



**MINORITY BUSINESS
DEVELOPMENT AGENCY**
U.S. DEPARTMENT OF COMMERCE

Fiscal Year 2017
Congressional Budget Submission

February 9, 2016

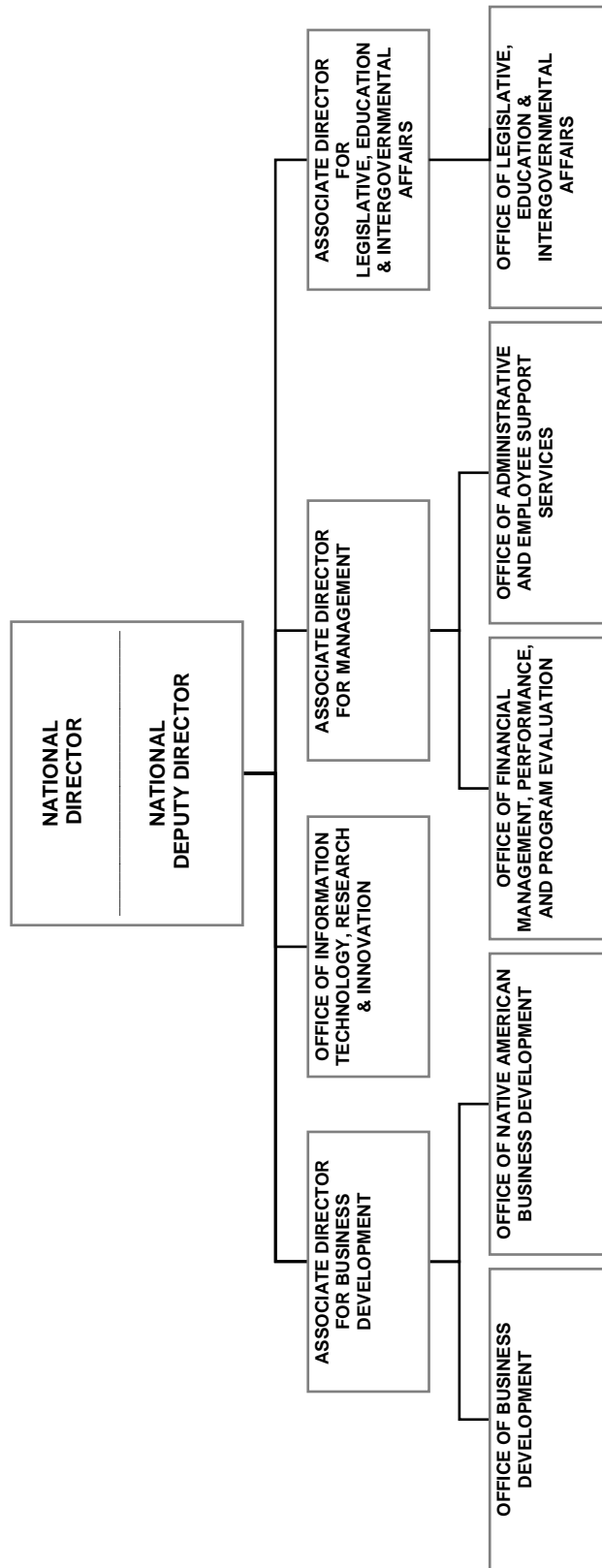
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DEPARTMENT OF COMMERCE
 MINORITY BUSINESS DEVELOPMENT AGENCY
 Budget Estimates, Fiscal Year 2017
 Congressional Submission

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DEPARTMENT OF COMMERCE MINORITY BUSINESS DEVELOPMENT AGENCY Organization Chart



**Department of Commerce
Minority Business Development Agency
Budget Estimates Fiscal Year 2017
Executive Summary**

MBDA Mission Statement:

To promote the growth of minority owned businesses through the mobilization and advancement of public and private sector programs, policy, and research.

Department of Commerce Strategic Goals Supported by MBDA:

The Minority Business Development Agency (MBDA) supports several Department of Commerce strategic goals and underlying objectives. Specific corresponding goals include:

- Trade and Investment: Expand the U.S. economy through increased exports and inward foreign investment that lead to more and better American jobs.
- Innovation: Foster a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies that lead to higher productivity and competitiveness.
- Environment: Ensure communities and businesses have the necessary information products, and services to prepare for and prosper in a changing environment.
- Data: Improve government, business, and community decisions and knowledge by transforming Department data capabilities and supporting a data-enabled economy.
- Operational Excellence: Deliver better services, solutions, and outcomes that benefit the American people.

MBDA's primary contributions to the mission of the Department of Commerce are within the Strategic Goals: Trade and Investment and Innovation. The specific objectives within those Strategic Goals are to promote the vitality and competitiveness of our minority-owned businesses through exports and in fostering minority business advanced manufacturing.

Business Problem and Statement of Economic Benefit:

MBDA is the only federal agency tasked to create new jobs by expanding the U.S. economy through the nation's 8.1 million minority-owned and operated businesses. The Agency fully supports Department of Commerce efforts to ensure the full participation of minority-owned businesses in the United States and global marketplaces. MBDA works to remove barriers to entry and open doors to economic opportunity. MBDA successfully provides minority business development services to minority business enterprises through a network that includes MBDA staff and its funded centers. The MBDA staff and its network of funded centers provide management and technical assistance and offer business services to grow and expand minority owned and operated firms. These efforts build capacity by creating new jobs and retaining existing jobs.

Base Program:

Within the single line appropriation, Minority Business Development, MBDA funds its base program activities with a total FY 2017 base budget estimate of \$31.0 million and a Full-Time Equivalent (FTE) count of 70.

