



Written Testimony of
Sharon R. Pinder
President of the Capital Region Minority Supplier Development Council
**Operator of the MBDA Business Center, Washington, DC and the
Federal Procurement Center**
Before the
**U.S. House of Representatives
Committee on Small Business**

**Rayburn House Office Building Room 2360 and Cisco WebEx
February 3, 2021 10:00 a.m.**

Good Morning Chairwoman Nydia Velazquez, Ranking Member Representative Blaine Luetkemeyer and the distinguished members of the Committee on Small Business. It is an honor to provide testimony at the hearing entitled “**State of the Small Business Economy in the Era of COVID-19**”.

Background

I am Sharon Roberson Pinder, President, and CEO of the Capital Region Minority Supplier Development Council (CRMSDC). I also serve as the Operator of two grants from the U.S. Department of Commerce, Minority Business Development Agency (MBDA). We operate the MBDA Business Center, Washington, DC, and the MBDA Federal Procurement Center.

The Capital Region Minority Supplier Development Council is one of twenty-three regional affiliates of the National Minority Supplier Development Council (NMSDC). The National Minority Supplier Development Council is the nation’s only minority business certifying body for the private sector. Nationally, we have 1,400 major corporations as members and 13,000 certified minority business owners as our suppliers. Our mission is to assist our corporate members in improving the diversification and innovation of their supply chains by connecting them to well developed, competitively viable, certified minority business enterprises.

The significance of the establishment of NMSDC is that it was built on the idea of economic development and wealth creation in minority communities. It was the hope of NMSDC’s corporate founders that an employed minority community and a vibrant minority business community would help to generate income that could be spent by that community to buy the products and services from corporate America. To get a perspective about the history of CRMSDC, please view this brief history video: <https://www.youtube.com/watch?v=7euJ7XSUz40>

Pre-COVID-19, on a national level, our NMSDC-certified minority businesses generate more than \$400 billion in economic output that resulted in the creation

and preservation of 2.2 million jobs and \$49 billion in revenue to local, state, and federal tax authorities. COVID-19 has decimated many of our businesses.

Our MBDA Business Center, Washington, DC, and the Federal Procurement Center serves minority-owned firms seeking to penetrate new markets – domestic and globally, can access business experts at our MBDA centers. We provide services to minority-owned businesses, whether it's securing capital, competing for a contract, identifying a strategic partner, or navigating the complexities of the federal government.

The Business Center operated by CRMSDC, one of 37 in the US, works to help access federal, state, and local as well as corporate contracts. The Federal Procurement Center, the only one in the US, provides support to find federal contracts.

Over the last fifty years, MBDA has been operating or authorized under an Executive Order. As such it is subject to elimination any time. It is for this reason that we support the work being done by Senator Ben Cardin to establish MBDA as a statutory agency with consistent funding. It also gives MBDA increased authority to advocate more strongly for minority business inclusion in federal contracting.

My experience as an advocate in the supplier diversity space spans over sixteen years. Whether it was my tenure in state government, local government, or in the private sector, I've learned two important lessons...

- Public policy defines the behavior in the marketplace
- Diverse Demographics will define the future picture of the American economy.

Given the inevitable shift in demographics across this country, it is imperative that we prepare for the future by ensuring the viability and sustainability of our minority businesses.

Len Greenhalgh in this book, “Minority Business Success – Refocus on the American Dream”, says that America is at a point of crisis. “Minorities are poised to become the majority population group, but have not been allowed to make their proportional contribution to the American economy to push the recovery (referencing the 2008 recession.) We need their contribution to boost the nation's output of goods and services and preserve our place in the global marketplace. The White population is declining along with their percentage of GDP. Minorities are increasing their percentage of the population and if their current productivity stays the same, the national GDP will fall as minority contribution to the tax base, buying power, education level, etc., will not be able

to participate fully in the service/knowledge economy of the future nor, in general, sustain the US position in the global economy.

COVID 19- The Impact on Minority-Owned Businesses

We've all heard that when America catches a cold, minorities catch pneumonia. Well, it's now worst. America has COVID-19 and both minorities and their businesses are dying at dramatic rates. Just like many minority individuals have pre-existing health conditions, most minority businesses have faced pre-existing discriminatory conditions that show up in access to capital, opportunities, mentorship, and technical training.

The COVID-19 crisis is affecting small businesses across the board. There are 1.1 million minority-owned employing more than 6.3 million people, generate more than \$1.8 trillion in revenue annually. Women own nearly 300,000 of them, employing 2.4 million workers.

