

Written Testimony by

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Introduction

Thank you Chairman Hoeven, Ranking Member Udall, and members of the Committee for the opportunity to appear before you today. I am honored to appear before you today to testify on behalf of the Minority Business Development Agency (MBDA) in the Department of Commerce. Bipartisan congressional support over the years has contributed to MBDA's success in fostering minority business development since 1969. We welcome this hearing as an opportunity to discuss the tools MBDA has available to support community development in Indian Country.

Since my appointment as MBDA National Director, I have placed a great deal of emphasis on implementing transformative initiatives to increase MBDA's impact on Minority Business Enterprises (MBEs). Secretary Ross and I are working to implement the Administration's plan to modernize MBDA for the future through technology, market-driven business development programs, and leveraging data, policy and strategic partnerships. Specifically, the Administration seeks to increase the number of minority-owned firms with annual gross receipts of a million dollars or more from 2% to 3% over the next five years.

MBDA in Indian Country

It is estimated there are more than 11 million minority-owned firms in the U.S., approximately 273,000 of which are American Indian and Alaska Native-owned firms¹. MBDA has a strong track record of working in Indian Country to promote economic empowerment and self-determination through entrepreneurship. Historically, MBDA's primary service delivery model has been through brick and mortar business centers that provide management and technical

¹ U.S. Census Bureau, 2012 Survey of Business Owners

assistance to reach American Indian and Alaska Native business owners. MBDA business centers are operated by third party stakeholders who compete for an MBDA grant and enter into a cooperative agreement with MBDA to achieve distinct performance metrics.

Because MBDA is focused on achieving strategic economic impact, MBDA steers its business centers to primarily serve minority businesses with revenues of a million dollars or more, and/or businesses with rapid growth potential. Between fiscal year 2012 and fiscal year 2017, MBDA invested \$8.7 million in MBDA Business Centers in Indian Country. During this five-year award period, these business centers secured more than \$3.6 billion in contracts and capital for their clients, leading to the creation and/or retention of over 14,400 jobs. The grant cycle for these five MBDA Business Centers in Indian Country came to an end in FY 2018.

Lessons Learned: Tribal Consultations

It is MBDA's standard operating procedure to reevaluate its service delivery model at the natural conclusion of the business centers' multi-year grant cycle. MBDA undertook a series of tribal consultations between November 2016 and February 2017 in anticipation of the grant cycle coming to an end for the MBDA Business Centers in Indian Country.

Five tribal consultations were conducted between MBDA and federally recognized tribes, American Indian and Alaska Native business/trade/economic organizations, and American Indian and Alaska Native-owned firms. To supplement our tribal consultations, MBDA also conducted its first listening session with Native Hawaiian businesses, organizations, community leaders, and other stakeholders.

The purpose of the tribal consultations is to provide an opportunity for tribal leaders to provide their input on how MBDA could better provide business development services and programs in Indian country as the Agency considered how, and whether, to structure a new grant opportunity for Indian Country in lieu of the current MBDA Business Center program. The information gathered from these consultations was informative. Overarching lessons learned from the tribal consultations can be synthesized into the following themes:

1. One-size does not fit all: A uniform approach to business development in Indian Country constrains creative approaches to localized needs. Prescriptive criteria for the type of firms to serve and strict performance outcomes limit impact and potential. MBDA marketing and outreach materials should also be culturally relevant to specific American Indian, Alaska Native, and Native Hawai`ian communities.
2. Tribal sovereignty: Recognize and honor the unique political relationships Tribes have with the United States Government; and the legal differences between Tribes, Alaska Native Corporations, Alaska Villages and Native Hawai`ians.
3. Advocate and educate: MBDA can serve an important role as a champion for American Indian, Alaska Native, and Native Hawai`ian communities with other federal agencies, policy makers and public servants. Conversely, MBDA can provide high level business development training to Tribal Board members.
4. Leverage technology: Minimize the time and cost of business education, coaching and technical assistance by providing more resources and tools on-line through web and cloud-based platforms, webinars, teleconferences and mobile devices.