MBDA (\$'s in thousands)	FTE	Amount
FY 2016 Enacted	70	\$32,000
Non-Recur		-2,000
Adjustments to Base	0	1,022
FY 2017 Base	70	\$31,022
Program Changes	3	4,591
FY 2017 OMB	73	\$35,613

Minority Business Public Private Partnerships are MBDA's network of funded centers (grantees) that operate under cooperative agreements. The network of MBDA Business Centers is comprised of for-profit entities, non-profit entities, state and local governments, tribal entities and institutions of higher education. The centers provide an array of business counseling and development services to the minority business community and work in full collaboration with MBDA staff.

Program Changes:

MBDA requests a program increase of \$4.6M and 3 FTE in support of the Minority Business Public Private Partnership Program for FY 2017. MBDA proposes to implement the program increase through two new initiatives:

- Business Innovation for Young Entrepreneurs program for \$3.6M and 3 FTE is consistent with the Department's innovation focus. This program will focus federal grants in regions of the U.S. with high concentrations of minorities, high youth population and high unemployment to engage, educate, and build capacity among minority young entrepreneurs. These grants will serve to bring forward a coordinated synergy among colleges and universities, lab-to-market technology, financing, and business development.
- Minority Business Policy and Research program for \$1M and 0 FTE is consistent with the Secretary's strategic goal to support a data-enabled economy by improving the Department's data capabilities. This initiative will fund research on three important topics: Characteristics of Minority Business Enterprises; A National Inventory of Minority Business Enterprise Disparity Studies; and A National Inventory of Procurement Laws Impacting Minority-owned Enterprises. The timely collection and analysis of data concerning the minority business community will enable government, business, and community leaders to make policy, programmatic and business decisions that are based on accurate and current information.

Total FY 2017 Budget Request:

MBDA requests \$35.6 million for critical funding to enable American minority owned businesses to realize \$3 billion in contracts and financings and to create 7,500 new jobs. The FY 2017 budget request enables existing MBDA business centers to continue operations and to foster innovation and entrepreneurship within the minority business community. MBDA's efforts focused on domestic and international business continue to support the Administration's efforts to create opportunities for the increasing domestic minority population.

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 SUMMARY OF RESOURCE REQUIREMENTS
 Preferred Budget Level
 (Dollar amounts in thousands)

FY 2016 Enacted Budget
 Non-Recur
 plus: 2017 Adjustments to Base
 2017 Base
 Plus (or less): 2017 Program Changes
 2017 Estimate

Positions	FTE	Budget Authority	Obligations
70	70	32,000	32,000
0	0	-2,000	-2,000
0	0	1,022	1,022
70	70	31,022	31,022
3	3	4,591	4,591
73	73	35,613	35,613

	2015 Actual		2016 Enacted		2017 Base		2017 Estimate		Increase/ (Decrease) over 2017 Base
	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	
Minority Business Development:									
Total	54	30,000	70	32,000	70	31,022	73	35,613	3
Adjustments to Obligations:									
Recoveries									
Unobligated Balance, SOY									
Unobligated Balance, Transferred									
Unobligated Balance, EOY									
Unobligated Balance, Expiring									
Financing from transfers:									
Transfer from other accounts									
Transfer to other accounts									
Appropriation		30,000		32,000		31,022		35,613	4,591

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 SUMMARY OF REIMBURSABLE OBLIGATIONS
 (Dollar amounts in thousands)

	2015 Actual	2016 Enacted	2017 Base	2017 Estimate	Increase/ (Decrease) over 2017 Base	
					Personnel Amount	Amount
<u>Comparison by activity:</u>						
Minority Business Development	0	0	0	0	0	0
Total	0	0	0	0	0	0

Exhibit 7

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 SUMMARY OF FINANCING
 (Dollar amounts in thousands)

	2015 Actual Amount	2016 Enacted Amount	2017 Base Amount	2017 Estimate Amount	Increase/ Decrease Amount
Total Obligations	30,000	32,000	31,022	35,613	4,591
Financing:					
Offsetting collections from:					
Federal funds	0	0	0	0	0
Trust funds	0	0	0	0	0
Non-Federal sources	0	0	0	0	0
Recoveries	0				
Unobligated balance, start of year	0	0	0	0	0
Unobligated balance transferred	0	0	0	0	0
Unobligated balance, end of year	0	0	0	0	0
Unobligated balance expiring	0	0	0	0	0
Budget Authority	30,000	32,000	31,022	35,613	4,591
Transfer from other accounts (-)	0	0	0	0	0
Transfer to other accounts (+)	0	0	0	0	0
Appropriation	30,000	32,000	31,022	35,613	4,591

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollar amounts in thousands)

Object Class	FTE	Amount
-----	-----	-----
2016 Pay Raise.....	0	21
A pay raise of 1.3% is assumed to be effective January 1, 2016.		
Total cost in 2017 of 2016 pay increase.....		82,083
Less amount funded in 2016.....		61,562
Less amount absorbed.....		0
Amount requested in 2017 to provide cost of 2016 pay increase.....		<u>20,521</u>
2017 Pay Raise.....	0	76
A general pay raise of 1.6% is assumed to be effective January 1, 2017.		
The cost in 2017 of pay increase.....		101,007
Less amount absorbed in FY 2018.....		25,252
Amount requested for 2017 pay increase.....		<u>75,755</u>
Working Capital Fund Payment	0	101
The amount of \$101,000 to fund inflationary salary costs within the Departmental Working Capital Fund.		
Federal Insurance Contribution Act (FICA).....	0	8
As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$122,300 to \$126,200 in 2017. However, the percentage of Total Salaries subject to FICA increased from 91.7% in FY 2016 to 94% in FY 2017. The OASDI tax rate will remain at 6.20% in 2016.		
2017 \$5,300,000 x 100% x 94.2% x 6.2%.....		309,541
2016 \$5,300,000 x 100% x 91.7% x 6.2%.....		301,326
Total adjustment-to-base		<u>8,215</u>