COVID-19 disproportionately affects minority-owned small businesses for two critical reasons:

- they tend to face underlying issues (business co-morbidities) that make it harder to run and scale successfully, and
- they are more likely to be concentrated in the service and health industries most affected by the pandemic.

Rick Wade, from the US Chamber of Commerce, commented on CNN, “racial equality is a national imperative and a matter of American competitiveness.” He also quoted the Kellogg Foundation, stating the minority community is worth \$8T to the Nation’s economy by 2050. This is 1/3 of the current value of the economy which is \$20.8T. **The loss of 41% of the minority businesses so far from the pandemic puts the Nation at risk. [National Bureau of Economic Research, (Feb-Apr 2020)]**

As we examine and reflect upon the state of small minority business, we have to factor in the impact of social injustice during 2020. In the wake of protests around racial injustice, Black-owned businesses were especially impacted. The COVID-19 pandemic has amplified systemic injustices facing minority groups, women, immigrants, and individuals living in poverty. For example, in the U.S., the Black Lives Matter movement has called new attention to the systemic racism facing Black and minority communities. According to the [Global Impact Investing Network \(GIIN\)](#), “Many of these injustices are entrenched in political systems and social norms – and many are reflected in the economic structures that influence wealth-generating activities and shape wealth distribution.....”

According to a report by McKinsey & Company “Of all vulnerable small businesses, minority-owned ones may be most at risk. Many were in financially precarious positions even before COVID-19 lockdowns, and minority-owned small businesses often are in industries more susceptible to disruption. Ensuring that these businesses survive in the current circumstances will require fundamental shifts in how private-, public-, and social-sector organizations come together to support them.”

Strategies and Recommendations

Cash reserve and short term liquidity is paramount for all small businesses, but the challenges are more acute for the most vulnerable ones. Immediate relief in the form of grants, loans, subsidized access to legal advice, professional assistance to negotiate with creditors or landlords, and free-advertising credits could help minority-owned small businesses respond to the pandemic and protect their employees. Community-relief funds could provide short-term support to businesses with reduced revenues. Large companies could also offer emergency grants to support small businesses in crisis.

Accessibility is critical to ensure that the previously mentioned measures deliver impact. In some instances, public institutions may need to improve and tailor their delivery mechanisms so that they reach minority-owned businesses and address their specific needs. Similarly, all those willing to help, including government agencies, not-for-profit organizations, and private-sector companies, may need to review their outreach programs and educational campaigns to increase awareness around the types of assistance they offer. They may also see opportunities to make their programs and services more user friendly and accessible.

By now, we are all familiar with the chaos around the first round of the Payroll Protection Program. African-American and Latino-owned businesses were left out due to the lack of relationships with bigger banks. When new funds were made available, more community-based lending organizations with the goal of reaching more businesses in the underserved communities.

An example of need – This past December our national organization initiated a program that offered small grants (\$5,000) to our certified minority businesses. The funded program was a result of contributions from our corporate members. The number of requests from our MBEs was overwhelming. For us, it was problematic that we could not begin to address the need. Using this experience as a benchmark, I can safely say that over 75% of our businesses remain in need of support during these challenging times.

Magic Johnson Enterprises collaborated with MBE Capital Partners to offer \$100 million in loans to minority and women-owned companies hurt by stay-at-home orders due to COVID-19. The loans were funded through Johnson's EquiTrust Life Insurance Company and will be provided through the SBA's Paycheck Protection Program.

Defense Production Act

The DPA statute is one of the country's most powerful laws for federal intervention in national commercial activity. Passed in 1950 in response to the Korean War, the Act has been reauthorized over 50 times, most recently in 2020. The DPA continues to serve a vital role in empowering the president to protect the country against shortages of critical goods, services and materials necessary for national defense or civil emergency response. The DPA creates incentives for companies to contribute to the crisis response by innovating new uses of their productive capacities and supplier networks.

Title III of the act establishes the president's authority to invest in specific industries. The goal of Title III is to expand the domestic capacity and supply for defense-related materials. If triggered here to fight the virus, as was suggested, but not done under the prior administration, one would expect that direct investment into industries fighting the virus would be accomplished. Manufacturing of vaccines, personal protective equipment, and other products to fight the virus is clearly critical and in the national interest. The idea of investment in business development would be critical to jump-starting minority businesses into manufacturing. This would create a tremendous boom to the economy as manufacturing has a high barrier to entry. At the same time, the benefits are great – high employment and delivery of critical supplies to the economy.

