



# THE STATE OF BLACK-OWNED SMALL BUSINESSES IN AMERICA

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## Introduction

America's 31 million small businesses drive job creation and are fundamental to the country's economy and our local communities.<sup>1</sup> They are essential engines of growth, as they generate two-thirds of all net new jobs<sup>2</sup>, produce nearly half of America's annual economic activity,<sup>3</sup> and are the vehicles of American innovation and competitiveness. For every \$1 spent at a small business, around 67 percent stays in the local community and creates an additional 50 cents in local business activity due to employee spending and businesses purchasing local goods and services.<sup>4</sup> Entrepreneurship is a vital to building community wealth, for small businesses and their employees alike.

With that said, in 2018, approximately 18.3 percent, or 1 million, of all employer firms in the U.S. were owned by minorities.<sup>5</sup> Black Americans owned 124,551 employer businesses, representing 2.2 percent of all employer businesses.<sup>6</sup> Small businesses constitute the majority of these firms given that small firms, defined as independent businesses with less than 500 employees, comprise 99.9 percent of all businesses in the U.S.<sup>7</sup>

While America's population continues to become more racially and ethnically diverse, the percentage of Black-owned employer firms suggests business ownership has not kept pace with population growth.<sup>8</sup> Closing the Black-owned small business gap is essential to economic growth, increasing American prosperity, and closing the racial wealth gap.<sup>9</sup>

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<sup>1</sup> U.S. Small Bus. Admin. Office of Advocacy, *Frequently Asked Questions About Small Businesses*, (Rev. Oct. 2020), <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/11/05122043/Small-Business-FAQ-2020.pdf> [hereinafter "Advocacy FAQ"].

<sup>2</sup> *Id.*

<sup>3</sup> Kathryn Kobe & Richard Schwinn, *Small Business GDP: 1998-2014*, U.S. Small Bus. Admin., Office of Advocacy, (Dec. 2018), <https://cdn.advocacy.sba.gov/wp-content/uploads/2018/12/21060437/Small-Business-GDP-1998-2014.pdf>.

<sup>4</sup> Business Wire, *Another Reason to Show Small on Small Business Saturday: Approximately 67 Cents of Every Dollar Spent at a Small Business Remains in the Local Community*, (Nov. 13, 2018), <https://www.businesswire.com/news/home/20181113005356/en/Another-Reason-to-Shop-Small%C2%AE-on-Small-Business-Saturday%C2%AE-Approximately-67-Cents-of-Every-Dollar-Spent-at-a-Small-Business-Remains-in-the-Local-Community>.

<sup>5</sup> Press Release, The U.S. Census Bureau, *Annual Business Survey Release Provides Data on Minority-Owned, Veteran-Owned and Women-Owned Businesses*, (Jan. 28, 2021), <https://www.census.gov/newsroom/press-releases/2021/annual-business-survey.html> [hereinafter "Census Bureau data"].

<sup>6</sup> U.S. Census Bureau, *Annual Business Survey 2019, Data Year 2018*, <https://data.census.gov/cedsci/table?tid=ABSCS2018.AB1800CSA01&hidePreview=true>.

<sup>7</sup> Advocacy FAQ, *supra* note 1.

<sup>8</sup> See William H. Frey, Brookings, *The Nation is Diversifying Even Faster Than Predicted, According to New Census Data*, (July 1, 2020), <https://www.brookings.edu/research/new-census-data-shows-the-nation-is-diversifying-even-faster-than-predicted/>.

<sup>9</sup> See, e.g., Founders of Color, *Disrupt This! Why Minority Entrepreneurship is Stuck and What Needs to Happen Next*, [https://s3.amazonaws.com/kajabi-storefronts-production/sites/31978/themes/973257/downloads/NXcEaNdBSuvjX37zdSqN\\_Disrupt\\_This\\_FOC\\_Final\\_Report.pdf](https://s3.amazonaws.com/kajabi-storefronts-production/sites/31978/themes/973257/downloads/NXcEaNdBSuvjX37zdSqN_Disrupt_This_FOC_Final_Report.pdf).