Health Insurance.....	0	3
Effective January 2015, MBDA's contribution to Federal employees' health insurance premiums increases by 0.82%. Applied against the 2016 estimate of \$332,254, the additional amount required in 2017 is \$2,658.		
Change in Compensable Days.....	0	-51
The cost of two less compensable days in 2017 compared to 2016 is calculated by dividing the 2016 estimated personnel compensation (\$5,300,000) and applicable benefits (\$1,422,901) by 262 compensable days. The cost of one compensable day is (\$25,737).		
Workers Compensation.....	0	-5
Effective January 2017, MBDA's contribution to Federal employees' health insurance premiums decreases by 3%. Applied against the 2016 estimate of \$181,339, the reduced amount is \$176,217.		
Rental Payments to GSA.....	0	542
GSA rates are projected to increase 3% in 2017. This percentage was applied to the 2016 estimate to arrive at an increase of \$542,000.		
HCHB Electricity.....	0	2
Electricity cost share in the Herbert C. Hoover building.		
NARA	0	-2
This ATB was set by DOC FY15 Budget Guidance		
Federal Protective Services	0	2
This ATB was set by DOC FY15 Budget Guidance		

General Pricing Level Adjustment..... 0 326

This request applies OMB economic assumptions, including 1.8% inflation adjustment for FY 2017 to sub-object classes where the prices that the government pays are established through the market system. Factors are applied to other services (\$321,875); rental of office copying equipment (\$1,188); supplies (\$1,800); and equipment (\$990)

Total FY 2016 Adjustments to Base..... 0 1,022

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
 (Dollar amounts in thousands)

Activity: Minority Business Development
 Subactivity: Minority Business Development

	2015 Actual	2016 Enacted		2017 Base		2017 Estimate		Increase/ (Decrease) over 2017 Base		
		Personnel	Amount	Personnel	Amount	Personnel	Amount			
Minority Business Development	54	30,000	70	32,000	70	31,022	73	35,613	3	4,591
	54	30,000	70	32,000	70	31,022	73	35,613	3	4,591
Total	54	30,000	70	32,000	70	31,022	73	35,613	3	4,591
	54	30,000	70	32,000	70	31,022	73	35,613	3	4,591

Department of Commerce
Minority Business Development Agency
Minority Business Development
PROGRAM JUSTIFICATION

APPROPRIATION ACCOUNT: MINORITY BUSINESS DEVELOPMENT

BUDGET PROGRAM: MINORITY BUSINESS DEVELOPMENT

For FY 2017, MBDA requests a total of \$35,613,000 and 73 FTE. This budget request includes \$4,590,853 and 3 FTE associated with program increases above MBDA's \$32,000,000 FY 2016 Appropriation.

BASE JUSTIFICATION FOR FY 2017

Within the appropriation, Minority Business Development, MBDA has base activities with a total FY 2017 budget estimate of \$31,002,147 and 70 FTE.

Minority Business Public Private Partnerships are MBDA's network of funded centers (grantees) that operate under cooperative agreements. The network of MBDA Business Centers is comprised of the following types of operations: for-profits, non-profits, state and local governments, tribal entities, and institutions of higher education. The centers provide an array of business counseling and development services to the minority business community and work in full collaboration with MBDA staff.

MINORITY BUSINESS PUBLIC PRIVATE PARTNERSHIPS

MBDA successfully provides business development services to minority business enterprises (MBEs) through a network that includes MBDA staff and grant-funded organizations generally referred to as MBDA Business Centers (MBCs).

The MBCs are operated by independent private and public organizations. These entities compete under a public solicitation for MBDA grant opportunities. Selected candidates are offered multi-year awards under cooperative agreements. The network of MBDA Business Centers is comprised of the following entities: for-profit, non-profit, state and local governments, tribal, and institutions of higher education (including Minority Serving Institutions). The network of private and public organizations hires individuals in local communities to deliver business-specific services. The annual award for an MBC ranges from \$285,000 to \$500,000.

The Minority Business Public Private Partnership program provides an array of business counseling and development services to the minority business community. MBCs work collaboratively with MBDA staff. This collaboration expands the network of existing resources and strategic relationships for the benefit of the MBE clients served. As strategic partners, MBDA and the network of public and private partnerships are able to harness greater efficiencies, leading to increased performance.

MBDA's Public Private Partnership Program expands outreach and leverages third party resources. MBCs provide the following services to MBEs:

- Greater access to external resources like U.S. Export Assistance Center support and Manufacturing Extension Program resources through intradepartmental relationships;
- Business counseling (also known as management and technical assistance);
- Identification of market and contracting opportunities for minority firms;
- Growth in the dollar values and numbers of actual contract awards to MBEs;
- Capacity building through new jobs created and retention of existing jobs;
- Expansion of the dollar value and number of financial awards to MBEs;
- Increased access to equity, working capital, lines of credit, surety and performance bonding, and other alternative sources of financing;
- Assistance in expanding growth and global competitiveness;
- Promotion of the advantages to achieving size and scale through teaming opportunities;
- Training in management skills and business acumen for minority entrepreneurs; and
- Assistance in gaining and maintaining access to profitable markets.

