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U.S. DEPARTMENT OF COMMERCE

# BRIEFING HANDBOOK



OFFICE OF MINORITY BUSINESS  
ENTERPRISE



OFFICE OF MINORITY BUSINESS ENTERPRISE  
MISSION

The Office of Minority Business Enterprise (OMBE) was established by a Presidential Executive Order (11458) on March 5, 1969 to assist the Secretary in carrying out his responsibilities to the minority business communities. The President broadened and strengthened the Secretary's functions in this area by issuing Executive Order 11625 on October 13, 1971.

The official mission statement for the Office of Minority Business Enterprise is as follows:

- To promote and assist the expansion of minority enterprise in the United States, both in the number of businesses and the size of businesses; by coordinating and encouraging action by Federal, state and local government agencies to assist minority businesses; by promoting action by the private sector; by providing financial assistance to public and private organizations which furnish management and technical assistance to minority businesses; by providing financial assistance for pilot or demonstration projects; and by disseminating helpful information.

The Federal Government's overall goal is to have minority ownership and operation of business enterprises so well established in the United States that special Government programs and support are no longer necessary. To determine the ideal state of minority business enterprise, and particularly to determine at what point in time that state might be reached, require consideration of many complex factors, such as the long and short term future of the U. S. economy as a whole. The ultimate goal is the achievement of parity between the percentage of minority population and the percentage of minority controlled business receipts.

Since the Executive Order, and the Government as a whole, are concerned about the status of minority business enterprises in toto, our need is to measure progress in toto as well as that for the OMBE supported clientele. However, in order to provide a fairer basis for comparing minority firms with the total, public (stockholder) owned corporations will be excluded. Such corporations now represent about 65% of total gross receipts. In short, OMBE's goal is parity within the remaining 35%.

With parity as the ultimate goal, five year goals, in terms of gross receipts have been established as milestones; they are as follows:

- To realize a net increase in the business receipts by minorities from 1.5 percent of the U. S. total or approximately \$16.5 billion in 1972 to 2.1 percent or approximately \$32.8 billion by the end of Calendar Year 1977.
- To realize a net increase in the business receipts by minorities from 2.1 percent of the U. S. total or approximately \$32.8 billion by the end of Calendar Year 1977 to 2.7 percent or approximately \$67.4 billion by the end of Calendar Year 1982.



## Major Statutory Authority

OMBE was established on March 20, 1969 by the Secretary of Commerce. (Department Organization Order 21 superseded by DOO 25-4A). Authority for the establishment of OMBE was Executive Order 11450 and accompanying statements which were issued by the President on March 5, 1969. In general, the Executive Order (1) directed the Secretary to coordinate Federal programs related to the strengthening of minority business enterprise and authorized him to take the necessary steps to accomplish this; (2) provided for the creation of an Advisory Council on Minority Business Enterprise and (3) directed the heads of each Federal department and agency to cooperate with the Secretary in his efforts to expand opportunities for minorities to participate in the free enterprise system.

From 1969 to 1971, OMBE existed as a staff agency with no program funds. OMBE's efforts were directed toward coordinating other federal activities in support of minority enterprise and stimulating private sector commitments. During this time the Advisory Council was preparing a major report to the President on a long range strategy for minority economic development. The Advisory Council report: "Minority Enterprise and Expanded Ownership: Blueprint for the 70's" was released in February 1971. This report, together with recommendations from the Secretary, encouraged the President to bolster the federal minority enterprise effort. On October 13, 1971, the President issued Executive Order 11625. This new Order gave the Secretary program authority and the ability to financially assist organizations whose purposes are to promote minority enterprise.

In order to accomplish the new ME initiatives and functions, the Secretary delegated the following authorities to the Director of OMBE (DOO 25-4A, Feb. 15, 1972):

- (a) The authority under E.O. 11625
- (b) The authority under Title III of the Public Works and Economic Development Act, as amended (42 U.S.C. 3151), which title authorizes the providing of technical assistance, research and information. And
- (c) Other authorities of the Secretary pertinent to such functions. (15 U.S.C. 1512 Powers and Duties of the Department)



In this same Order he directed the Assistant Secretary for Administration to perform personnel, procurement, accounting and payroll services for OMBE.

After several years of operation under the Executive Order, it soon became apparent to many that the credibility of OMBE suffered within the private sector, the federal sector, the minority community and the Congress. An agency whose existence depended solely upon the insecure base of an Executive Order can not extract long term commitments from corporations; build confidence in the minority business community as to the depth of its commitment towards developing viable businesses; execute long range strategies or fend off the constant barrage of "political influence" charges levied by the press. The mere fact of an agency dependence on an executive order almost necessarily generates suspicions that is peculiarly susceptible to White House politicization.