Starting and running a small business can be a challenge for any entrepreneur, but it is well-established that Black small business owners face higher hurdles than their white counterparts.<sup>10</sup> This report will discuss the systemic challenges Black small business owners face in three key areas: access to capital, mentorship, and business opportunities. The report also highlights how the COVID-19 pandemic has exacerbated these challenges and presents potential strategies that could level the playing field for Black entrepreneurs and small business owners, ultimately strengthening the nation's economic recovery.

## Black-Owned Businesses Before COVID-19

According to the U.S. Census Bureau's 2019 Annual Business Survey, in 2018 Black Americans operated 124,551 employer businesses.<sup>11</sup> Of those businesses, 28.5 percent were in the health care and social assistance sector, the highest percentage of any minority group in that sector.<sup>12</sup> Prior to the COVID-19 pandemic, Black business ownership and entrepreneurship was trending upwards with Black-owned businesses with employees increasing by 31.2 percent from 2002-2017.<sup>13</sup> Equally important, Black-owned businesses without employees increased 36.3 percent between 2007 and 2012.<sup>14</sup> However, it is worth noting that approximately 58 percent of Black-owned businesses were at risk of financial distress before the pandemic, compared with about 27 percent of white-owned businesses.<sup>15</sup>

## Historic Challenges Faced by Black Small Businesses

Research suggests that minority-owned small businesses are more likely to hire locally and create jobs within their communities.<sup>16</sup> Yet, institutional discrimination and social inequalities make it more challenging for minority small business owners, and specifically Black-owned businesses, to get the support they need, leaving billions of potential revenue unrealized each year.<sup>17</sup> Below, we discuss three significant challenges facing Black-owned small businesses. While this list is not exhaustive, research has shown that inadequate access to capital, mentorship, and business opportunities are persistent issues plaguing the Black small business community.

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<sup>10</sup> See, e.g., The Hamilton Project, *Minority and Women Entrepreneurs: Building Capital, Networks, and Skills*, (Mar. 2015), [https://www.brookings.edu/wp-content/uploads/2016/06/policy\\_brief\\_minority\\_women\\_entrepreneurs\\_building\\_skills\\_barr.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/policy_brief_minority_women_entrepreneurs_building_skills_barr.pdf).

<sup>11</sup> Census Bureau data, *supra* note 5.

<sup>12</sup> *Id.*

<sup>13</sup> USAFacts, *A higher share of Black-owned businesses are women-owned than non-Black businesses* (Updated Feb. 11, 2021), <https://usafacts.org/articles/black-women-business-month/>

<sup>14</sup> *Id.*

<sup>15</sup> David Baboolall, et. al., *Building supportive ecosystems for Black-owned US businesses*, (Oct. 29, 2020), <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/building-supportive-ecosystems-for-black-owned-us-businesses> [hereinafter "Baboolall"].

<sup>16</sup> The Federal Reserve Bank of Kansas City & the Federal Reserve Bank of Atlanta, *2020 Small Businesses of Color Recovery Guide: For City Leaders and Community Groups*, [https://www.kansascityfed.org/community/smallbusiness/~/\\_media/9e81baed2f844ad1ad19ee14b933b83b.ashx](https://www.kansascityfed.org/community/smallbusiness/~/_media/9e81baed2f844ad1ad19ee14b933b83b.ashx) [hereinafter "KC Fed"].

<sup>17</sup> Andre Perry, et. al., *Five-star Reviews, One-star Profits: The Devaluation of Businesses in Black Communities*, (February 2020), <https://www.brookings.edu/research/five-star-reviews-one-star-profits-the-devaluation-of-businesses-in-black-communities/>.

