	17	6	8	65
Louisiana	NA	3	11	4	7	S
Maine	NA	20	15	10	31	S
Maryland	NA	2	10	3	4	32
Massachusetts	NA	2	17	2	3	S
Michigan	NA	2	8	2	5	54
Minnesota	NA	5	14	3	6	S
Mississippi	NA	3	12	7	18	68
Missouri	NA	3	7	5	4	50
Montana	NA	30	14	28	14	62
Nebraska	NA	5	23	7	7	15
Nevada	NA	6	8	4	3	20
New Hampshire	NA	15	26	7	18	28
New Jersey	NA	3	14	1	3	37
New Mexico	NA	9	4	5	3	53
New York	NA	1	6	1	1	14
North Carolina	NA	2	8	4	6	24
North Dakota	NA	17	9	22	26	0
Ohio	NA	2	13	2	4	S
Oklahoma	NA	4	4	5	5	33
Oregon	NA	5	6	3	6	18
Pennsylvania	NA	2	S	2	6	29
Rhode Island	NA	S	23	6	6	S
South Carolina	NA	2	19	5	10	34
South Dakota	NA	23	15	18	16	54
Tennessee	NA	2	6	4	5	S
Texas	NA	2	6	2	1	25
Utah	NA	14	23	5	7	18
Vermont	NA	28	17	24	23	S
Virginia	NA	2	9	3	4	26
Washington	NA	5	7	3	6	16
West Virginia	NA	9	18	6	17	45
Wisconsin	NA	4	8	5	7	69
Wyoming	NA	18	12	20	10	84

³² NA = Not available

Table 7b: Relative Standard Error of Estimate (Percent) for the Top Five Combined Statistical Areas (CSAs) for Minority Firm Concentration, 2002³³

CSA Ranking	CSA	RSE of Estimate (Percent) for Number of Firms
African American		
1	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	1
2	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	1
3	Los Angeles-Long Beach-Riverside, CA - CSA	3
4	Atlanta-Sandy Springs-Gainesville, GA-AL - CSA	2
5	Chicago-Naperville-Michigan City, IL-IN-WI - CSA	2
American Indian & Alaska Native		
1	Los Angeles-Long Beach-Riverside, CA - CSA	5
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	5
3	San Jose-San Francisco-Oakland, CA - CSA	9
4	Tulsa-Bartlesville, OK - CSA	11
5	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	7
Asian		
1	Los Angeles-Long Beach-Riverside, CA - CSA	1
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	1
3	San Jose-San Francisco-Oakland, CA - CSA	3
4	Washington-Baltimore-Northern Virginia, DC-MD-VA-WV - CSA	3
5	Chicago-Naperville-Michigan City, IL-IN-WI - CSA	2
Hispanic		
1	Los Angeles-Long Beach-Riverside, CA - CSA	2
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	1
3	Miami-Fort Lauderdale-Miami Beach, FL - MeSA	1
4	Houston-Baytown-Huntsville, TX - CSA	2
5	San Jose-San Francisco-Oakland, CA - CSA	3
Native Hawaiian & Other Pacific Islander		
1	Honolulu, HI - MeSA	7
2	New York-Newark-Bridgeport, NY-NJ-CT-PA - CSA	17
3	Los Angeles-Long Beach-Riverside, CA - CSA	14
4	San Jose-San Francisco-Oakland, CA - CSA	17
5	Hilo, HI - MiSA	16

³³ RSE = Relative standard error

Table 8b: Relative Standard Error of Estimate (Percent) for the Top Five Industry Sectors for Minority Firm Concentration, 2002³⁴

Industry Sector Ranking	Industry Sector	Relative Standard Error of Estimate (Percent) for Number of Firms	Relative Standard Error of Estimate (Percent) for Percentage of Firms in Minority Group
All Minority			
1	Other Services	NA	NA
2	Health Care and Social Assistance	NA	NA
3	Professional, Scientific, and Technical Services	NA	NA
4	Retail Trade	NA	NA
5	Administrative Support, Waste Management, and Remediation Services	NA	NA
	Total	NA	NA
African American			
1	Health Care and Social Assistance	1	NA
2	Other Services	1	NA
3	Administrative Support, Waste Management, and Remediation Services	2	NA
4	Professional, Scientific, and Technical Services	1	NA
5	Retail Trade	2	NA
	Total	NA	NA
American Indian & Alaska Native			
1	Construction	2	NA
2	Other Services	2	NA
3	Health Care and Social Assistance	4	NA
4	Professional, Scientific, and Technical Services	3	NA
5	Retail Trade	6	NA
	Total	NA	NA
Asian			
1	Other Services	1	NA
2	Professional, Scientific, and Technical Services	1	NA
3	Retail Trade	1	NA
4	Health Care and Social Assistance	1	NA
5	Accommodation and Food Services	2	NA
	Total	NA	NA
Hispanic			
1	Other Services	1	NA
2	Construction	1	NA
3	Administrative Support, Waste Management, and Remediation Services	1	NA
4	Health Care and Social Assistance	1	NA
5	Retail Trade	1	NA
	Total	NA	NA
Native Hawaiian & Other Pacific Islander			
1	Retail Trade	9	NA
2	Administrative Support, Waste Management, and Remediation Services	14	NA
3	Professional, Scientific, and Technical Services	10	NA
4	Construction	12	NA
5	Real Estate and Rental and Leasing	12	NA
	Total	NA	NA