As early as 1973, OMBE sought permission from the Department to submit a draft minority enterprise bill to OMBE for clearance. Submission of the bill was detained while OMB did a three year study of the federal minority enterprise effort. Among the March 1976 recommendations in the OMB report was a goal of better coordination between Commerce/OMBE and SBA. The report recommended codifying this recommendation of administrative coordination in a new Executive Order which would supersede E.O. 11625. The Department and OMBE had strong misgivings about the OMB proposed Order and spent several months reviewing its various drafts. Finally, on August 16, 1976, the Secretary seriously questioned the need for a new Order in his cover letter to the Director of OMB which transmitted the Department's final comments on the draft. The Secretary advised OMB that the Department was preparing draft legislation for the minority enterprise program.

On September 30, 1976, the Under Secretary of Commerce transmitted to the Office of Management and Budget a draft minority enterprise bill prepared by OMBE in cooperation with the offices of the Assistant General Counsel for legislation and the Assistant Secretary for Administration.

The proposed legislation (attached) would elevate the minority enterprise program in Commerce to an agency (termed "administration" in draft legislation) headed by an Assistant Secretary. It would be called the Minority Business Administration. The Bill would give the Secretary of Commerce minority enterprise contract and grant authority for the provision of management and technical assistance. Other provisions of the proposal would authorize a three year life for the new administration with authorization of appropriations for up to \$900m for each fiscal years 1978, 1979, and 1989. Most importantly, the present authorities of the Secretary of Commerce under Executive Order 11625 would continue to be exercised by the Secretary under the proposed new statutory authorization.







## BRIEF HISTORY OF OMBE

OMBE was established by Executive Order 11458, in March 1969, essentially as a staff arm to the Secretary of Commerce to aid in stimulating and coordinating public and private sector efforts to foster the development of minority enterprise. During this period, the small OMBE staff focused on obtaining commitments in such areas as MESBIC formations, automobile dealerships, service stations, franchises, minority bank deposits, etc.

In February 1971, the President's Advisory Council on Minority Business Enterprise (also created by Executive Order 11458) issued a major report to the President on a long-range strategy for minority business development. This report, together with a strong recommendation from the Secretary of Commerce based on the success of OMBE's early efforts, encouraged the President to strengthen the minority enterprise effort. In October 1971, Executive Order 11625 reaffirmed the national priority of the minority enterprise program and gave the Commerce Department authority to fund organizations that would promote minority business. The President requested, and the Congress appropriated, \$100 million to support the OMBE program through the second half of FY 1972 and for FY 1973.

By the end of FY 1973, OMBE has funded some 300 organizations throughout the country to provide management and technical assistance services. The difficulties of administering this project workload effectively from Washington became increasingly acute and, in October 1973, OMBE was decentralized. Thereafter, and to this date, all local program activity has been administered and monitored by six regional offices located in New York; Washington, D.C.; Atlanta; Dallas; Chicago and San Francisco. In June 1976, OMBE's Washington headquarters was reorganized, to create a substantial new program planning and evaluation capability and to give greater emphasis to the resource development function. OMBE's budget since 1973 has remained relatively static, at about the \$50 million level. Personnel strength has declined from an authorized level of 309 in FY 1973 to its present 206. Roughly half of OMBE's personnel are located in the regions.



Many aspects of OMBE activity have been marked by controversy. Largely because of the rapid build-up which occurred late in FY 1972, many organizations were funded which later were unable to deliver satisfactory performance. Tighter evaluation standards on OMBE's part resulted in the outright termination, or non-renewal, of contracts for more than 20% of the organizations. Intense pressure was brought to bear on the Department and on OMBE to reverse these decisions, and when this did not happen, many defunded organizations took their case to the media and, after, to Congress.

A report in 1975 by the House Appropriations Committee Investigative Staff, and a hearing this year by the Congressional Black Caucus, again surfaced the discontent of many of these defunded organizations. The report and the hearing also reflected a number of very real problems which have confronted OMBE, such as the difficulty of using the Federal contracting process to accommodate the kind of funding normally handled through grants, dislocation of personnel associated with the 1973 decentralization, and the frustrations of trying to coordinate the programs and activities of many Federal agencies.

Despite these and other problems, OMBE has made some notable (and, in some cases, remarkable) accomplishments since its inception:

-- Private sector purchases from minority firms have increased exponentially. They reached \$514 million in 1975, and are expected to exceed \$750 million in 1976 and \$1 billion in 1977.

-- OMBE now provides significant assistance to nearly 20,000 firms. This represents more than one-fifth of all minority firms in the U.S. with paid employees.

-- About 50% of all of the loan applications "packaged" by OMBE now are handled through commercial financing sources alone, with no government participation, and this percentage continues to rise.

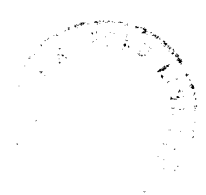
-- OMBE's emphasis on front-end technical assistance (e.g., packaging, feasibility studies, prelocational market analyses, etc.) has produced a significant positive impact upon both the minority and majority communities, with regard to the validity of entrepreneurship as a course of action for minorities.



3.