*Access to Capital Barriers* — Deep and persistent discrimination in the economic system has disproportionately impacted Black entrepreneurs and small businesses. Black entrepreneurs and small business owners are more likely to face increased requirements for bank loans than their white counterparts while simultaneously being more likely to have their loan applications rejected.<sup>18</sup> On average, Black households have lower income levels and less collateral than white households, resulting in less traditional forms of credit.<sup>19</sup>

Historically, banks and other financial institutions have viewed Black entrepreneurs as high-risk candidates for mortgages and other loans.<sup>20</sup> Indeed, the valuations of risk used by lending institutions, credit scores and loan to value ratios, disproportionately limit credit availability to borrowers of color.<sup>21</sup> As a result, Black loan applicants are more likely to have their small business loans rejected with only one percent of Black business owners receiving a bank loan within their first year of business.<sup>22</sup> In addition, it has been found that large banks approve about 60 percent of loan applications from white small business owners but just 29 percent of loan applications from Black small business owners.<sup>23</sup> When Black business owners do receive loans, research suggests they are subject to higher interest rates by lenders.<sup>24</sup>

Compounding the problem, reports have found that Black business owners are more likely than white owners to forgo applying for financing because they believe they would be turned down. Among Black employer firms, 37.9 percent reported being discouraged, compared to 12.7 percent of white-owned firms.<sup>25</sup> These racial gaps in banking relationships exist even among the financially healthiest firms. When controlling for only firms that are healthy or stable, sizable differences remain between Black- and white-owned firms in financing from traditional lending institutions. Even among the firms that should not have major difficulties accessing bank credit (given business performance and creditworthiness), Black-owned employers were much less likely to have obtained bank financing in the past five years. Instead, most rely on personal savings or financing from family and friends. The Federal Reserve Bank of New York’s research shows 54 percent of healthy or stable white employers have an existing banking relationship, compared to 33 percent of healthy or stable Black employers.<sup>26</sup>

<sup>8</sup> Baboolall, *supra* note 15.

<sup>9</sup> Wyatt Massey, ABP News, *Closing the funding gap would create 600,000 new jobs and \$55 billion for the economy*, (Jun. 25, 2018), <https://abeautifulperspective.com/2018/06/2018-black-entrepreneurs-battling-access-gap/>.

<sup>10</sup> William Towns, KelloggInsight, *Black-Owned Business Often Struggle to Access Capital. Here’s How Financial Institutions Can Change That*, (Jul. 20, 2020), <https://insight.kellogg.northwestern.edu/article/black-owned-businesses-access-capital-financial-institutions-change>.

<sup>11</sup> KC Fed, *supra* note 16.

<sup>12</sup> *Id.*

<sup>13</sup> Sifan Liu & Joseph Parilla, *Business Owned by Women and Minorities Have Grown. Will COVID-19 Undo That?*, Apr. 14, 2020), <https://www.brookings.edu/research/businesses-owned-by-women-and-minorities-have-grown-will-covid-19-undo-that/>.

<sup>14</sup> Rachel Atkins, et. al., *Discrimination in Lending? Evidence from the Paycheck Protection Program*, (Jan. 15, 2021), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3774992](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3774992) [hereinafter “Atkins”].

<sup>15</sup> Federal Reserve Banks, *2020 Small Business Credit Survey: Report on Employer Firms*, (Apr. 7, 2020), <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2020/2020-sbcs-employer-firms-report>.

<sup>16</sup> Federal Reserve Bank of New York, *Double Jeopardy: COVID-19’s Concentrated Health and Wealth Effects in Black Communities*, (Aug. 2020),



*Mentorship Gap* — Having a mentor is an invaluable resource when creating and developing a small business. In a 2018 survey, 92 percent of respondents stated that having a mentor is vital to business success.<sup>27</sup> Despite this belief, Black entrepreneurs are less likely to have access to mentorship networks and are also less likely to seek out professional services from lawyers or accountants for business assistance.<sup>28</sup>

Having a mentor makes it easier for small business owners to learn management skills, navigate financing options, and access new markets. The current disparity between Black business owners, the Black proportion of the population, and Black leaders in positions of power at large firms means that Black entrepreneurs are less likely to know or be exposed to Black mentors or a Black mentorship network.<sup>29</sup> However, in recent years Federal and private institutions have dedicated more resources to minority small business outreach. The Small Business Administration’s (SBA) Resource Partners, specifically the Small Business Development Centers (SBDCs) and the Service Corps of Retired Executives (SCORE) have committed to expanding their counseling and training outreach at Historically Black Colleges and Universities (HBCUs) and increasing the diversity of their counselors and clientele.