Under Title III, the DPA could be used to invest in minority businesses, since in the long term, there is a threat to national security with the large number of minority businesses that are failing. Unemployment breeds hunger, homelessness, lack of medical care – all of which could lead to unrest. More importantly, DPA could be a vehicle that allows the President to direct financial resources to minority businesses in order to protect this segment of the economy. This could include no-interest loans like those provided to businesses that need to ramp up for defense work.

Example:

The State of Maryland recently implemented a COVID-19 Small Business Relief Grant and Loan Programs. The loan program provides loans from \$50,000 to \$250,000 with interest rates of 0– 2% over 5 years. The federal government

could provide no-interest loans. With the probability that the PPP will not cover all business costs (i.e. pending delayed business leases, home mortgages, equipment leases), businesses will have difficulty ramping up (getting back employees and resources). It is imperative that minority businesses have access to no-cost capital. If necessary to gain acceptance, the no-cost loan could be on a sliding scale based on the amount, (e.g., no interest for up to 5 years after which it becomes a very low cost loan similar to the 30-year SBA loans.)

Title VII of the DPA includes an assortment of provisions further extending the executive branch's powers of economic mobilization and regulation. It also includes a section that establishes a preference for small business contractors in DPA programs. *Section 108 directs the president to show a strong preference for small businesses, especially in underemployed areas when using these authorities.* Showing a preference for minority businesses as a subset of small businesses by expanding use of the sole source provisions of the 8a program would put more money into those minority businesses that compete in both the federal and private sectors. Their federal contracts would help keep them afloat while the private sector contracts come back.

It is feasible that the federal government can increase its purchases from minority businesses in sole-source contracts under DPA. The Biden/Harris Administration could also set and enforce requirements for large contractors to effectively use minority businesses on all DPA contracts. Note that federal procurement only has minority procurement support in the SBA 8a program which covers a small number of businesses for 8 years. After that minority businesses have to compete with all other businesses within certain size standards. It should be noted that discrimination does not stop in the procurement process regardless of size. The ability to get capital remains a problem for the largest minority businesses. This was confirmed by one of my MBDA Business Consultants. A \$200 million firm was still being denied expansion and merger loans even though his credit was impeccable.

Buy American

While the concept of Buy American has been around since 1933, we are excited by President Biden's Buy American Executive Order. First, it will include all federal procurement and not be limited like the 1982 Buy American program in the transportation-only area. The new executive order to Buy American represents a boost for American small businesses after suffering through four years of erratic trade wars and economic policy geared toward fulfilling large corporations' desires. The order will also produce new opportunities for small firms by directing agencies to connect with American small and medium suppliers who can meet their contracting needs. We hope that it will be implemented in a manner that is advantageous for minority businesses.

According to the www.whitehouse.gov, “the dollars the federal government spends on goods and services are a powerful tool to support American workers and manufacturers. Contracting alone accounts for nearly \$600 billion in federal spending”. As it relates to minority businesses, we would like to conceptually provide additional areas for Congress to review, that would allow the US to continue to invest in the development and growth of American minority-owned businesses. Particularly in the area of Advanced Manufacturing. Developing manufacturing jobs in minority or underserved communities can create sustainable economic development and blunt the negativity of gentrification in our urban core.

Example: In compliance with the Buy American Executive Order, we propose a strategy that has national implications. It involves OEM teaming up with foreign manufacturing companies to produce and manufacture goods and services in partnership (i.e. teaming, joint ventures, and mentor protégé relationships) with US-based minority-owned businesses. Such a joint venture could introduce a pathway for foreign businesses who want to move their organizations to the US, an avenue to do so, and, at the same time provide resources and increase support to the development of minority businesses. In unification with President Biden’s “commitment to increase investments in manufacturing industries and workers in order to Build Back Better”, we believe such an undertaking would create a foundation upon which many future American minority businesses can build.

Chairwoman Velazquez, I am very pleased to have submitted this testimony. The Capital Region Minority Supplier Development Council and its board of Directors stand ready to support your House Small Business Committee in its work to help build small and minority businesses in the US. We can also serve as a conduit of information to our sister organizations throughout the country in support of your initiatives.

The State of the Small Business Economy in the Era of COVID-19 is not good and the state of minority business is worse. Therefore, we must make righting this a national imperative. Why, because nothing less than America’s competitiveness – now and post-COVID-19 is at stake.