-- Through its efforts with the Census Bureau, Bureau of Economic Analysis, Dun and Bradstreet and many universities, OMBE has created the first full data base on minority business. In addition to the five year economic census which covers all minority firms, OMBE has now (or has contracts/grants to obtain) data on gross receipts and failures of OMBE-assisted firms, gross receipts and failure data on a comparable sample of 15,000 non-minority firms as a "control group," business and capital availability projections, and a range of minority population market studies.

-- OMBE's Technology Utilization Program has become a center piece (if not the centerpiece) of the national effort to develop commercial applications of government-funded high technology. All of the NFS Innovation Centers, DOD and NASA laboratories, and many of the largest U.S. corporations are now directly participating in this OMBE effort, designed to bring minority business into the forefront of technology transfer.





OFFICE OF MINORITY BUSINESS ENTERPRISE

ORGANIZATIONAL STRUCTURE

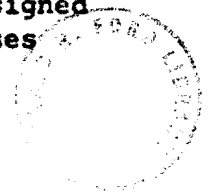
The Office of Minority Business Enterprise (OMBE) was established primarily to support the Secretary of Commerce in coordinating the minority business enterprise (MBE) programs and activities of Federal departments and agencies, promoting the mobilization of resources of the private sector and State and local governments, developing and disseminating information helpful to organizations and individuals interested in establishing and operating minority business enterprises, and providing technical and management assistance to minority businesses and enterprises.

In short, OMBE was established as a small organization to accomplish the MBE mission through government and private sector resources and organizations. Consequently, the OMBE organization must reflect this operational concept.

Organizationally, OMBE is divided into a headquarters and field structure along traditional staff/line functions. The headquarters operation houses the Office of the Director, including both the legal and congressional affairs staffs. Additionally, there are four supporting offices: the Information Center; the Administrative Division; the Planning and Evaluation Division; and, the Program Resources Division. All of the aforementioned work in concert toward supporting the field structure in its implementation of the minority enterprise program.

- Office of the Director, provides policy and overall direction to the programs and activities of OMBE; provides legal support for all components of OMBE; coordinates legislative program, including analysis of proposed legislation affecting the minority enterprise program; provides staff support in relations with the Congress; and serves as a focal point within OMBE for handling matters in which Congress has an interest.
- The Information Center, provides support to the Director in public affairs; serves as the focal point within OMBE for providing the general public with information regarding OMBE programs and activities; provides assistance and support to the Regional Offices and the rest of OMBE in the preparation and distribution of publications, speeches, displays, and presentations.
- The Administrative Division, provides administrative and logistic support to the Director and all OMBE components, including administrative and procurement services, program/management data and information, financial management, and secretariat services.

- The Planning & Evaluation Division, analyzes and advises the Director on international and national conditions and trends that bear on OMBE's mission and goals; provides economic analyses in support of ongoing programs and activities; advises the Director on long range goals; coordinates development of annual objectives; conducts special planning studies; designs overall systems for monitoring, tracking, and reporting program progress; makes continuing and special evaluations of the impact of MBE programs nationally; monitors overall MBE program performance; recommends policy governing OMBE's research/demonstration efforts; in conjunction with Regional Directors, designs pilot and demonstration projects; develops standards and guidelines for use in monitoring and evaluating pilot and demonstration projects.
  
- The Program Resources Division, mobilizes and generates public and private sector resources (money, markets, management) on behalf of minority business development; develops policies and systems to assure that these resources are deliverable and are delivered locally through the Regional Offices and their funded organizations; manages resource development projects which are national or multi-regional in scope; likewise develops and administers working relationships and agreements with private and government organizations on a national basis; evaluates the special problems of Indian entrepreneurs and business enterprises, and develops policies and strategies to overcome them; supports the Director and the Secretary of Commerce in their Federal coordination responsibilities; and supports the Under Secretary and the Director in the work of the Interagency Council for MBE and its committees.
  
- The Regional Offices, implement the OMBE policies, programs, and projects designed to accomplish the basic OMBE mission. Specifically, the Regional Offices provide local support of minority business development through the identification of local sources of financial assistance, the provision of management and technical assistance, the development of markets, the mobilization of private sector support, the mobilization and coordination of specific Federal support regionally, the mobilization of State and local government support, and by carrying out special activities such as seminars and training. Regional Offices monitor contractors and grantees and administer contracts and grants designed to provide specified assistance to minority businesses and businesspersons.