³⁴ NA = Not available

Table 9b: Relative Standard Error of Estimate (Percent) for the Number of Firms by Industry Division, 2002³⁵

Industry	Classifiable Firms	All Minority	African American	American Indian and Alaska Native	Asian	Hispanic	Native Hawaiian and Other Pacific Islander
Total for all sectors	NA	NA	1	1	-	1	3
Forestry, Fishing and Hunting, and Agricultural Support Services	NA	NA	6	8	4	4	23
Mining	NA	NA	12	14	8	11	80
Utilities	NA	NA	17	17	13	15	-
Construction	NA	NA	2	2	3	1	12
Manufacturing	NA	NA	2	6	2	2	24
Wholesale Trade	NA	NA	3	4	1	3	14
Retail Trade	NA	NA	2	6	1	1	9
Transportation and Warehousing	NA	NA	1	6	2	1	11
Information	NA	NA	2	10	2	3	25
Finance and Insurance	NA	NA	1	6	3	2	23
Real Estate and Rental and Leasing	NA	NA	2	5	2	2	12
Professional, Scientific, and Technical Services	NA	NA	1	3	1	2	10
Management of Companies and Enterprises	NA	NA	17	39	20	10	-
Administrative Support, Waste Management, and Remediation Services	NA	NA	2	5	2	1	14
Educational Services	NA	NA	3	11	4	4	27
Health Care and Social Assistance	NA	NA	1	4	1	1	S
Arts, Entertainment, and Recreation	NA	NA	2	9	4	3	15
Accommodation and Food Services	NA	NA	3	8	2	4	30
Other Services	NA	NA	1	2	1	1	S
Unclassified	NA	NA	13	27	14	11	S

³⁵ The term 'classifiable firms' refers to all U.S. firms less publicly held firms, foreign firms, non-profits and other firms whose ownership cannot be classified in terms of race, ethnicity, and/or gender. NA = Not available; - represents zero.

Appendix E: List of Tables and Charts

List of Tables

Table 1a: Total Firms, Total Gross Receipts and Total Paid Employees, 1997 - 2002	8
Table 1b: Relative Standard Error of Estimate (Percent) for Total Firms, Total Gross Receipts and Total Paid Employees, 1997- 2002	41
Table 2: Change in Average Gross Receipts, 1997- 2002	10
Table 3a: Top Five States for Minority Firm Concentration, 2002	16
Table 3b: Relative Standard Error of Estimate (Percent) for the Top Five States for Minority Firm Concentration, 2002	42
Table 4: Share of Minority Firms and Minority Population by State, 2002	17
Table 5a: Minority Firms by State and Race or Hispanic Origin, 2002	8
Table 5b: Relative Standard Error of Estimate (Percent) for Minority Firms by State, Race, and Hispanic Origin, 2002	43
Table 6: Change in Minority Firms, Gross Receipts and Population, 1997 - 2002	19
Table 7a: Top Five Combined Statistical Areas for Minority Firm Concentration, 2002	20
Table 7b: Relative Standard Error of Estimate (Percent) for the Top Five Combined Statistical Areas (CSAs) for Minority Firm Concentration, 2002	44
Table 8a: Top Five Industry Sectors for Minority Firm Concentration, 2002	23
Table 8b: Relative Standard Error of Estimate (Percent) for the Top Five Industry Sectors for Minority Firm Concentration, 2002	45
Table 9a: Number of Firms by Industry Division, 2002	39
Table 9b: Relative Standard Error of Estimate (Percent) for the Number of Firms by Industry Division, 2002	46
Table 10: Distribution of Firms by Group and Industry, 2002	40