In addition, the Minority Business Development Agency (MBDA) specializes in outreach to minority small business owners. Minority Business Development Centers (MBDCs) are located in majority-minority communities across the country and specialize in providing counseling and training to minority small business owners seeking access to new markets and financing streams, strategies to grow their business, and a myriad of unique small business concerns.<sup>30</sup> However, the MBDA has never been statutorily authorized by Congress and, as a result, their budget has not kept pace with inflation and the agency has faced attempts from previous Administrations to disband the agency entirely.

*Inadequate Access to Business Opportunities* — Black-owned businesses are often underutilized. For example, the almost 125,000 employer firms owned by Black Americans in the U.S. account for an estimated \$128 billion in receipts, and thus participated in only 0.33 percent of the total receipts received by all employer firms. In comparison, the 4.8 million employer firms owned by white Americans account for \$13.3 trillion in receipts or 34.6 percent of all employer firm receipts.<sup>31</sup>

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[https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy\\_COVID19andBlackOwnedBusinesses](https://www.newyorkfed.org/medialibrary/media/smallbusiness/DoubleJeopardy_COVID19andBlackOwnedBusinesses) [hereinafter “New York Fed”].

<sup>27</sup> Rob Starr, *92% of Small Business Owners Say Mentors Have Major Impact on Growth*, Small Business Trends, (Oct. 21, 2018), <https://smallbiztrends.com/2018/10/importance-of-mentors-in-business.html>.

<sup>28</sup> Baboolall, *supra* note 15.

<sup>29</sup> *Id.*

<sup>30</sup> U.S. Dept. of Commerce, Minority Business Development Agency, *MBDA portal*, (last visited Feb. 16, 2021), <https://www.mbda.gov/who-we-are/overview>.

<sup>31</sup> U.S. Census Bureau, *Annual Business Survey 2019, Data Year 2018*, at: <https://data.census.gov/cedsci/table?tid=ABSCS2018.AB1800CSA01&hidePreview=true>.

The federal government has long recognized the role it can play in maximizing participation of minority-owned small businesses in government procurement. To that end, the SBA administers several small business contracting programs in which Black-owned businesses can participate. The cornerstone of those programs is the 8(a) Business Development Program, commonly known as the 8(a) Program.

The 8(a) Program is a 9-year business assistance program for socially and economically disadvantaged individuals or entities.<sup>32</sup> As such, it mainly focuses on minority-owned small businesses because members of certain ethnic or racial groups are presumed socially disadvantaged.<sup>33</sup> Once certified into the program, businesses are eligible for multiple benefits, including contracting preferences in the form of set aside awards (in which competition is restricted to 8(a) contractors) and sole source awards (contracts awarded without competition).<sup>34</sup>

To encourage the use of the program, there is also a statutory goal of awarding five percent of all prime eligible contracts to small disadvantaged businesses, which include 8(a) businesses.<sup>35</sup> This goal has been consistently met, with more than 10 percent awarded to socially disadvantaged small businesses in FY 2019.<sup>36</sup> Yet, only 3.6 percent was awarded through the 8(a) program.<sup>37</sup>