The most common business development needs cited during the tribal consultations were access to capital, business training, coaching on federal procurement, business incubator and accelerator programs, and infrastructure enhancements.

Flexible Grants

These tribal consultations helped MBDA envision a new approach to business development in Indian Country involving more flexible competitive grant competitions. This new approach would eliminate the non-Federal cost share, provide greater flexibility to grant recipients, and reduce the administrative and programmatic burden associated with traditional MBDA Business Centers.

In 2018, we issued a competitive grant competition to solicit innovative solutions to common business development needs in Indian Country that were identified during the tribal

consultations. We received more than 40 grant applications specific to Indian Country requesting upwards of \$20 million in funding. As a result of the grant solicitation, MBDA made 10 awards totaling \$3.2 million. (See Attachment A for a list of the specific awards). This represents almost 3 times the dollar investment made in Indian Country compared to the year before under the MBDA Business Center model; and double the number of grant recipients. Let me share with you three projects that illustrate Native-inspired solutions:

1. United Tribes Technical College (UTTC), located in Bismarck ND, previously operated a MBDA business center and only provided services to individual business owners. Today, with less prescriptive program requirements and performance metrics, UTTC has diversified its approach and is now working with 12 Tribal Nations in the Great Plains region to maximize Tribal, state and Federal resources and opportunities for economic development on a larger scale. This is in addition to UTTC's work assisting a portfolio of established business enterprises with management and technical assistance; and helping new start-up businesses obtain capital.
2. The American Indian Science and Engineering Society (AISES) in Albuquerque, NM is focused on developing the next generation of Native American entrepreneurs interested in developing STEM-related businesses in Arizona, Nevada and Utah. With funds from MBDA and other sources, the AISES is coaching, training, and assisting a cohort of 24 Native STEM graduates and/or professionals with entrepreneurial and business management skills. An additional benefit of this program is the access it provides to business experts, resources and tools.
3. The National Center for American Indian Enterprise Development in Mesa, AZ is using funds from MBDA to broaden its reach to Native Americans located in the East Coast through one-day institutes and its on-line business ecosystem, known as the Native Edge. By recruiting more Native firms to the Native Edge, the project fosters Native-to-Native business exchanges, employment, and access to procurement and capital opportunities.

We are very pleased with the work being performed by the grant recipients and look forward to reviewing their semi-annual reports.

In FY 2019, MBDA will continue supporting business development in Indian Country using a similar approach. We will be releasing a Notice of Federal Funding Opportunity to solicit special projects and programs to address common business development needs within the American Indian, Alaska Native, and Native Hawai`ian communities this spring. I welcome this Committee's support for our new approach and your assistance with promoting our competitive grant programs. We are eager to make investments that will have a positive impact in Indian Country.

MBDA's Office of Policy Analysis and Development

Another way MBDA can impact more MBEs is through its work as a policy, research and advocacy authority. Since Congress approved MBDA's request to establish an Office of Policy Analysis and Development (OPAD), we have been working to operationalize the new unit. Last October, MBDA produced the *State of Minority Business* report based on the results of the Census Bureau's 2012 *Survey of Business Owners* and data from the *Annual Survey of Entrepreneurs*. We also launched a data visualization tool on our website that allows visitors to see key statistics about the number of minority-owned firms in each state, by race and ethnicity. OPAD is responsible for promoting MBDA's domestic economic growth and job creation agenda by providing data and research, in-depth analysis, and comprehensive policy recommendations for minority business development based on economic and industry trends. Conducting data analyses about American Indian, Alaska Native and Native Hawai`ian (AIANNH) businesses and producing special reports of interest to AIANNHs is expected.