List of Charts

Chart 1: Change in Number of Firms and Gross Receipts, 1997-2002	9
Chart 2: Number of Minority Firms (in millions), Total Receipts (in \$ trillions), and Paid Employment (in millions) for Minority Firms	12
Chart 3: Percentage of Minority Population, Number of Firms and Gross Receipts	13
Chart 4: Parity Comparison for Number of Minority Firms (in millions)	14
Chart 5: Parity Comparison for Total Receipts for Minority Firms (in \$ trillions)	14
Chart 6: Parity Comparison for Paid Employment for Minority Firms (in millions)	14
Chart 7: Industries Distribution for Minority-Owned Firms, 2002	24
Chart 8: Industries Distribution for Classifiable Firms, 2002	24
Chart 9: Industries with the Highest Average Gross Receipts for Minority Firms Compared to Classifiable Firms	26
Chart 10: SGI and Non-SGI Firms as a Percentage of All Minority Firms, 2002	28
Chart 11: Change in Number of Firms, Gross Receipts, Average Gross Receipts, and Paid Employment for Minority and Non-Minority Firms, 1997-2002	29
Chart 12: U.S. Map of Minority Firms, by State Concentration, 2002	36
Chart 13: U.S. Map of Change in Concentration of Minority Firms, by State, 2002	37
Chart 14: U.S. Map of Change in Gross Receipts of Minority Firms by State, 2002	38



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UNITED STATES DEPARTMENT OF COMMERCE
Minority Business Development Agency
 Washington, D.C. 20230

December 14, 2009

The Honorable Henry A. Waxman, Chairman
 Committee on Energy and Commerce
 U.S. House of Representatives
 2125 Rayburn House Office Building
 Washington, D.C. 20515

Dear Chairman Waxman:

Thank you for the opportunity to provide additional information relevant to the House Subcommittee on Commerce, Trade, and Consumer Protection hearing entitled "The Minority Business Development Agency: Enhancing the Prospects for Success" held on October 15, 2009. Enclosed are responses to the questions for the record received by the Minority Business Development Agency from certain Members of the Committee on November 19, 2009.

Please feel free to contact me at (202) 482-2332 or Ms. Bridget Gonzales Young, Chief of the Office of Legislative, Education and Intergovernmental Affairs at (202) 482-3774 or via e-mail at bgonzales@mbda.gov if you have any questions or additional requests.

Sincerely,

David A. Hinson
 National Director

Attachment



**Responses to Questions for the Record
Submitted to the
Subcommittee on Commerce, Trade, and Consumer Protection**

The Honorable Bobby Rush

- 1. Since it was created in 1969, the Minority Business Development Agency has worked to provide MBEs with training, marketing and management assistance and financial planning. In 2008, MBDA was able to help more than 25,000 MBEs. However, there are still a significant number of MBEs who do not take advantage of MBDA resources. Mr. Hinson, you've outlined some ambitious goals for your agency for FY 2010, including establishing MBDA as the "Agency of Choice" for MBEs.*

Question: How does your agency currently publicize your services to eligible firms?

Answer: MBDA programs, services and accomplishments are publicized through a wide variety of channels by staff in headquarters and five regional offices. These efforts include:

- proactive outreach on ARRA and other opportunities to minority chambers of commerce, trade associations, corporate supplier diversity executives, state and local directors of minority business programs;
- staffing at the Department of Commerce's new "CommerceConnect" office in Michigan;
- participation in external conferences, workshops, forums and expos as speakers, panelists, exhibitors and attendees;
- hosting MBDA sponsored events such as business-to-business forums, MBDA Summit, National and Regional Minority Enterprise Development (MED) Week conferences;
- distribution of printed materials such as a network directory and minority business data wheel;
- media interviews, articles and stories; and
- online presence through www.mbda.gov, www.commerce.gov, www.grants.gov, www.business.gov, and other websites.

MBDA has 1 FTE dedicated to public affairs, which includes publicity, marketing and media relations. In addition, MBDA's programs and services are marketed by the Agency's nationwide network of minority

business centers (grantees) who conduct extensive outreach activities to the local minority business enterprise (MBE) community and through the networking efforts of our strategic partners and stakeholders. MBDA does not purchase advertising or procure the services of a marketing/public relations firm.

Question: Do you have any plans to change your publicity strategies to increase the prevalence of the MBDA among minority business communities?