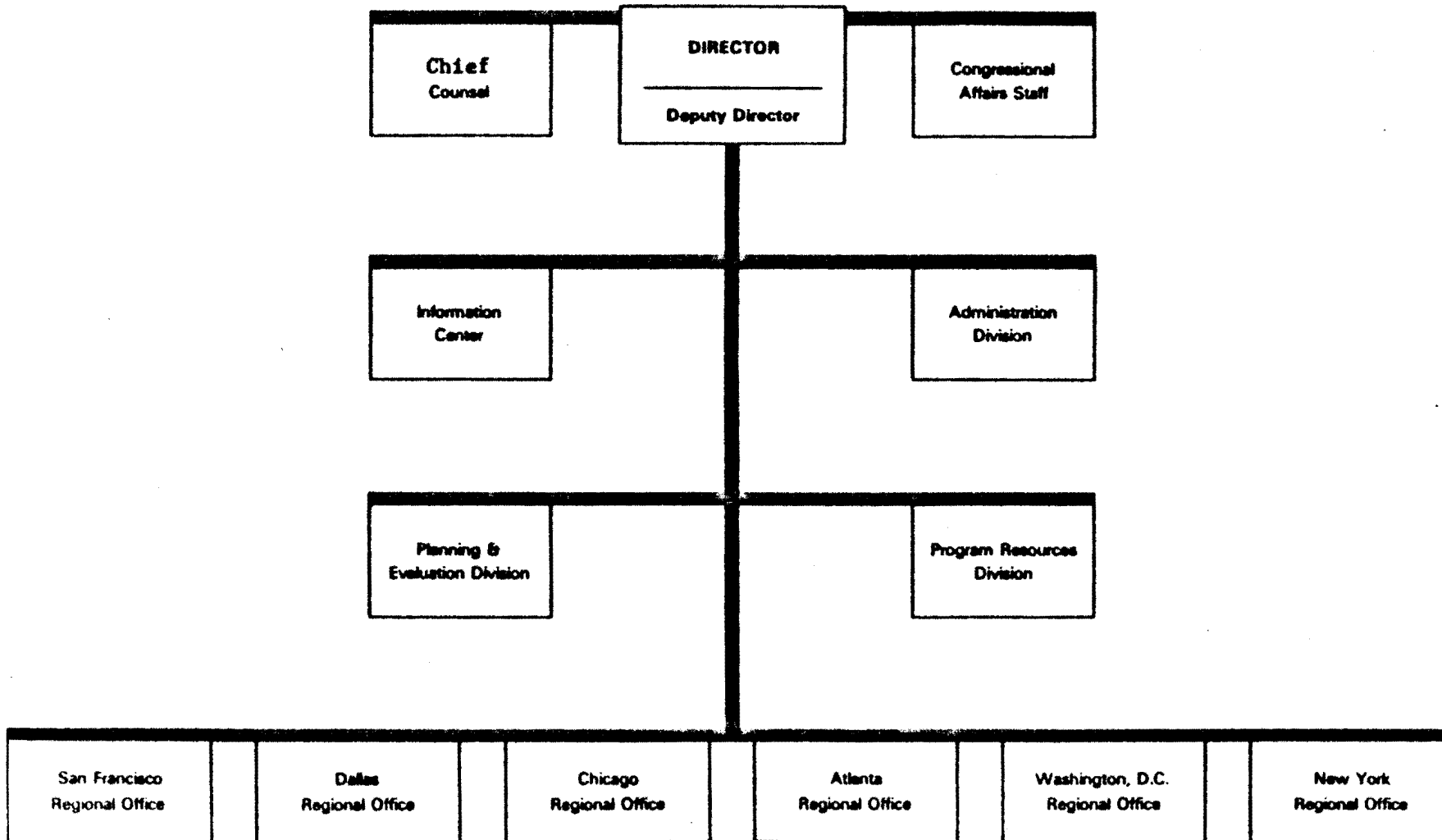
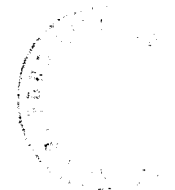
There are six Regional Offices which were selected based upon minority population concentrations, minority owned businesses and the existence of the Small Business Administration activities with which optimum program coordination could be affected. All of the regional locations, with exception to Washington, D. C., are located in Federal regional cities. During the decentralization of the OMBE program in 1973, there was a great deal of dislocation of existing staff. To avoid further staff dislocation and relocation it was decided that the Federal region normally located in Philadelphia would operate from the District of Columbia. A staffed field office is maintained in Philadelphia.

OMBE Regional Offices are located in New York City, Washington, D. C., Atlanta, Chicago, Dallas, and San Francisco. Field Offices are located in various cities where minority population concentrations dictate they can be most helpful.

