

Testimony of Gary L. Cunningham
President and CEO of Prosperity Now
Before the Financial Services Subcommittee on National Security, International Development
and Monetary Policy
Thursday, February 4, 2021

Chairman Himes, Chairwoman Waters, Ranking Member McHenry and other Members of the Full Committee, thank you for inviting me here today. It is truly an honor.

My name is Gary Cunningham, and I am the President and CEO of Prosperity Now, a national non-profit that creates, identifies, tests, and scales new and existing solutions that address the root causes of racial economic injustice. I came to Prosperity Now after serving as the president and CEO of a Community Development Financial Institution and Minority Business Development Center. Therefore, I have had experience working hands-on with the Minority Business Development Agency, the State Small Business Credit Initiative, and the Small Business Administration to help entrepreneurs of color succeed.

I'd like to begin by setting the stage. According to the data from the US Senate Committee on Small Business and Entrepreneurs, over the last ten years, minority businesses accounted for more than 50 percent of all new business starts in the United States, and created more than 4.7 million jobs. There are now more than four million minority owned companies in the US, with annual sales of close to \$7 billion. That's a sizeable footprint. Ensuring their financial health as an employer and economic contributor, therefore, is critical.

Small minority business owners are the lifeblood of many communities. They hire a significant percentage of the minority workforce. For example, the Association for Enterprise Opportunity, where I'm the Board chair, completed a study that demonstrates that over 20 percent of the African American workforce in this country are employed by Black-owned firms.

It's critical that we develop specific approaches to help minority businesses grow and scale. This will require targeted programs designed to serve those that have been historically left out—due to the vestiges of discriminatory policies and practices that continue to this day.

For instance, the Paycheck Protection Program, a universal program with outstanding goals, did not reach all businesses equally. Many minority owned businesses were left out of the process inadvertently because the universal program wasn't targeted to their specific situation. Many minority businesses couldn't take advantage because funds were primarily directed to commercial banks and other mainstream financial institutions. Many minority businesses do not have strong relationships with large banks or other financial institutions. It's important to note that even in better times, Black business owners were denied bank loans at triple the rate of nonminority business owners. And on average, Black and Latinx businesses have seven billion dollars in unmet capital needs annually.

We are losing economic productivity and trillions of dollars in GDP when we don't fortify and support a strong ecosystem of minority business enterprise. In fact, according to the US Business Census, Black-owned businesses were the fastest growing business segment in our economy before COVID hit. Between February and May last year, however, a whopping 41 percent of Black-owned firms shuttered. The impact of COVID on BIPOC businesses is dire and threatens to undo the growth seen in the last decade.

I must be clear, however. I am not here to argue for hand-outs. I'm here to argue that targeted, strategic investments to minority businesses will yield significant returns in the forms of increased home ownership, jobs, and tax revenue streams to support local communities. Such an investment makes sense not only in the context of our current crisis, but will also help America build back better.

White-owned firms have significantly higher revenues than BIPOC firms. This is the result of gaps in access to specifically management education or technical assistance, money (access to capital) and markets.

From my experience in working with minority entrepreneurs, access to technical assistance is the secret sauce of success. Trusted guidance in the form of technical assistance is needed to grow and scale. Many need investments in their infrastructure such as bookkeeping and accounting, or even how to successfully apply for a loan. The current systems of SSBCI, MBDA and SBA provide needed infrastructure that should be expanded.

As has been documented by the Federal Reserve and others, another significant barrier is a lack of access to capital. Given the significant wealth gap in this country, BIPOC entrepreneurs are at a significant disadvantage from the start. BIPOC wealth is substantially less, on average, than White wealth in the US. Therefore, many BIPOC business owners don't even have a 401(k) to tap into or friends and family to borrow from to start their businesses.

Despite all of these barriers, entrepreneurs of color are making a difference in this country. They are at the forefront of closing the racial wealth divide. A study from the University of Washington showed that on average, the income gap between white and Black families closed completely for Black families with an entrepreneur.

We face a moment of true reckoning—there's just so much at stake. Giving minority businesses the tools to survive can result in stronger employment and economic outcomes, a healthier trajectory for communities across the country, and a chance to truly close the growing racial wealth gap. Closing this gap is not just a moral argument, it is vital to establish a sound economic future—and, according to McKinsey & Company, could increase the GDP by 1 trillion to 1.5 trillion dollars over the next decade.

Thank you again for the opportunity to be here. I look forward to your questions.