

Testimony of Stephanie DeVane

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Hearing of the House Committee on Small Business:

“Entrepreneurship in the New Economy.”

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Chairwoman Velázquez, Ranking Member Luetkemeyer and members of the House Committee on Small Business, thank you for the opportunity to testify at today’s hearing titled: “Entrepreneurship in the New Economy.” My name is Stephanie DeVane and I am the Vice President of Entrepreneurship & Business Development at the National Urban League. I bring you greetings on behalf of Marc Morial, our President and CEO.

The National Urban League is an historic civil rights, community-based organization dedicated to economic empowerment and the guarantee of civil rights for African Americans and other underserved communities in America. As a national nonprofit intermediary, we provide direct comprehensive services that improve the lives of nearly two million people each year, through our affiliate network of 91 Urban League affiliates in 36 states and the District of Columbia.

National Urban League Entrepreneurship Center Program

As the Vice President of Entrepreneurship & Business Development, I manage, oversee, and advocate on behalf of 12 Urban League Entrepreneurship Centers located in Atlanta, GA; Baltimore, MD; Chicago, IL; Cincinnati, OH; Cleveland, OH; Houston, TX; Jacksonville, FL; Las Vegas, NV; Los Angeles, CA; New Orleans, LA; Philadelphia, PA; and Washington DC. The National Urban League’s Entrepreneurship Center (EC) Program provides management counseling, mentoring, and training services for entrepreneurs looking to start, grow or scale their business. Services include comprehensive business planning and support, financial/credit education, access to capital, business to business networking, contracting/procurement opportunities, and certification. The skills learned will enable minority entrepreneurs to improve operations, increase capacity, obtain financing and contracts, and better serve their customers, with the goal of creating jobs that will lead to sustainable businesses, and ultimately generate wealth for themselves, their families, and communities.

Our centers serve entrepreneurs of all racial, gender and socio-economic demographics, but the most frequent Urban League Entrepreneurship Center Program client is an African American woman, who is earning a low to moderate income and has an existing business.

Results through December 31, 2020 show that our Entrepreneurship Centers served approximately 23,928 participants through counseling (10,098 sessions) and training (attendance of 13,830) activities. We helped clients to secure \$108.6 million in financing and contracting opportunities, as well as save or create 714 full and part-time jobs.

Impact of Pandemic on Black Owned Businesses

The COVID-19 pandemic and resulting economic disruption has disproportionately impacted minority owned businesses. According to a National Bureau of Economic Research Analysis of the impact of COVID-19 on small businesses, from February to April 2020, an estimated 41 percent of Black-owned businesses, 32 percent of Latino-owned businesses, and 26 percent of Asian-owned business closed while 17 percent of white-owned businesses closed.¹ Black-owned businesses overwhelmingly operated in sectors more likely to be exposed to the effects of the pandemic – namely, healthcare, social assistance, hospitality, retail, and face-to-face businesses – or in industries that faced prolonged shutdowns as a result of the social distancing guidelines enacted by states and localities to protect their citizens.

The COVID-19 pandemic also exacerbated existing structural inequities in small business lending. For Black and Latino business owners, the racial wealth gap and implicit bias have made securing access to capital exceedingly difficult. A study by the Stanford Institute on Economic Policy found that only one percent of Black business owners get a bank loan during their first year of business, compared to seven percent of white business owners.² Unsurprisingly, a national survey of over 8,000 small businesses conducted from October -November 2020 found that only twenty-nine percent of Black businesses secured Paycheck Protection Program (PPP) funds – the Federal government’s signature small business COVID-19 pandemic relief and recovery program, compared to sixty percent of white-owned small businesses.³ Lack of financial empowerment – strategic planning and financial management skills – on the part of business owners themselves and the discriminatory decision by many banks to only do PPP loans with existing customers contributed to this deficit of PPP funds within minority communities. This left many businesses owners without the financial reserves to sustain their businesses during the pandemic.

Nevertheless, the pandemic was not without some green shoots. Our Entrepreneurship Centers have witnessed Black-owned businesses experience an increase in sales in the wake of the racial justice movement that occurred in the spring and summer of 2020. How long this will last remains to be seen, but it is a positive.⁴ We have also seen a slight surge in the population of Black-entrepreneurs – some are rebuilding or reopening stores that closed early in the pandemic, other workers have lost jobs and are now starting their own businesses to survive, while others are starting their long-time passion projects or “side hustles” or were inspired by the social justice climate and the post-pandemic culture of work and are finding the pandemic the opportune time to become an entrepreneur.