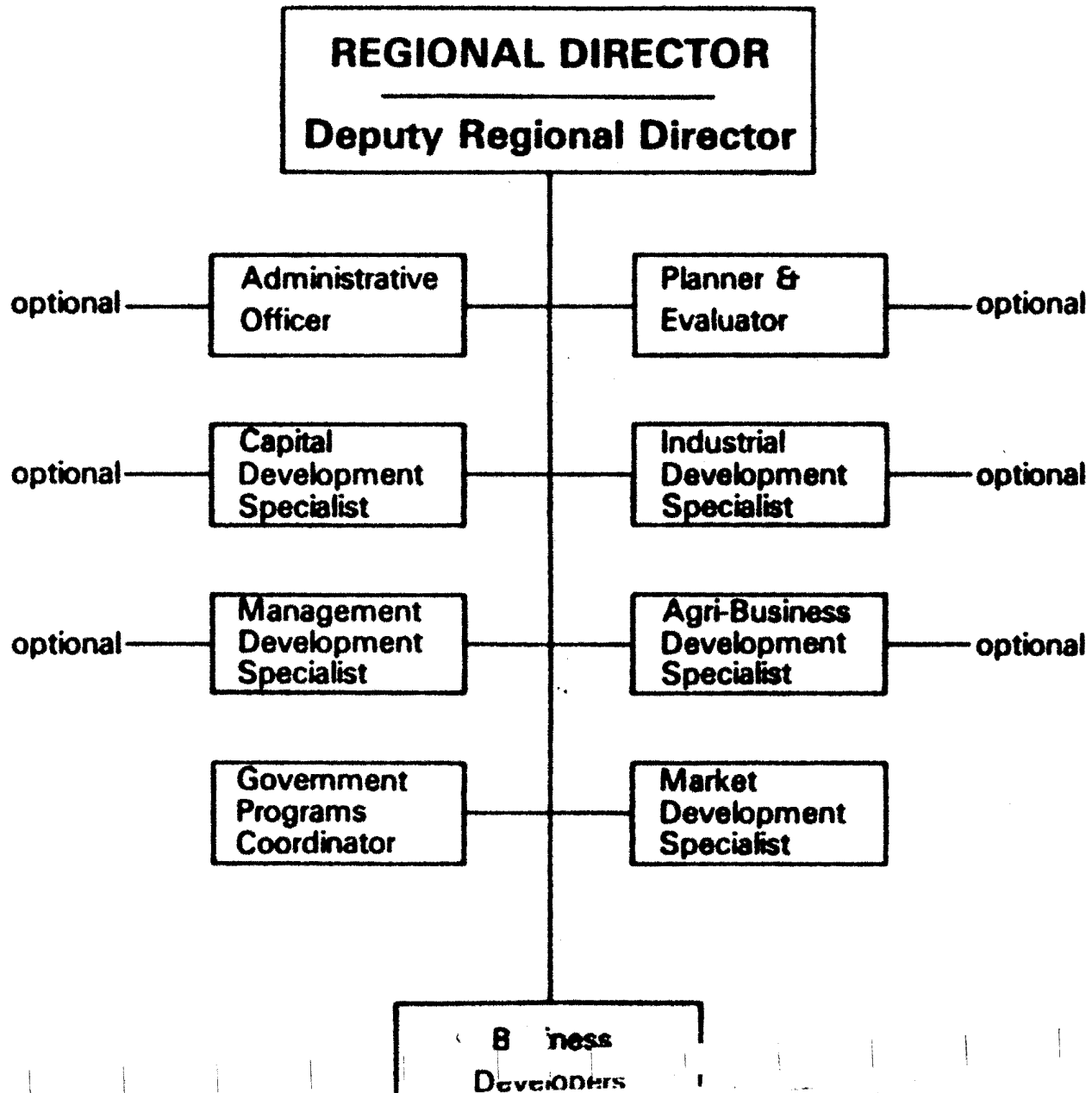
- Appendix A: OMBE Organizational Structure
- Appendix B: Internal Regional Office Organization
- Appendix C: OMBE Map



**U.S. DEPARTMENT OF COMMERCE  
Office of Minority Business Enterprise**



# OMBE REGIONAL OFFICE



**U.S. DEPARTMENT OF COMMERCE  
Office of Minority Business Enterprise  
Regional Organization**

Exhibit 2 to DOD 25-4B





RESUME

ALEX M. ARMENDARIS

1613 Woodmoor Lane  
McLean, Virginia 22101

PERSONAL:

Born April 25, 1930, in  
Chicago, Illinois;  
Married; nine children

EDUCATION:

1948 - 1950

Chicago College

1954 - 1955

Bryant Stratton College

MILITARY SERVICE:

U.S. Navy 1950 - 1954

EXPERIENCE:

April 1973 to Present

Director, Office of Minority  
Business, U.S. Department of Commerce

November 1972 to  
April 1973

Consultant, Office of Economic  
Opportunity

February 1972 to  
November 1972

Director of Spanish Speaking Division,  
Committee for the Re-election of  
the President

