

The Minority Business Development Agency Established in Statute

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Congress has considered an increasing number of policies designed to promote individual economic mobility as well as broader national economic growth. They include several proposals to reduce inequities and advance minority entrepreneurship, innovation, and business expansion activities. Such policies have included efforts to expand the Department of Commerce's [Minority Business Development Agency \(MBDA\)](#) programs and establish the agency in statute. The agency was originally established by [Executive Order](#) under President Nixon over [52 years ago](#). On November 15, 2021, the Minority Business Development Act of 2021 (Division K of P.L. 117-58) authorized the MBDA in statute. The act codified select existing programs, added new programs and roles, and expanded the scope and scale of the MBDA's services. This Insight highlights the agency's expanded roles and new programs, and identifies some considerations for Congress.

MBDA Overview

The MBDA is the [lead federal agency](#) supporting the minority business community's growth and global competitiveness. The agency provides management and technical assistance to minority business enterprises (MBEs) through a network of minority [business centers](#) and [specialty centers](#). To further increase MBE's access to capital, contracts, and markets, MBDA partners with other agencies and private sector partners on business development services, cross-sector initiatives, annual events, and interagency groups and commissions. The statute defines an MBE as a business enterprise that is not less than 51%-owned by one or more socially or economically disadvantaged individuals; and the management and daily business operations of which are controlled by one or more socially or economically disadvantaged individuals. For information on MBDA activities, see [CRS Report R46816](#).

Agency Establishment

Congress has considered proposals to codify the MBDA for decades. The MBDA's powers and duties are now to be set in accordance with the statute "and without regard to Executive Order 11625 (36 Fed. Reg. 19967; relating to prescribing additional arrangements for developing and coordinating a national

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program for minority business enterprise).” Additionally, the organization and duties of MBDA offices and the location of regional offices will likely shift. The MBDA is to be led by an Under Secretary of Commerce for Minority Business Development to be selected by the President and confirmed by the Senate.

New Programs and Partnerships

The act established several new MBDA programs and activities, including:

- Initiatives to promote economic resiliency for MBEs, including:
 - An annual diverse business capital formation forum,
 - A study on alternative financing, and
 - Grants to historically black colleges and universities (HBCUs) and minority-serving institutions (MSIs) for entrepreneurship curriculum development and activities to increase entrepreneurial education and training;
- Rural Business Centers;
- Grants to nonprofit organizations to support MBEs;
- An MBE Advisory Council; and
- Coordination and convening activities among federal agencies regarding socially or economically disadvantaged businesses.

The act authorizes the MBDA to implement services through partnerships with both private and public sector entities, and directs the agency to engage with specific partners (e.g., HBCUs, MSIs, community-based organizations, national nonprofit organizations, and community-based organizations) on several new programs. For instance, the act directs MBDA to establish Rural Business Centers with MSIs, and to partner with HBCUs, MSIs, and others on new entrepreneurial education activities. New activities include the Parren J. Mitchell Entrepreneurship Education Grants Program to develop and implement entrepreneurship curricula as well as education and training activities to support socially or economically disadvantaged individuals in the fields of business, management, and entrepreneurship. Additionally, once established, the MBE Advisory Council—composed of both public and private sector members—will advise the MBDA on plans, programs, and activities.

Support for Existing Programs

In some instances, the Minority Business Development Act of 2021 expands the scope of existing activities. For example, the act expands support for the MBDA Business and Specialty Center programs and the agency’s research, evaluation, outreach, and informational activities. The Rural Business Center program—although a new program—may be viewed as an expansion of the existing MBDA Business Center program to serve MBEs in rural areas. The act codifies the agency’s research, evaluation, and outreach activities, and directs the agency to undertake certain studies and outreach roles.

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

Considerations

Absent specific statutory requirements, the President could have exercised authority to effectively terminate the MBDA's discretionary activities at any time without congressional consultation or consent. Now that the agency is statutorily authorized, the President no longer has this authority.

The act establishes the agency and expands its roles and programs, which may increase awareness of the agency's services and increase access to these services by new and previously underserved communities and MBEs. For instance, once established, the Rural Business Centers will serve lower-density regions that may not have large concentrations of minority populations or MBEs compared to more populous regions or metropolitan areas. The establishment of regional MBDA offices may further extend the MBDA's services through their engagement with local and regional business development partners, lending partners, and federal, state, and local procurement offices. Additionally, the authorizing statute involves the Under Secretary in partnerships, outreach, and other activities with public sector entities in order to leverage resources and promote the position of MBEs in local economies. The act authorizes the agency to coordinate federal MBE programs, which may elevate the agency's overall visibility among federal agencies and MBEs, and may expand interagency collaboration and programming opportunities.

Congress may wish to conduct oversight on implementation of the Minority Business Development Act of 2021, focusing on the efficacy of the new and expanded activities authorized by the legislation.

Congress may also be asked to confirm a presidential nominee for Under Secretary of Commerce for Minority Business Development to lead the MBDA and may consider the level of funding for the expanded agency.

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