Answer: MBDA continually looks for ways to improve and expand its marketing and public affairs efforts. Most recently, MBDA expanded its outreach strategy to include a MBDA blog and a presence on Facebook and LinkedIn. MBDA expects to create “widgets” featuring minority business facts and tips for on-line use by strategic partners, stakeholders and other interested entities. Current plans also include monthly guest columns in major minority business trade magazines (e.g., Black Enterprise, Minority Business News-USA and Minority Business Entrepreneur); outreach to mainstream media and business associations, such as Crains, economic clubs, and the U.S. Chamber of Commerce; and stronger linkages with the clients of the International Trade Administration, the Economic Development Administration and the U.S. Small Business Administration.

Question: Are you looking to open new Business Opportunity Centers in states where there are none?

Answer: With more than four million minority-owned firms in the United States and the potential for greater economic impact, MBDA appreciates the Committee’s interest in opening up additional centers to meet the growing demand for services. However, the Agency is not currently contemplating an expansion of the Agency’s Minority Business Opportunity Centers, Minority Business Enterprise Centers or Native American Business Enterprise Centers. MBDA is exploring alternatives for providing services in a cost-efficient and effective manner to minority firms in states where there is not an MBDA Center and welcomes the opportunity to work with the Subcommittee regarding this initiative.

2. *A 2008 report by the Interior Department’s IG found contracting officers’ coding errors were the primary reason large companies were listed as holding small-business contracts. Interior took credit over the past two years for more than \$5.7 million in small-business contracts that it actually awarded to large corporations, come of which are Fortune 500 companies. This is indicative of a larger miscoding problem that has affected minority firms’ access to the federal marketplace as some*

of the miscoding carries over into firms miscoded as minority when actually they are majority operated firms.

Question: What steps has the MBDA taken to ensure that it is assisting legitimate minority businesses?

Answer: As provided in Executive Order 11625 and 15 C.F.R. § 1400.1, MBDA provides services to business concerns owned or controlled by African Americans, Asians, Alaskan Natives, Hispanics, Native Americans, Native Hawaiians, Pacific Islanders or Hasidic Jews. Every client that receives services from MBDA and its Centers completes a client intake form that: (a) requires the owner to self-certify he/she is a racial/ethnic minority as defined by Executive Order 11625 and 15 C.F.R. § 1400.1; and (b) includes questions about the firm's legal structure, racial/ethnic ownership, management team, revenues, industry, services, etc. MBDA does not require any government or private sector minority certification to receive services.

Question: If you would, please outline the MBDA certification process.

Answer: MBDA does not operate a certification program.

Question: Are you doing anything to ensure that all agencies are coding properly?

Answer: Coding is generally conducted by the contracting officer at each federal department or agency. MBDA does not administer or oversee this function. However, MBDA does have the technical capabilities to track and report government contract and grant awards to minority firms with a high level of specificity. For example, in support of the Administration's commitment to ensure that minority firms have an equal opportunity to participate in economic stimulus contracts and grants, MBDA is in the process of developing a system for data-mining and cross-checking ARRA prime and secondary awards (contracts and grants) to minority firms at the federal, state and local levels. We will keep the Subcommittee abreast of this data once the tracking system is fully implemented.

3. *Mr. Hinson, in May 2007 the Kansas City Business Journal asked area minority business executives about minority business issues. According to Christian Sloan, vice president and director of sales of Li'L Guy Foods, "the biggest misconception by far is that all minority businesses are small."*

Question: Do you agree that there is a misconception?

Answer: That misconception does sometimes exist, and it can impede the ability of minority firms to grow because they are often perceived as ill-equipped to provide products and services on a large scale. While most minority firms gross less than \$500,000 on an annual basis, there are minority firms of size, scale and capacity that have significant economic impact on local communities. Based on Census Bureau 2002 data, the most recent data available, 5% of the four million minority firms generated \$500,000 or more in annual sales, and 2% of all minority businesses generated \$1 million or more. These firms contributed over 75% of annual sales for all minority businesses (\$496 billion out of \$661 billion) and almost equally the number of jobs created. If minority businesses were performing at economic parity, the U.S. economy would benefit from an additional \$1.8 trillion in annual gross receipts, 1.4 million new jobs and an additional tax base exceeding \$100 billion per year. MBDA contends that a vibrant U.S. economy needs a well-balanced mix of large, medium and small firms to sustain healthy local economies and reliable employment opportunities.