In addition to the federal government, it is imperative for state governments and the private sector to maximize business opportunities for Black-owned businesses. While the federal government is the single largest procurer in the U.S., it is estimated that State governments, municipalities, and public educational institutions procure an estimated \$1.5 trillion annually, which represents three times as much.<sup>38</sup> Likewise, private companies have a role to play; it is estimated that Fortune 1000 companies, on average, each spend \$1 billion on annual procurement.<sup>39</sup> Recently, some large companies have launched programs to support black-owned businesses.<sup>40</sup> For example, with the intent of closing the racial wealth gap, a financial services firm pledged \$1.15 billion, including \$350 million in procurement spending, on Black-owned businesses.<sup>41</sup>

<sup>32</sup> See, U.S. Small Bus. Admin, 8(a) Business Development Program portal, at: <https://www.sba.gov/federal-contracting/contracting-assistance-programs/8a-business-development-program> [hereinafter “8(a)”].

<sup>33</sup> 13 CFR §124.103.

<sup>34</sup> 8(a), *supra* note 32.

<sup>35</sup> 15 U.S.C. 644(g). See generally: Robert Jay Dilger, Cong. Research Serv., R44844, *SBA’s “8(a) Program”: Overview, History and Current Issues*, (Updated 2021), <https://crsreports.congress.gov/product/pdf/R/R44844>.

<sup>36</sup> U.S. Gen. Servs. Admin., beta.SAM.gov, *Small Business Goaling Report: FY 2019*, at: <https://beta.sam.gov/reports/awards/static>.

<sup>37</sup> *Id.*

<sup>38</sup> Peter Bassine, et. al., *Big Ideas for Small Businesses*, (Oct. 18, 2020) [https://drexel.edu/~media/Files/nowak-ab/201019BigIdeas\\_6P.ashx](https://drexel.edu/~media/Files/nowak-ab/201019BigIdeas_6P.ashx).

<sup>39</sup> *Id.*

<sup>40</sup> Baboolall, *supra* note 15.

<sup>41</sup> Baboolall, *supra* note 15.

Impact of COVID-19

In addition to the historic challenges and barriers experienced by Black-owned small businesses, the pandemic has contributed further burdens, pushing 41 percent of Black-owned U.S. businesses into closure from February to April 2020,<sup>42</sup> the largest closure rate of any racial group.<sup>43</sup> In a May 2020 McKinsey survey, more than 50 percent of surviving Black-owned businesses reported being very or extremely concerned about the viability of their business.<sup>44</sup> SCORE, one of SBA's largest Resource Partners, also conducted a client survey in August 2020. Of the roughly 3,500 responses, they found that Black-owned businesses were significantly more disrupted than their white counterparts and were more likely to seek, but less likely to receive, additional private or government assistance.<sup>45</sup>

Compounded by pre-existing systemic barriers to success, Black-owned businesses have been disproportionately impacted by the pandemic. These specific hurdles are described below:

*Mandated Closures* — Businesses with higher rates of interaction between customers and employees have been impacted by state mandated closures, social distancing requirements, and stay at home orders the most. According to the Federal Reserve Bank of Cleveland, four of the six hardest-hit industries have sectors or subsectors with above average minority representation.<sup>46</sup> The effect of the state mandated closures has been a severe financial strain on minority-owned businesses that have already faced barriers to access to capital. In addition, research and surveys show that, prior to the pandemic, Black-owned businesses were less likely to be in a financial position to weather prolonged business closures and disruptions.<sup>47</sup> The 2019 Small Business Credit Survey calculated that 29 percent of all small businesses were financially at risk or distressed but 58 percent of Black small businesses fell into either category.<sup>48</sup> With the historic barriers to capital experienced by Black small business owners and entrepreneurs, state mandated closures in majority-minority industries, while necessary to protect public health, may have caused a perfect storm leading to many permanent closures.

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<sup>42</sup> *Id.*

<sup>43</sup> Federal Reserve Bank of Cleveland, *An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms*, (Oct. 8, 2020), <https://www.clevelandfed.org/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx> [hereinafter "Cleveland Fed"].

<sup>44</sup> Baboolall, *supra* note 15.