MBCs also leverage resources from outside the federal government. Recipients of MBDA grant awards contribute over \$5.8 million in non-federal cost share. This level of commitment can only be obtained through outstanding public and private partnerships. MBDA and centers work collaboratively with other local service providers such as chambers of commerce, city council offices, colleges and universities and other trade associations to effectively meet the needs of minority businesses. MBDA staff conducts 100% verification of all awarded transactions reported by its funded centers.

MBCs continue to provide core program services that reach minority entrepreneurs across the country. These funded centers provide one-on-one and group consulting services in such areas as business counseling (i.e., management and technical assistance); deal facilitation and brokering services; marketing and growth strategies; teaming assistance; global expansion assistance; and assistance in obtaining contract and financial award opportunities. Designed to provide expanded consulting and "hands-on" services, the MBCs primarily service ethnic minority firms, along with Native American, tribal entity, and minority-owned firms. Services include initial consultations and assessments, business technical assistance, and access to federal and non-federal procurement and financing opportunities.

In FY 2016, MBDA will have re-competed its Business Center cooperative agreements as the last year of the 5-year funding cycle will have ended. The Business Center program will continue to have six centers focused on American Indians and Alaska Natives, and by the end of FY 2016, the national network of MBDA Business Centers will total 42. The FY 2017 budget will allow for the continued operations of this national network.

The following map reflects the MBDA national network of Business Centers as of January, 2016. Once the re-competition is complete, a revised map will be prepared; no significant changes to the distribution of the MBDA Business Centers is contemplated at this time.



The cooperative agreements (grants) are managed by a grants management team within MBDA's Office of Business Development. This function is centralized within MBDA headquarters and utilizes the NOAA Grants Online system to process and monitor business centers. MBDA works closely with NOAA grants officers and performs internal control reviews of each of the business centers on an annual basis.

MBDA's Public Private Partnerships makes up the core delivery system of MBDA's services to the minority business community. The U.S. needs strong minority-owned firms to achieve maximum economic growth for the Nation. Minority owned firms are an engine of employment growth and economic expansion in America and have the potential to contribute significantly to the balance of trade. MBDA is a catalyst to build minority-owned firms of size, scale and capacity.

Today, the importance of minority-owned businesses as a key component of U.S. international trade and innovation has never been greater. Minority-owned businesses are nearly twice as likely to export their products and services as non-minority owned businesses.

Minority-owned businesses are also three times more likely to generate 100 percent of their revenues from exporting than non-minority owned firms.¹ Minority-owned businesses are leaders in exporting in several key industries including wholesale trade, professional science, technical services, finance, and insurance. They also make substantial contributions to exports in the manufacturing, retail trade, technology, and educational services

¹ U.S. Department of Commerce, Minority Business Development Agency, *The State of Minority Business Enterprises, An Overview of the 2002 Survey of Business Owners, Number of Firms, Gross Receipts, and Paid Employees* (2006).

MBDA supports the Department of Commerce's various initiatives including: Look South, Doing Business in Africa, innovation and advanced manufacturing, exporting and job creation. The Minority Business Direct Client Services program ensures minority businesses participate in the Department's initiatives and more importantly, contribute to the U.S. economy. These Department-wide initiatives rely on Agency involvement to communicate key information to a target constituency, recruit prospective participants, and provide technical support and service referrals. These services are important aspects to achieving success. This program enhances the Department's initiatives by assisting minority entrepreneurs in identifying high-value transactions and by facilitating partnerships, financing, and contracts.

MBDA continues to leverage its resources and to expand minority business participation in the global marketplace. The Agency has formed partnerships with other government agencies such as the International Trade Administration (ITA), Small Business Administration (SBA), and National Institute of Standards and Technology (NIST), and minority business trade associations. MBDA and its partners engage with minority businesses, promote advantages of international trade, conduct education forums, and conduct business-to-business partnerships.

The future growth of minority-owned businesses is dependent on accessing growth markets and resources necessary to penetrate those markets in real time. Given the broad geography, economic clusters, industries and different cultures that minority businesses are a part of, technology plays a key role in supporting the Agency's programmatic success. MBDA reaches its staff, funded centers and the minority business community through the use of electronic commerce by promoting and providing business information that can assist minority businesses in these areas. The MBDA Minority Business Internet Portal (MBIP) is a menu driven, user-friendly system that assists clients with business development needs and information. The MBIP includes a variety of online resources that foster higher performance such as: Customer Relationship Management system, Partners.Net system, Phoenix/Opportunity On-line Bid-Matching system, Business Planner, Business Loan Analyzer, and the Capital Access business tool. MBDA also uses the Internet Portal as an information clearinghouse and national center for referral of minority-owned businesses of all sizes to the vast network of public and private business development resources. The MBIP is also a crucial part of the BusinessUSA effort as clients are able to easily navigate to MBDA's portal and find out about MBDA tools and services.

PROGRAM CHANGE FOR FY 2016: \$4.6M AND 3 FTE Increase for Minority Business Public Private Partnership Program

MBDA requests a program increase of \$4.6M and 3 FTE in support of the Minority Business Public Private Partnership Program for FY 2017. MBDA proposes to implement the program increase through two new initiatives:

- Business Innovation for Young Entrepreneurs program for \$3.6M and 3 FTE is consistent with the Department's innovation focus. This programmatic investment will create a coordinated approach to engage, educate and build capacity among minority young entrepreneurs. This program will serve to bring forward a coordinated synergy among colleges and universities, lab- to-market technology, financing and business development. This program will focus federal grants in regions of the U.S. with high concentrations of minorities, high youth population and high unemployment to engage, educate and build capacity among young minority entrepreneurs. These grants will foster a coordinated synergy among colleges and universities, lab-to-market technology, financing and business development. MBDA will partner with other external agencies and utilize existing EDA centers, where feasible.