¹ <https://www.nber.org/reporter/2020number4/covid-19-small-business-owners-and-racial-inequality#2>

² <https://siepr.stanford.edu/sites/default/files/publications/17-003.pdf>

³ [\[cdn.multiscreensite.com/45d2c930/files/uploaded/Distribution%20Version%20%2812.10.2020%29%20for%20RMS%20Poll%20Launch%20v1.pdf\]\(https://irp-cdn.multiscreensite.com/45d2c930/files/uploaded/Distribution%20Version%20%2812.10.2020%29%20for%20RMS%20Poll%20Launch%20v1.pdf\)](https://irp-</p></div><div data-bbox=)

⁴ <https://www.mckinsey.com/about-us/covid-response-center/inclusive-economy/black-owned-businesses-face-an-unequal-path-to-recovery>

National Urban League Entrepreneurship Centers

To meet the needs of our entrepreneur-clients, National Urban League Entrepreneurship Centers undertook precautionary measures to ensure the safety of staff and clients by developing contingency plans; including telework, cancelation of all nonessential travel, and rescheduling in-person meetings to video and audio calls. They conducted training, workshops, and counseling sessions through digital/telephonic means with clients on their phones, tablets, and laptops. They hosted webinars to guide entrepreneurs through the disaster loan application process, address questions, and assist with gathering of documents and information for small businesses experiencing cash flow issues as a result of this crisis. They also disseminated key information and updates from the Small Business Administration and other agencies, as well as guidance on specific resources from partner organizations. Finally, they provided general information and updates on COVID-19 and links to resources to help entrepreneurs manage business processes and develop disaster recovery plans.

In June 2020, we received a one-year CARES ACT Award from the Minority Business Development Agency (MBDA) which enabled our Entrepreneurship Centers to provide small business and minority business enterprises with technical assistance, training, education, and advisory services to fill the gaps revealed by the COVID-19 pandemic.

Services provided with support from the CARES Act award included:

- increasing access to capital and business resiliency;
- identifying and mitigating economic effects arising from lack of systems in place to maintain operations and prevent business disruption;
- identifying and mitigating inadequate financial management practices which increased risk and reduced profitability;
- and identifying and changing less flexible operating models that could not easily be shifted during stay-in-place mandates and contributed to loss of the business, staff, or revenue.

The Entrepreneurship Centers also provided overviews of their services to webinar attendees and collected their contact information to determine whether they were located in a Qualified Low-Income Community or rural area in order to provide the necessary follow up counseling required to continue to address and mitigate these critical post-COVID-19 priorities that formed the basis of the National Urban League's webinar series.

Our goal was to train 1,000 attendees and track and survey all participants. We trained 1,238 attendees, 24% above goal. With regard to counseling and training activities for the June 1, 2020 – May 31, 2021 period for all 12 Entrepreneurship Centers: our goal was to counsel 15 attendees per site, per month over a 10-month period (1,800 clients), track and survey all participants and enroll at least 25% of webinar attendees (250 total) in further Entrepreneurship Centers supports and technical assistance. Results through May 31, 2021, show our 12 Entrepreneurship Centers served approximately 11,253 clients through counseling (5,100 counseled in 13,300 sessions over 15,800 hours) and training (7,100 trained with attendance of 14,600 over 33,200 hours) activities. We helped clients to secure \$137.6 million in financing and contract opportunities, as well as saved or created 1,174 full and part-time jobs.

I also note that the National Urban League was just awarded a \$5 million Small Business Administration Community Navigator award which will allow us to work with 25 Urban League Affiliates to reduce barriers for minority-owned businesses through critical support and resources.

Private Sector Support for Minority Owned Business Development

Anecdotally, because of the increased attention focused on racial inequities following the murder of George Floyd, Breonna Taylor, and Black Lives Matter protests, our Entrepreneurship Centers have also experienced increased interest from corporations and philanthropic organizations in support of our entrepreneurship work in saving, growing, and launching minority-owned businesses.

Earlier this year, the National Urban League launched the \$10 million Black Restaurant Accelerator Program in partnership with the PepsiCo Foundation to help address systemic barriers faced by Black-owned food service companies in the time of COVID-19. With this support, our Entrepreneurship Centers are able to provide coaching and training services needed to help these businesses build an actionable plan for growth with the objective of profitability and sustainability. So far, we've issued cash grants of \$10,000 each to 100 Black-owned foodservice businesses and provided businesses with hundreds of counseling and training hours.

In addition, we launched the Advancing Black Entrepreneurs Education Program in partnership with Chase for Business to help 1,200 Black business owners recover in the wake of the pandemic. Eight Entrepreneurship Centers presented the *How to Use Cash Flow to Maximize Your Business's Success* curriculum which covered topics such as identifying gaps in cash inflows and outflows; increasing cash in (with tips to collect revenue, get paid faster and identify higher income streams); and decrease cash out (with ways to evaluate business needs, improve efficiency, and optimize spending). In the second quarter of this year, our eight Entrepreneurship Centers presented the *Your Next Level Business* curriculum which included topics such as how to establish a foundation for sustainable business growth and developing agility and resilience to help your business navigate challenges.