September 1971 to  
February 1972

Consultant, Office of Economic  
Opportunity

June 1971 to  
September 1971

Consultant, President's Advisory  
Council for Minority Enterprise

June 1970 to  
June 1971

President, Ammenstreet Corporation,  
South Bend, Indiana

February 1968 to  
February 1970

Vice President, Al Bagley & Associates,  
South Bend, Indiana

January 1966 to  
January 1968

Corporate Public Relations, Wheelabrator  
Corp. Mishawaka, Indiana

January 1950 to  
January 1966

Manager, Remington Rand,  
South Bend, Indiana



B I O G R A P H I C A L   D A T A

NAME : Samuel J. Cornelius

TITLE : Deputy Director

BIRTHDATE : April 14, 1928

EDUCATION : B. S. Degree - Anderson College,  
Anderson, Indiana

Graduate Work - Wichita State University  
Oklahoma City University

PREVIOUS EXPERIENCE: 1954-56 - Program Director, Wichita YMCA  
1956-61 - Physical Director, Okla. City YMCA  
1961-63 - Asst. Dir., Berkeley, Calif. YMCA  
1963-67 - Exec. Dir., Omaha, Nebr. YMCA  
1967-70 - Dir., Nebr. Technical Assistance Agency  
1970-74 - Regional Dir., Region VII, Office of  
Economic Opportunity and Chairman,  
Federal Regional Council  
1974-  
Present - Deputy Director, OMBE, Dept. of Commerce

PERSONAL DATA : Marital Status - Married - four children  
Service - U. S. Navy

AWARDS : National Assoc. Minority Certified Pub. Accountants  
National Citizen Participation Council  
National Assoc. Black Manufacturers' Key  
National Business League Gov. Man of the Year  
Distinguished Service - OIC  
Urban League Appreciation  
Outstanding Achievement - Carver Center  
California Federation of Black Leadership Service  
YMCA Man of the Year  
American G.I. Forum Service  
First A.M.E. Church Men's Day  
Dolly Madison Award for Minority Progress  
Roosevelt Post #30 American Legion  
Black Economic Union Service  
Human Development Corporation Humanitarian  
Oakhill Jackson Economic Development Corporation  
KPRS Radio Station VIP  
Boys' Clubs of America Public Service  
Anderson College Outstanding Alumni 1972

Walter Larke Sorg, Assistant Director  
Office of Minority Business Enterprise  
U. S. Department of Commerce  
Washington, D. C. 20230  
Tel: 202/377-3036

Residence

13509 Esworthy Road  
RFD #2  
Germantown, Maryland 20767  
Tel: 301/948-2547

Business Experience

Prior to joining the Administration, my career, for twenty-two years, centered around financial printing, a highly-specialized industry which principally services corporate officials, investment bankers, stock brokers and corporate attorneys. Extensive knowledge of the requirements of the Securities and Exchange Commission, major stock exchanges and state and municipal regulatory bodies is required to effectively satisfy the unique printing demands imposed by the financial and corporate marketplace.

From 1947 to 1957, I was with Sorg Printing Company, Inc., New York, New York, serving in various capacities including that of corporate secretary to the parent company (1954-1957) and Vice President and Director of Sorg Printing Company of Texas, Houston, Texas (1954-1957).

In November 1957, I resigned from Sorg to accept the position of Sales Executive with McCormick and Henderson, Inc., Chicago, Illinois, where I remained until April 1969.

McCormick and Henderson has since been acquired by Sorg, which presently has operations in New York, Chicago, Los Angeles, San Francisco and Minneapolis.

During my business career, I was, additionally, an organizer and director of North American Planning Corporation (1956-1957), Chicago Gazette Enterprises (1965-1968) and a director of the Landsmith Company (1968-1969).

All business connections were severed in April 1969.



**SHERMAN MAXWELL FUNK**  
Assistant Director for Planning and Evaluation  
Office of Minority Business Enterprise

In his present job, Mr. Funk directs the planning, evaluation and research activities of OMBE through the personnel of the Planning and Evaluation Division. He supervises the development of short-term and long-range goals for the national minority enterprise program and for OMBE; evaluates the effectiveness, efficiency and national impact of OMBE programs; and develops and monitors research and demonstration projects designed to test alternative ways of reaching OMBE's goals and of overcoming the special problems which hinder minority business ventures. He is also responsible for identifying gaps in the national minority enterprise effort, and for recommending ways in which these gaps can be filled.

Shortly after Mr. Funk joined the OMBE staff in August of 1970, he chaired the special group which prepared the plans, operating programs and initial budget for the expanded minority enterprise program that is administered by the Department of Commerce. Subsequently, Mr. Funk served in the capacities of Deputy Assistant Director for Field Operations, Assistant Director for Administration & Program Development, and Director of Program Research and Development.

Earlier, in the Defense Department, he had directed the Air Force Cost Reduction Program. He came to the Pentagon as a management intern from Tucson, Arizona, where he had been teaching political science at the University of Arizona. Before that, he had been a salesman and, later, a Sales Executive in New York.

Mr. Funk has extensive experience in community affairs. He was elected to the first City Council in Bowie, Maryland, a suburban city near Washington, D. C. which has grown from 1,062 people in 1960 to a current population in excess of 40,000. His special interests as a Councilman were in city-suburban relations. Since 1968, Mr. Funk has written a weekly column (which has won many awards) for a chain of newspapers in Prince Georges and Anne Arundel Counties, Maryland, and has contributed articles to national periodicals and newspapers around the country.