- Minority Business Policy and Research program for \$1M and 0 FTE is consistent with the Secretary's strategic goal to support a data-enabled economy by improving the Department's data capabilities. This initiative will fund research on three important topics: Characteristics of Minority Business Enterprises; A National Inventory of Minority Business Enterprise Disparity Studies; and A National Inventory of Procurement Laws Impacting Minority-owned Enterprises. The timely collection and analysis of data concerning the minority business community will enable government, business, and community leaders to make policy, programmatic and business decisions that are based on accurate and current information.

BUSINESS INNOVATION FOR YOUNG ENTREPRENEURS PROGRAM

Base Resources Assessment:

No base resources are currently allocated for this activity.

Statement of Need and Economic Benefits – Cost Benefit Analysis:

Current research validates the need to increase entrepreneurship resources for minority youth as experts have linked the decline in graduation rates to the lack of entrepreneurial curriculum in many American classrooms.²

The U.S. Department of Labor has reported that industries are looking at approximately 40% of their skilled labor forces retiring in the next five years. Due to shortfalls in education, younger workers simply do not have the necessary skills required to compete for the jobs that are becoming available due to the retiring baby boomers.³ During the last four decades, the make-up of the minority population has drastically changed, and so too have their business and youth employment needs. In order to address this growing challenge, the federal government has to create an inclusive strategy to not only backfill these jobs, but also create a workforce development program to equip young adults with skills to drive innovation in the economy of the future. This is a substantial problem as the skillset gap has a dramatic impact on both highly skilled and Science Technology, Engineering, and Mathematics (STEM)-related positions.

Between 2014 and 2024, the numbers of STEM jobs are projected to grow 17 percent, as compared to 12 percent for non-STEM jobs,⁴ causing companies to spend more to hire skilled workers and invest more heavily in workforce development. Currently, companies all over the country are struggling to address these problems. Most importantly, if the federal government wants to preserve the U.S. competitive edge, officials must increase access to STEM education for American youth, with special attention on minority youth adults.

Understanding the unique challenges that minority youth face is very critical to success in life. These studies have concluded that minority students lack opportunities to pursue their entrepreneurial aspirations. According to the Aspen Institute, "studies of high-school-level courses in youth entrepreneurship report that students increase their occupational aspirations, interest in college, reading, and leadership behavior after participation." Minority graduation rates for African American, Hispanic, and Native American students have historically been 15% less than the rates of their Caucasian counterparts.

² U.S. Chamber of Commerce Foundation, *The Millennial Generation Research Review* (2016)

³ The Manufacturing Institute, *The Skills Gap in U.S. Manufacturing 2015 and Beyond* (2015)

⁴ Wired.com, *5 Numbers That Explain Why STEM Diversity Matters to All of Us* (2012)

Nationally, 66% of minority youth graduate from high school, which has a long-term impact on the economic potential of future entrepreneurs. Due to a lack of exposure to career-related experiences, minority youth are hindered in their ability to build a business later in their lives. This also holds true for minority participation in STEM disciplines.

African Americans and Hispanics have drastically increased in the U.S. population, but their share of critical STEM jobs has barely increased in the last 15 years. In fact, African Americans and Hispanics are less likely today to pursue careers in engineering, computer science, or advanced manufacturing than they were in 2001. We know that members of the millennial generation are more likely to start a business.⁵ Therefore, with the growing minority population, with a relatively young average age, it is imperative to create a robust minority youth entrepreneurship program that will engage their interest, and leverage their creativity and innovation, especially throughout their late teen and early adulthood years. This is why it is critical for MBDA to partner with minority serving institutions and universities, which provide business support and resources, as well as networking opportunities, mentoring, and educational opportunities for minority youth.

Additionally, the engagement of established minority business owners plays a critical role in other areas of youth development as scholars continue to study the relationship between economic conditions and juvenile crime. A recent study found that the presence of minority firms in urban areas, especially African American owned businesses, significantly reduced youth violence between the periods of 1990-2000.⁶ According to the author, minority firms have the great potential to positively influence community values and social networks within communities that thrive on minority-owned business growth.

Entrepreneurship education is a critical issue for MBDA stakeholders as many cities across the United States are aiming to strengthen local economic environments. Many of these same areas are plagued with high unemployment rates, harmful youth development conditions, and workforce development concerns. In February 2015, MBDA hosted a Stakeholder Summit with over 50 key stakeholders to discuss current challenges in minority business development and develop tangible solutions to address these issues. This event confirmed the Agency's continuing interest in entrepreneurship education as senior leadership and staff began to observe the importance of minority youth development due to engagement with local leaders in Detroit, MI, Chicago, IL, New York, NY, and Ferguson, MO. The outcome of our discussions revealed that our subject matter experts believed investment in youth entrepreneurship was essential to the success of the U.S. economy and competitiveness. This focus on business education is also linked to the federal Interagency Working Group on Youth Program (IWGYP), which consists of 18 federal agencies that supports programs and services targeting youth. MBDA hopes to strengthen Commerce's involvement by leveraging resources to execute the Innovation for Young Entrepreneurs program.

The following research conclusions summarize the importance of STEM education and its relationship to the economic benefits:

- According to a recent study by the Brookings Institute, "More STEM-oriented metropolitan economies perform strongly on a wide variety of economic indicators, from innovation to employment. Job growth, employment rates, patenting, wages, and exports are all higher in more STEM-based economies."

⁵ U.S. Chamber of Commerce Foundation, *The Millennial Generation Research Review* (2016)

⁶ Sage Publications, *Urban Affairs Review* (2015)

- Workers in STEM occupations also earn more on average than their counterparts in other jobs, regardless of their educational attainment.