Question: **Because of this misconception do you feel there is a gap in assistance that many minority firms fall into?**

Answer: Approximately eight years ago, MBDA conducted a review of business development providers and found more than 2,000 entities focused on start-up, micro- and small business ventures. Nearly all available government resources focus on working with small businesses. These programs are good at helping a firm manage organic growth. However, the needs of a medium or large minority business are very different than the needs of a small business. Minority firms with an eye on growth can have difficulty diversifying their client and customer base-- expanding from government contracts to private sector contracts; and moving from neighborhood customers to regional, national and global customers. Minority firms seeking to expand globally need access to viable trading partners, exporting assistance, and trade missions. Medium and large minority firms can use training and technical assistance to form joint ventures, strategic partnerships and counsel on pursuing mergers and acquisitions. Growing minority firms sometimes have trouble accessing larger infusions of funds, venture capital, mezzanine funding and private equity.

Question: **How do you propose to fill this gap?**

Answer: MBDA is currently conducting a review of its programs and services. Preliminary plans include expanding our expertise to meet the needs of medium and large minority-owned firms, especially those in frontier industries such as renewable and alternative energy and health care IT. MBDA will also raise the visibility of exporting opportunities through

an enhanced partnership with the International Trade Administration. MBDA seeks not to duplicate existing efforts conducted through other Federal programs but rather developing complimentary services that will help build rapid growth firms capable of generating jobs in local communities.

Question: Do you feel that small minority firms are kept small due in part to lack of continuing assistance?

Answer: Many growing, medium-sized minority firms struggle in their transition to enter and successfully compete in the larger market. As discussed above, while most government business assistance resources and programs are targeted at smaller companies, MBDA has chosen to focus its programs on helping medium- and large-sized minority firms.

The Honorable George Radanovich

1. *The SBA estimates the average cost of complying with certain Federal regulations at more than \$7,600 per employee for a firm with fewer than 20 employees. Every business has a threshold at which it will be unable to shoulder these costs and remain in business.*

Question: In your opinion, does the government impose unnecessary and costly regulations that are barriers to entry and barriers to success?

Answer: Certain regulatory costs, if applied evenly to all firms regardless of size, become a greater burden to smaller firms. A firm whose annual sales are 1/10 of a larger firm will pay more as a cost percentage of their annual sales to comply with regulatory requirements. MBDA supports the Federal government's efforts to wisely balance the costs and benefits of its regulations.

2. *In your testimony, you stated MBDA targets growth industries which follow a high margin business model.*

Question: Is this a de facto government decision to choose winner and losers?

Answer: No. This issue is not about selecting winners and losers; it is about building America's global competitiveness. Certain industries offer higher growth opportunities and play more prominently in the global economy. Focusing on these industries increases America's competitiveness internationally and adds important dollars to the gross domestic product. If American firms are to compete and win globally, they must be at the higher end of the profit spectrum. Historically, minority businesses have been at the lower supply chain tier levels and equally low levels of profitability within certain industries. MBDA is working to transition minority businesses away from mature and (in some cases) declining industries. This is also an effort on the part of MBDA to be efficient and a good steward of taxpayers' dollars. In this respect, MBDA seeks to maximize Agency resources to create jobs, build viably competitive firms and expand the U.S. tax base.

3. *Under accepted economic theory, high margin industries are generally only temporary because competitors will enter the industry in an attempt to claim a share of those high margins.*

Question: Under this logic, would it be a better use of taxpayer dollars and more beneficial to a greater breadth of businesses to follow a strategy similar to an investment portfolio strategy of diversification? In other words, should MBDA diversify its resources across all sectors—high growth, low growth, etc.?

Answer: Our portfolio is diversified. MBDA provides services to minority firms of all sizes and across multiple industries, such as but not limited to construction, retail, food services, and manufacturing. However, minority businesses are currently under-represented in many high growth industries and are clustered in low growth sectors. Our effort to target growth sectors is in direct response to the current lack of diversification of minority businesses across sectors.

4. *Recognizing that every agency and its constituency will always want and need more resources, we must also recognize the limitation on available resources given the projected trillion dollar deficit over the next 10 years.*

Question: **Given these circumstances, in your opinion, in which areas can or should the MBDA focus its attention and improve internally to improve provision of services?**

Answer: MBDA continuously looks for ways to be more efficient in its operations through the use of technology, strategic partnerships and minority business centers. In FY 2008, each MBDA minority business center helped to create an average of 121 jobs, and assisted in securing an average of \$23.5 million worth of contracts and an average of \$24.8 million worth of financial investments in minority firms. Current plans for improving MBDA's provision of services include strengthening our global linkages for Agency clients through the International Trade Administration; increasing the skill set of staff at MBDA and in our funded centers to offer a more sophisticated set of services; and providing more robust and interactive web-based tools.