He is a graduate of Harvard College, and did his graduate work in political science at Columbia University and the University of





Arizona. He has served on the extension faculties of colleges in the Washington area, teaching courses in Black History and in Journalism.

During World War II, Mr. Funk was a combat infantryman with the 42nd (Rainbow) Division in France, where he was wounded and subsequently taken as a POW.

Awards: During his government service, Mr. Funk has received eleven Outstanding Performance Awards, a special citation from the Secretary of Defense, and a special medal from the Secretary of the Air Force for his administration of the Air Force Cost Reduction Program. In 1973, he received the Department of Commerce Silver Medal for his development of the expanded OMBE program.

He is married to Elaine Myrl Funk, an Associate Professor of Drama at Bowie State College, and has two children, Katherine and Bernard. His hobbies are backpacking, reading, hunting, and target shooting.

Mr. Funk resides at 12416 Stafford Lane, Bowie, Maryland 20715.

Anthony R. Stadaker  
Assistant Director for Administration  
Office of Minority Business Enterprise  
Department of Commerce

Home Address

6119 Rayburn Drive  
Terle Hills, MD 20031

Ht. - 5'8"

Wt. - 170

Marital Status - Divorced, three children, 2 now adults, 1 child living with her father.

Military Experience

1948-1952 - U.S. Marine Corps - Demolition Expert, Korean Veteran, First Black Drill Instructor in the Marine Corps.

Education

1944-1948 - Univ. of Illinois - Business Administration

1948-1957 - Northwestern University - Business Administration

1969-1970 - University of Chicago - Special B.A. and Masters, Business Admin. Program

Present Position

June, 1976 - Present - Assistant Director for Administration - Responsible for the general quality and timeliness of those administrative and logistic activities which support the Director and the Agency in areas of procurement, including contract and grant management, financial management, management information, personnel services and secretariat services. Promulgates policies, standards and procedures for the guidance of the entire agency in those administrative areas for which responsible.

September, 1973 - June, 1976 - Assistant Director for Field Operations and Administration - Responsible for designing, developing and implementing a comprehensive data management system, financial management, personnel, developing and monitoring the MBO system, developing and updating automated reports, and compiling and disseminating information for the OMBE contractors and minority businessmen.

February, 1971 - September, 1973 - Office of Management and Budget - Senior Management Analyst - Had to plan and carry out systematic observation and appraisal of programs and problems in the organization and management systems field. Such as (1) solving interagency or intergovernmental management systems problems; (2) Design new management systems needed to administer large multi-agency programs; and (3) evaluate Federal programs through the application of systems analysis techniques for the purpose of optimizing program effectiveness.



Elliott G. McLean

Home Address: 6911 Strata Street  
McLean, Va. 22101  
Ph. 703 356-9232

Office : U.S. Department of Commerce  
Office Minority Business Enterprise  
Washington, D.C. 20230  
Phone: 377-3024

Summary of Background:

- Chief Information Center, OMBE, Department of Commerce  
Washington, D.C. (present position)
- Public Information Officer, Manpower Administration,  
Department of Labor, Washington, D.C.
- President, McLean & Associates, Inc., public relations  
consulting firm, New York City
- Director Public Relations and Sales Promotions, Royal Crown  
Cola Co., Columbus, Ga. (national headquarters)
- Director Public Relations, Dr Pepper Company,  
Dallas, Tex. (national headquarters)
- Staff Member, The Associated Press, Miami Bureau,  
Miami, Fla.
- Director of Publicity, West Michigan Tourist & Resort  
Association, Grand Rapids, Mich.
- Editorial Executive and Staff Member, Battle Creek Enquirer  
and News (Federated Publications national head-  
quarters) Battle Creek, Mich.
- Editorial Staff Member, The Muskegon Chronicle (Booth Newspapers),  
Muskegon, Mich.
- Photo Journalist, Free Lance Photographer and Writer, Radio  
Newscaster, Newspaper Correspondent, Motion  
Picture Film Production

Military Service:

Enlisted U.S. Army Air Force December 1941, served in  
8th Air Force in European Theater, Honorable Discharge  
November 1945, no reserve status.

Marital Status:

Married January 31, 1942, Margaret I. Carlson (deceased 2/24/70),  
four children, Carol Ann 8/15/49, Craig E. 12/12/50,  
Chris Ellyn 9/26/54, Cabot A. 7/23/61

Place of Birth:

Kuskegon, Mich. 12/18/17



Lyman L. Bryan

Chief, Congressional Affairs, Office of Minority Business Enterprise,  
U.S. Department of Commerce

Special Qualifications

General Administration; Economic and Industrial Development; Public Affairs; Financial Management and Operational Auditing; Congressional and Inter-governmental Affairs; Management Analysis; Trade and professional organization management; author and editor and columnist. Top executive positions for 20 years in private sector, in addition to 6 years in Government and military. Career employee (GS-301-15, Step 7; 10-point veteran). Referenced in 3 Marquis "Who's Who" volumes (e.g., "Who's Who in S. and S.W.").