Minority youth have the economic potential to jump-start the U.S. economy. There are thousands of high-performing minority students that can help contribute to American innovation by starting the next generation of successful businesses. Furthermore, there is a great interest in entrepreneurial education by today's youth, but the education resources are not present to support their talents and interests. According to a 2015 Gallup-Hope Index, about 50 percent of surveyed minority students stated they plan to start their own business. However, less than half of these students are learning about the necessary steps to start and manage a business in the classroom. Secondly, nearly 80 percent of would-be entrepreneurs in the United States are between the ages of 18 and 34.⁷ However, this same age group rarely receives any information about entrepreneurship as a career option which indicates a vital need to educate youth about entrepreneurial opportunities.

In general, the proposed program will produce cost savings because the approach is structured to expand existing regional resources and increase current entrepreneurial programs in capacity and scale with additional federal funding. The long-term return on investment is essential as it will help start, grow, and establish successful minority entrepreneurs in various high-growth industries. It will also contribute to economic growth and job creation in America's most promising communities.

The risks to the Administration and MBDA are strategic in nature in that if this initiative is not pursued, a significant economic contributor will be left untapped. The U.S. economy will not realize its greatest potential by using one of its greatest strategic advantages in the global economy. Engaging with the minority youth population to encourage entrepreneurship provides a major opportunity to address important issues facing the nation as a society and its economic future. This initiative will allow for the Department of Commerce and MBDA to play a significant role in shaping the future of the nation as its demographics change in the coming years.

Schedule & Milestones:

1) Minority Youth Business Innovation Center

Universities and nonprofit organizations across the country are providing top-notch entrepreneurial education to young adults with a goal to spur new business development in growing, emerging industries. Currently, there are over 200 university-based entrepreneurship centers supporting the business spirit of today's young minds by facilitating comprehensive training programs on the start-up and funding process of a business concept. There are also numerous nonprofit programs that are paving the way in youth business education by creating innovative initiatives that promote improved skills in academic performance, decision-making abilities, financial literacy, job readiness, and enhanced self-efficacy. The program will provide funding to existing centers and nonprofits to expand resources/programs to address the following three objectives:

- a) develop a new entrepreneurship education program to educate high-school/college minority students on the development of a STEM-related business concept,
- b) increase minority student participation in existing entrepreneurship education programs through targeted outreach and student engagement,
- c) curriculum must include business pitch training which focuses on delivering a business plan verbally to business competition judges.

⁷ U.S. Chamber of Commerce Foundation, *The Millennial Generation Research Review* (2016)

MBDA anticipates awarding five grants at \$500,000 annually for a five-year program cycle. Annual renewals would be dependent upon successful performance by the grant recipients.

2) Lab to Market Collaboration with Minority Serving Institutions

In FY 2015, MBDA developed a partnership with the National Institute of Standards and Technology (NIST) to create a new comprehensive approach to engage MBEs and students of color in the commercialization of technology and innovation. This partnership aims to create innovation ecosystems that leverage what the students learn in the classroom to spur new business development, support existing businesses, and increase the participation of minority youth in STEM career fields. To accomplish this goal, NIST and MBDA have set goals to educate and train MBEs and minority youth on the patents, licensing, and the commercialization process to advance federal innovation. MBDA would conduct three forums annually to conduct this education and training at various locations around the country. The training will be in partnership with federal laboratories and tech transfer professionals to engage MBEs and millennials in regional ecosystems to spur innovation and job creation.

3) Minority Youth Capital Access Forums

Today, many successful business leaders are able to obtain start-up funding from investors and various means of alternative financing to support early stage business growth. MBDA will host five regional forums throughout the country in which the grantees and students with viable business concepts will participate in a series of business competitions to pitch their business proposals in the hopes of securing funding for their start-up ventures. These events will also serve as a platform for university experts, business leaders and government officials to further educate participants on current trends and resources in the alternative financing industry. The students will work with high-profile corporations, businesses, and motivational speakers that are experts in the field of venture capital. Through this partnership program, minority youth will have access to public and private sector financial resources needed to grow today's emerging industries in the American innovation economy. While there are other federal programs that help facilitate access to venture capital, within the minority business community, MBDA's leadership role becomes a deciding factor for minority attendance and participation. Furthermore, MBDA's youth-focused approach will address the unique business needs of the minority millennial population through a targeted emphasis on early stage business growth.

Deliverables/Outputs:

- Review of student assessment (surveys) before and after completion of program (academic achievements, graduation rates, college readiness, graduate-level education, social/emotional skills, cultural identity);
- Number of students that complete the grantee local/regional/national entrepreneurship programs;
- Number of MBEs that are participate in the grantee programs;
- Number of student internships and/or entry-level jobs offered;
- Student tracking of STEM-related education/career aspirations as it relates to degrees and college enrollment;
- Amount of funding that is given to young entrepreneurs at the regional funding forums;
- Number of viable startups that have the potential to promote STEM innovation;
- Number of local partnership/agreements that are created due to programs;
- Number of students and MBEs that participate in the MBDA Lab to Market program in collaboration with the federal laboratory network;
- Number of website and social media campaigns.

MINORITY BUSINESS POLICY AND RESEARCH PROGRAM

Base Resources Assessment:

The MBDA base budget has no funding allocated for Policy or Research Studies. Currently, there are funds allocated for only one FTE dedicated to research, which for the most part, regularly examine existing research conducted by other organizations and are only able to coordinate MBDA-directed research efforts if funds become available in any given year.