<sup>45</sup> Service Corps of Retired Executives (SCORE), *The Megaphone of Main Street: The Impact of COVID-19, Infographic #2-Impact on Black-owned Small Businesses*, (Oct. 5, 2020), <https://www.score.org/resource/infographic/megaphone-main-street-impact-covid-Black-owned-small-businesses>.

<sup>46</sup> Cleveland Fed, *supra* note 43.

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

*Location* — Black businesses are geographically concentrated and clustered in metropolitan hubs where it is more likely to experience a high volume of COVID-19 cases. The Federal Reserve Bank of New York found the volume of COVID-19 cases coincide with Black-owned business locations, as two-thirds of counties with high levels of Black business activity pre-COVID-19 are in the top 50 COVID-affected areas.<sup>49</sup> This geographic concentration coupled with mandated closures has led to an outsized effect on Black-owned businesses generally. Not only do Black businesses have to contend with stricter and prolonged closures, social distancing requirements, and fewer customers, they are also at a higher risk of contracting COVID-19 and dealing with its health effects due to industry and geographic concentration.

*Federal Response: Paycheck Protection Program* — The Paycheck Protection Program (PPP) was established in the CARES Act<sup>50</sup> as a subprogram of SBA’s 7(a) loan guarantee program. Under PPP, banks and other private lenders make fully guaranteed SBA loans to small businesses negatively impacted by the COVID-19 pandemic. The loans are intended to assist small businesses with meeting payroll costs and other expenses and offers full or partial loan forgiveness if loan proceeds are spent on such purposes. In total, over \$800 billion has been appropriated for PPP in several pieces of legislation. The Enhancement Act<sup>51</sup> included a series of set-asides of newly-appropriated PPP funds so that community lending institutions, including Community Development Financial Institutions (CDFIs), Certified Development Companies (CDCs) and SBA Microloan Intermediaries could participate in the program on equal footing with large banks. These set-asides were intended to maximize PPP lending in traditionally underserved business communities.

While the inclusion of set-asides for underserved communities and expanded access at non-traditional banking institutions has been an improvement, the initial rollout of the PPP left many Black-owned businesses shut out of the program. A recent study reported that lenders in Washington D.C. area were more likely to discourage Black loan applicants from applying to loans and steered them away from SBA products in general.<sup>52</sup> While the scope of this report is limited, in both geography and sample size, it raises the question of whether loan seekers in other regions of the country have had similar experiences and is particularly troubling to the Committee. With Black-owned businesses being half as likely as white-owned firms to have borrowed from a bank in the past five years, these access issues may have left some Black-owned businesses in a disadvantaged position early in the pandemic.<sup>53</sup>

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<sup>9</sup> New York Fed, *supra* note 26.

<sup>0</sup> P.L. 116-136.

<sup>1</sup> P.L. 116-139.

<sup>2</sup> Atkins, *supra* note 24.

<sup>3</sup> Cleveland Fed, *supra* note 43.



In addition to having access issues at traditional lending institutions in the early stages of PPP, there are geographic disparities among PPP recipients and concentrations of Black-owned businesses. According to the Federal Reserve Bank of New York, PPP loans reached only 20 percent of eligible small businesses in states with the highest densities of Black-owned businesses.<sup>54</sup> Analysis of PPP loan distribution has found that aid from the first round of PPP is not correlated with the number of COVID-19 cases in the state suggesting that existing relationships with traditional lenders and amount of community banks per small business played an outsized role in securing PPP funds.<sup>55</sup>

## Moving Forward

In the U.S., Black-owned small businesses have faced historic barriers to success and have been disproportionately impacted by the COVID-19 pandemic. Despite these challenges, Black-owned businesses play a critical role in supporting families, communities, and our national economy. As the country continues to understand the challenges faced by Black-owned small businesses and seeks to Build Back Better after the pandemic, Congress and the Administration should dedicate the necessary resources to supporting the agencies and programs that assist Black-owned small businesses and work to level the playing field for Black small business owners.