MBDA's Virtual Business Center

MBDA is also taking steps to better leverage technology through its Virtual Business Center (VBC). The VBC serves as a virtual platform for strategic partners to provide services to minority-owned businesses. This approach is a natural evolution of how MBDA provides

management and technical assistance to an ever-expanding base of minority business enterprises. The VBC supports MBDA's mission by ensuring MBEs, regardless of geographic location, gain greater access to the products and services that support their growth and development.

The Office of Native American Business Development

Additional strategies and tools for advancing economic development in Indian Country were made available by this Committee when it passed the Native American Business Development, Trade Promotion, and Tourism Act of 2000, which later became Public Law 106-464. Although funds were never appropriated to establish the Office of Native American Business Development (ONABD) at the Department of Commerce, nor was it stood up as envisioned by Public Law 106-464, many of the programmatic objectives have since been provided by MBDA, the Economic Development Administration, the International Trade Administration, the U.S. Census Bureau, and other Department of Commerce bureaus. Between 2005 and 2013, MBDA utilized funds from its base budget to staff ONABD with a director through an expert consultant appointment. The ONABD director's primary role was to work directly with American Indian tribes, Alaska Native Corporations, and AIAN firms; and to collaborate with Department of Commerce Bureaus and other federal agencies.

I understand this Committee, particularly Chairman Hoeven, has a special interest in the Office of Native American Business Development, and I would like the Committee to know that I am working with Secretary Ross and the Department to restore the director position and revive the ONABD. I welcome the opportunity to work with you on this shared priority.

MBDA: Winning the Future

With the number of minority-owned growing firms that gross over a million dollars in annual revenues stalled at 2%, the work MBDA does to build more firms of size and scale is even more important than it was when the MBDA was founded 50 years ago. Firms that cross the million dollar revenue threshold are poised to have a positive impact in their communities through job

creation. Further, firms of size and scale expand the tax base making it possible for towns, cities, and states to provide much needed infrastructure to their citizens. This is no more evident than in Indian Country where tribal members are yearning for economic prosperity.

That is why I am passionate about MBDA's mission and the potential we have to make a difference in the lives of the American people. Thank you again, Mr. Chairman, Ranking Member Udall, and members of the Committee for the opportunity to testify today.

Attachment A

FY 2018

MBDA Broad Agency Announcement Grant Recipients

American Indian-Alaska Native-Native Hawai`ian Projects

	Organization's Name	Project Coordinator	Address	City	ST	Zip	Phone #
1	American Indian Science and Engineering Society	Sarah EchoHawk	4263 Montgomery Blvd. N.E. Suite 200	Albuquerque	NM	87109	505-765-1052
2	Asian, Inc.	Michael Chan	1167 Mission Street, 4th Floor	San Francisco	CA	94103	415-928-5910 ext.105
3	Council for Native Hawaii Advancement	Danielle Chavez	91-1270 Kinoiki Street	Kapolei	HI	96707	808-596-8155
4	Kauffman & Associates, Inc.	Joann Kauffman	165 S. Howard St., Suite 200	Spokane	WA	99201	509-747-4994
5	National Center for American Indian Enterprise Development	Christopher James	953 E. Juanita Ave.	Mesa	AZ	85204	480-371-9169
6	New Mexico Community Capital	Peter Holter	219 Central Ave. N.W. Suite 200	Albuquerque	NM	87102	505-924-2820
7	Rural Community Assistance Corporation	Stanley Keasling	3120 Freeboard Dr.	W. Sacramento	CA	95691	916-447-9832 ext. 1002
8	Rural Enterprises of Oklahoma, Inc.	Scott Dewald	2912 Enterprise Blvd.	Durant	OK	74701	580-924-5094
9	United Tribes Technical College	Charles Archambault	3315 University Dr.	Bismarck	ND	58504	701-255-3285
10	University of Alaska-Anchorage	Rebecca Beck	3211 Providence Drive	Anchorage	AK	99508	907-786-4676