Statement of Need and Economic Benefits – Cost Benefit Analysis:

Based on current Census data, it is estimated that in the year 2050 minorities will represent 54 percent of the total U.S. population. Minorities represent 29 percent of the U.S. population, but own only 7.5 percent of the nation's businesses. The research concerning U.S. business enterprises owned by minorities is conducted by the U.S. Census Bureau every five years. It is important to stress that as the demographic shifts continue to shape the future socio-economic landscape of the U.S., it is a growing imperative to ensure that strategic and deliberate policies and programs are in place to strengthen minority businesses to achieve maximum economic growth.

Congress has conducted numerous hearings, and has received numerous reports, that demonstrate the persistence of discriminatory barriers that continue to limit contracting opportunities for minority businesses. The evidence shows that these businesses (as well as women-owned businesses) face, among other barriers, discrimination in lending and access to capital; exclusion from business networks; and discrimination by prime contractors who reject participation on projects by minority subcontractors.

In recent years, the Federal Reserve Board and other organizations have ceased collecting and analyzing important data due to competing budgetary priorities. In the absence of these data sources, MBDA remains as a critical entity to assist in the collection and analysis of data. For example, MBDA must currently analyze the 2012 Survey of Business Owner data. Although this data is now 3 years old, MBDA must still rely on the information as its primary source to highlight the changes that have occurred in this important population since 2012. This information will be used to inform government policy, business and community policy and program decisions.

In addition, there is no nation-wide research study available focused on the contracting disparities of a statistically significant group of minority-owned businesses over time to learn about the specific challenges minority entrepreneurs face in growing and expanding their businesses. The results from this study will be highly welcomed by minority business trade associations, congressional representatives and federal government acquisition and policy representatives along with academia and students of minority business development, and organizations which provide management and technical assistance, and procurement support to minority-owned businesses such as MBDA's funded centers, among other.

The recession and current financial crisis has disproportionately affected minorities in employment and entrepreneurship. A comprehensive study of the impact of procurement laws on the ability of minority-owned firms to access contracts would inform federal, state and local procurement policies and programs.

Minority-owned businesses are growing in number of firms at a rapid pace, however, these firms lag behind in their growth of gross receipts compared to non-minority-owned firms. MBDA plans to produce research about minority-owned businesses to identify the specific challenges minority-owned businesses face in growing their businesses. The studies will look at quantitative and qualitative measures of performance of minority-owned businesses. Results from this analysis will

help MBDA and others in redesigning its service delivery programs to support the growth and expansion of minority-owned businesses more effectively.

MBDA does not have funding to support research operations. Limited research has been conducted in-house or through a grant from the Small Business Administration that required Dartmouth College to work with MBDA in the development of research on minority-owned businesses. Monies from the grant, which were allocated by the U.S. Congress, have not been available since FY 2009.

MBDA service delivery programs are administered through its network of funded centers which provide direct client services to minority-owned businesses across the nation. The research program will result in three studies that address the challenges of minority businesses to grow and expand to a comparable level as non-minority owned firms. Issues related to management and technical training, business experience, capital access, market access and capacity building will be explored and measured among other business and business owners' characteristics.

Schedule & Milestones:

- Characteristics of Minority Business Enterprises-March, 2017
- A National Inventory of Minority Business Enterprise Disparity Studies- June, 2017
- A National Inventory of Procurement Laws Impacting Minority-owned Enterprises August, 2017

Deliverables/Outputs:

The three deliverables will be research papers dealing with the following topics:

- Characteristics of Minority Business Enterprises-\$200,000
- A National Inventory of Minority Business Enterprise Disparity Studies- \$500,000
- A National Inventory of Procurement Laws Impacting Minority-owned Enterprises-\$300,000

WCF PROGRAM CHANGE

A decrease of \$21,000 is included for the Departmental Working Capital Fund (WCF). A full discussion of all WCF program changes is in the WCF section of the Departmental Management President's Budget Submission document.

PERFORMANCE METRICS

Performance Goal Performance Measure: <i>Increase access to marketplace opportunities and financings for minority-owned businesses</i>	FY 2015 Actual	FY 2016 Target	FY 2017 Target
BASE PROGRAM FUNDED AT PLANNING AMOUNT			
Dollar Value of Contracts	\$3.0B	\$2.0B	\$2.0B
Dollar Value of Financing	\$1.7B	\$1.0B	\$1.0B
Number of Jobs Created	22,347	7,500	7,500
TOTAL PROGRAM CHANGE			
Dollar Value of Contracts			
Dollar Value of Financing			
Number of Jobs Created			
BASE PROGRAM FUNDED AT PLANNING AMOUNT WITH PROGRAM CHANGE			
Dollar Value of Contracts	\$3.0B	\$2.0B	\$2.0B
Dollar Value of Financing	\$1.7B	\$1.0B	\$1.0B
Number of Jobs Created	22,347	7,500	7,500

MULTI YEAR BUDGET INFORMATION

Major Cost Categories	FY 2015	FY 2016	FY 2017
BASE PROGRAM FUNDED AT PLANNING AMOUNT	\$30.0M	\$32.0M	\$31.0M
BUSINESS INNOVATION FOR YOUNG ENTREPRENEURS	\$0	\$0	\$3.6M
MINORITY BUSINESS RESEARCH	\$0	\$0	\$1.0M
WCF	\$0	\$0	\$21K
Total:	\$30.0M	\$32.0M	\$35.6M
Delta from \$30M Planning Amount	\$0.0M	\$2.0M	\$5.6M
FTE's	54	70	73