*Increased Access to Capital*— Increasing financial resources is paramount to Black-owned small business survival during the pandemic and to their future success.<sup>56</sup> Black-owned small businesses and entrepreneurs must have access to more varied financing options including seed-funding, investors, and responsible online borrowing options where race may play less of a factor in loan approval. If additional federal COVID-19 relief is approved, Congress should take into consideration the set-asides that will directly impact Black-owned small businesses and entrepreneurs. Continuing to set aside additional PPP funding for minority-owned small businesses may compensate for challenges faced at the outset of the program.

*Increased Mentoring Support*— Congress should consider increasing funding for minority small business counseling and training outreach. In particular, increases in resources should be directed to the MBDA’s MBDC program. MBDC’s connect small business owners and entrepreneurs with experts that will help grow their business, secure capital, compete for contracts, and answer other business-related questions. The MBDA has existed for more than 50 years but has never been statutorily authorized by Congress. Authorizing this agency would give it the security necessary to meet its goals and the counseling and training needs of minority-small business owners. In addition, when adjusted for inflation, the MBDA has seen a sharp drop in its funding levels since the 1970’s. It is past time for Congress to increase its annual appropriations and prove the U.S. prioritizes minority small business ownership.<sup>57</sup>

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<sup>54</sup> New York Fed, *supra* note 26.

<sup>55</sup> New York Fed, *supra* note 26.

<sup>56</sup> Baboolall, *supra* note 15.

<sup>57</sup> Connor Maxwell, et. al., *A Blueprint for Revamping the Minority Business Development Agency*, (Jul. 31, 2020), <https://www.americanprogress.org/issues/race/reports/2020/07/31/488423/blueprint-revamping-minority-business-development>.

SBA's Resource Partners, including the Small Business Development Centers (SBDCs), SCORE, and Women's Business Center's (WBCs), are the premier providers of counseling and training services to millions of small business owners and entrepreneurs each year. However, more can be done to expand their outreach to minority business owners, particularly Black-owned small businesses and entrepreneurs.

Spearheaded by the Biden Administration, the new Community Navigator pilot program, included in the recent budget reconciliation package, seeks to enhance outreach to small business owners in underserved communities. Under this model, traditional business assistance organizations including the SBDCs, WBCs, SCORE, and other organizations will engage trusted, culturally knowledgeable partners to conduct targeted outreach to specific sectors of the entrepreneurial community. The bill provides \$100 million for the Community Navigator program and \$75 million to support outreach and education. Congressional leaders will continue to monitor and support the implementation of the pilot program to ensure that underserved communities receive the assistance they need.

*Increased Access to Opportunities* — Congress should consider increasing funding for the 8(a) and other SBA contracting programs to ensure certifications and services can be optimized. Congress should also enact legislation as needed to encourage the use of SBA contracting programs and facilitate that the Administration can deliver on its promise of substantially surpassing the five percent goal for contracting with socially disadvantaged businesses. In this regard, Congress should increase the 8(a) sole-source thresholds for individually owned firms, which will allow Black-owned businesses to tap into additional and higher dollar contracts. Furthermore, it will be important to not just focus on the procurement dollars awarded but on the amount of small businesses and Black-owned small businesses participating in government procurement. Thus, Congress and the Administration should work together on eliminating any barriers to entry or to meaningful competition. Finally, Congress and the Administration should leverage the resources at their disposal to ensure state governments and the private sector are doing their part to provide meaningful opportunities to Black-owned small businesses.

## Conclusion

Black-owned small businesses provide essential services to their communities and persist despite economic and societal discrimination. As the country continues to work to Build Back Better, it is important that citizens, Congress, and the Administration look at the facts of the challenges facing Black small business owners in America. Despite the challenges facing their creation and success, Black-owned small businesses are cornerstones in communities across the country and positively impact the lives of their employees and neighbors daily. If given the support they need and deserve, there are no limitations to their continued success.