Our centers have helped countless entrepreneurs triumph despite the odds. Allow me to share the story of Beaucoup Eats, a New Orleans neighborhood eatery that serves up Creole comfort cuisine and provides full-service catering and meal prep services. As a result of COVID-19 mandates for social distancing in New Orleans, many full-service restaurants had to transition their business to take-out and delivery only. This was the case for Beaucoup Eats. Early on during the pandemic, owners Corie and Lakeisha Reed knew that they needed to find a way to safely return to dine-in. To do this, they decided to create an outdoor seating space with tents to safely distance guests while they socialized. Using the funding from the National Urban League's Black Restaurant Accelerator Program, the owners were able to purchase outdoor tents and seating. They also created a brunch event every Sunday to maximize the use of the outdoor seating space. This is what owner Kecia Reed had to say about the program:

"When the pandemic started and we had to shut our doors, we immediately knew we had to move on to an outdoor seating style to keep business going. We reached out to the Sheriff's department, and we were renting tents every week although our revenue didn't support that model. When we heard about this opportunity with PepsiCo, we were very grateful to be considered and picked. The grant from PepsiCo allowed us to purchase 3 tents which meant we could serve at least 50 people and overhead cost were lowered. Given the current 72-hour test or Vaccine Card mandate for inside eating and the inside reduction, we were only able to accommodate 6 to 10 people on the inside at any given time. Without the assistance of this grant, we wouldn't be able to generate the revenue needed to stay in business during this ongoing pandemic." – Kecia Reed, Beaucoup Eats

Forging an Inclusive Recovery for Minority-Owned Businesses in the New Economy

Black-owned small businesses continue to experience a slower path to returning to their pre-pandemic employment levels and face a more uncertain recovery path relative to their peers. In June 2021, McKinsey & Company reported that Black-owned businesses are 20% less likely to get a loan than businesses with white owners, and these businesses often lack access to a supportive network due to implicit bias and the legacy of racism.⁵ A September 2021 Federal Reserve study found that that 51% of Black-owned businesses have less than three months of cash reserves in case of an emergency or another COVID shutdown – a figure nearly 7% greater than their peers.⁶

Some minority-owned businesses have benefitted from the temporary surge in investments by the private sector and government, but this is not enough to ensure that Black entrepreneurs benefit equitably from the Nation's economic recovery and to sustain their growth well-beyond the pandemic. We urge Congress to enact civil rights protections that reduce longstanding racial disparities in access to capital, mentorship, and technical training to ensure a full economic return for minority-owned business. To that end, the National Urban League offers the Committee the following policy recommendations:

1. Enhance Outreach Campaigns to make Federal Programs more Accessible.

The Minority Business Development Agency (MBDA) has long been one of the Federal government's best tools to address the historic barriers to small business ownership faced by minority entrepreneurs. To better support the MBDA's mission in the coming years, Congress should codify the Minority Business Development Agency as a permanent part of the Federal government. Congress should also robustly fund MBDA programs to better support the agency's capacity to develop and sustain minority-owned businesses while helping to build a diverse pipeline of entrepreneurial talent in the coming years. The Bipartisan Infrastructure Framework would codify and boost MBDA funding, provide grant eligibility to national nonprofit organizations that serve as small business incubators and establish regional office. We urge members of the committee to support this package when it comes to the House for a vote.

2. Increase Access to Capital:

The lack of stable and affordable lending options provided in the private market portends poorly for the many small business owners hoping to recover from the economic hardships posed by this pandemic. To better support the long-term growth of these small businesses in the communities they serve, we support the creation of a Federal small-dollar loan program that provides lower down-payment requirements than conventional loan products and capped interest rates. Such a program would also help protect small business owners from being preyed upon by abusive payday loan companies, which too often offer loan products with unaffordable balloon payments, hidden fees, and exceedingly high interest rates.

⁵ <https://www.mckinsey.com/about-us/covid-response-center/inclusive-economy/black-owned-businesses-face-an-unequal-path-to-recovery>

⁶ <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/the-covid-surge-is-slowing-the-road-to-recovery/index.html>

3. Support Pathways to Prime Federal Contracts:

We also support efforts to establish grant programs that seek to provide increased Federal assistance to small subcontractors in an effort to enhance their ability to become prime government contractors. To that end, we support the Administration's inclusion of proposal in the Build Back Better legislation that seeks to create and adequately fund a Federal program tailored to assist small business subcontractors seeking to become prime contractors.

4. Increase Minority Incubator Support:

We also support efforts to spur economic development in underrepresented communities by establishing a national network of business incubators that seeks to grow the Nation's next generation of minority entrepreneurs, including through the use of national and community-based nonprofit organizations.

5. Enhance Technical Assistance:

We support the creation of a \$400 million program designed to support underrepresented small businesses with a focus on technology, research, and development in their efforts to expand their capabilities. The recipients must assist new small businesses and specifically prioritize small business owners that are underrepresented.

On behalf of the National Urban League, we appreciate the Committee's consideration of these proposals and commit to working with you on solutions that ensure all small businesses benefit equitably from this recovery and can build back better in the new economy.

This concludes my testimony. I look forward to your questions.