PROGRAM CHANGE DETAIL BY OBJECT CLASS

Activity: Minority Business Development
 Program Change: Strategic Investments

Object Class	2017
11.0 Personnel compensation	309
11.1 Full-time permanent	0
11.3 Other than full-time permanent	0
11.5 Other personnel compensation	0
11.8 Special personnel services payments	0
11.9 Total personnel compensation	0
12.1 Civilian personnel benefits	83
13 Benefits for former personnel	0
21 Travel and transportation of persons	90
22 Transportation of things	0
23.1 Rental payments to GSA	0
23.2 Rental payment to others	0
23.3 Communication., util., misc. charges	0
24 Printing and reproduction	0
25.1 Advisory and assistance services	0
25.2 Other services	630
25.3 Purchases of goods and services from Government accounts	-21
25.4 Operations and maintenance of facilities	0
25.5 Research and development contracts	0
25.6 Medical care	0
25.7 Operation and maintenance of equipment	0
25.8 Subsistence and support of persons	0
26 Supplies and materials	1
31 Equipment	0
32 Lands and structures	0
33 Investments and loans	0
41 Grants, subsidies and contributions	3,500
42 Insurance claims and indemnities	0
43 Interest and dividends	0
44 Refunds	0
TOTAL OBLIGATIONS	4,591

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
 (Dollar amounts in thousands)

Object Class	2015 Actual	2016 Approp	2017 Base	2017 Estimate	Increase / (Decrease)
11 Personnel compensation					
11.1 Full-time permanent	5,300	5,300	5,397	5,706	309
11.3 Other than full-time permanent	0	0	0	0	0
11.5 Other personnel compensation	50	50	50	50	0
11.8 Special personnel services payments	0	0	0	0	0
11.9 Total personnel compensation *	5,350	5,350	5,447	5,756	309
12.1 Civilian personnel benefits	1,423	1,439	1,394	1,477	83
13 Benefits for former personnel	0	0	0	0	0
21 Travel and transportation of persons	353	353	353	443	90
22 Transportation of things	4	4	4	4	0
23.1 Rental payments to GSA *	1,072	1,072	1,614	1,614	0
23.2 Rental payments to others	0	0	0	0	0
23.3 Commun., util., misc. charges	70	70	72	72	0
24 Printing and reproduction	55	55	56	56	0
25.1 Advisory and assistance services *	200	200	200	200	0
25.2 Other services *	1,566	2,091	1,913	2,543	630
25.3 Purchases of goods and services from Government accounts	6,814	6,814	6,915	6,893	(22)
25.4 Operations and maintenance of facilities	0	0	0	0	0
25.5 Research and development contracts	0	0	0	0	0
25.6 Medical care	0	0	0	0	0
25.7 Operation and maintenance of equipment	0	0	0	0	0
25.8 Subsistence and support of persons	0	0	0	0	0
26 Supplies and materials	100	100	102	103	1
31 Equipment	55	55	55	55	0
32 Lands and structures	0	0	0	0	0
33 Investments and loans	0	0	0	0	0
41 Grants, subsidies and contributions	12,938	14,397	12,897	16,397	3,500
42 Insurance claims and indemnities	0	0	0	0	0
43 Interest and dividends	0	0	0	0	0
44 Refunds	0	0	0	0	0
99 Total obligations	30,000	32,000	31,022	35,613	4,591
Less: Recoveries					
Less: Unobligated Balance, SOY					
Plus: Unobligated Balance, Transferred					
Plus: Unobligated Balance, EOY					
Plus: Unobligated Balance, Expiring					
Less: Transfer from other accounts					
Less: Transfer to other accounts					
99.1 Total Budget Authority	30,000	32,000	31,022	35,613	4,591

Personnel Data

Full-Time Equivalent Employment:

Full-time permanent
 Other than full-time permanent
 Total

Authorized Positions:

Full-time permanent
 Other than full-time permanent
 Total

2015 Actual	2016 Approp	2017 Base	2017 Estimate	Increase / (Decrease)
54	70	70	73	3
0	0	0	0	0
54	70	70	73	3
70	70	70	73	3
0	0	0	0	0
70	70	70	73	3

Department of Commerce
 Minority Business Development Agency
 Minority Business Development

Advisory and Assistance Services
 (Obligations in thousands of dollars)

	FY 2015 Actual -----	FY 2016 Appropriated -----	FY 2017 Estimate -----
Consulting Services.....	50	50	200
Management and professional services.....	150	150	150
Special studies and analyses.....	0	0	300
Management and Support services for research and development.....	0	0	100
Total.....	200	200	750

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 Periodicals, Pamphlets, and Audiovisual Products
 (Obligations in thousands of dollars)

	FY 2015 Actual -----	FY 2016 Appropriated -----	FY 2017 Estimate -----
Periodicals.....	8	8	8
Pamphlets.....	47	47	47
Audiovisuals.....	<u>0</u>	<u>0</u>	<u>0</u>
Total.....	55	55	55

Executive Order 11625 authorizes the Minority Business Development Agency (MBDA) to provide "for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the nation in undertaking or promoting the establishment and successful operation of minority business enterprise". MBDA's Office of Legislation, Education, and Intergovernmental Affairs is responsible for the creation of periodicals, publications, and audiovisuals to carry out the mandate set forth in Executive Order 11625.

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 Minority Business Development

Average Salaries and Grades

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Estimate
Average ES salary.....	\$ 172,458	\$ 174,183	\$ 180,453
Average GS/GM grade.....	10	10	10
Average GS/GM salary.....	\$ 88,443	\$ 89,327	\$ 92,543
Total compensable workyears:			
Full-time equivalent employment.....	54	70	73
Full-time equivalent of overtime and holiday hours.....	-	-	-