Professional Background

1973 - Present: Headed OMBE's Public and Congressional Affairs from 1973 through June, 1976. OMBE Public Information program was selected as the best in Federal Government in 1974 by outside professional PR group, and commended for scope and diversification (Thoth Award, PRSA). Finished as runner-up for same award in 1975. Since reorganization in June, 1976, serviced record volume of OMBE-related Hill comments; hearings; bills and Congressional correspondence.

1957 - 1973: Established and administered Washington Division of the 80,000-member American Institute of CPAs (AICPA). Served as Washington columnist for the "Journal of Accountancy." Conducted liaison with Federal agencies; National Associations; and Hill Committees, and staffed program-oriented AICPA Committees in related areas. Developed 4 laws beneficial to CPAs and initiated 75 Federal operational audit programs using CPAs.

1956-1957: Headed the Oklahoma Development Council, a state-wide industrial and economic development agency. Tasks included industrial tours; National promotion; membership development and plant location.

1954 - 1956: Managed Chrysler Corporation's National Community relations effort from Detroit. Administered National staff and directed local staff in 33 Chrysler plants.

1948-1954: Directed local Chamber of Commerce (1948-49), then headed PR programs for National corporations and associations, serving as PR Director for oil producers' National group from 1951-54.



Other Pertinent Information

Awards: Only recipient of U.S. Army Audit Agency's Patriotic Civilian Service Award (1963); Department of Commerce Special Achievement Award (1976); (Kayser Award) Outstanding Senior in Journalism, U. of Okla., 1948); PRSA Thoth award (1974, see above). Article used in college textbook on "How to Write Federal Articles."

Education: University of Oklahoma, B.A., Journalism, 1948 (equal emphasis in political science). Graduate credit at Universities of Oklahoma and Tennessee. Lecturer, Southeastern and Michigan State.

Military Status: Honorably Discharged (1945) from U.S. Air Corps, with service-incurred disability.



## Major Programs and Activities

The Office coordinates the efforts of the Federal Government toward establishing, preserving, and strengthening minority businesses. It identifies and promotes private sector opportunities including marketing, capital, corporate purchasing, retailing, wholesaling, and manufacturing. It promotes the mobilization of activities and resources of public, state and local organizations and institutions toward the growth of minority businesses and helps to coordinate the efforts of these groups with those of the Federal Government; develops and disseminates information that will be helpful to persons or organizations throughout the Nation in undertaking and successfully operating minority businesses; provides financial assistance to public and private organizations for rendering technical and management assistance to minority businesses; conducts economic and business analysis and applied research in various areas of minority business development; and defrays all or part of the costs of pilot demonstration projects, conducted by public or private organizations, which are designed to overcome the special problems of minority businesses.

To implement the program areas outlined, OMBE supports through direct contracts or grants approximately 275 organizations which provide various types of business assistance to minority enterprises. The OMBE program is divided into five (5) major activities as follows: Community Investment; Private Investment; Government Investment; Experiment and Demonstration; and, Program Development and Management.

The Community Investments program supports three types of community-based organizations: Business Development Organizations (BDOs); Construction Contractors Assistance Centers (CCACs); and Minority Business and Trade Associations (MB&TAs) in order to utilize a full range of resources available to assist in the development and growth of minority businesses.

### - Business Development Organizations

BDOs are the most important mechanism for reaching and providing management and technical assistance to the minority businessperson. They are non-profit, community oriented, OMBE-funded organizations who operate in four main areas:

- identifying, attracting and advising qualified or qualifiable candidates for OMBE assistance;
- providing information to minority business communities on opportunities, such as data on markets, government and private sector assistance programs;

- "packaging" business plans, including interviewing potential minority businesspersons, feasibility studies, providing access to private financial aid, and help in strengthening and expanding existing minority businesses;
- providing follow-up management and technical assistance, as needed, to the minority businesspersons.

- Construction Contractor Assistance Centers

CCACs perform all the functions of the Local Business Development Organizations (LBDOs), and like the LBDOs they are non-profit, community based organizations. However, CCACs focus their efforts exclusively on construction contracting, working closely with sureties, insurance companies, banks and other sources of commercial credit. CCACs also furnish expert assistance to minority contractors in such areas as estimating, bid preparation, bonding, subcontracting, labor management and training, and legal aspects of joint ventures. CCACs also develop and maintain up-to-date information on contract opportunities, particularly in cases where prime contractors are seeking qualified minority subcontractors or where several minority subcontractors could join to take prime contractor responsibilities. Some twenty-seven (27) OMBE-funded construction contractor assistance centers are located around the United States.

- Minority Business & Trade Associations (MB&TAs)

MB&TAs address ongoing needs of existing business people (unemployment rates, the range of interest rates for loans, material shortages, security problems, etc.). The minority business & trade association provides one of the best means of improving the growth and longevity among minority firms by providing some or all of the following services:

- establishing the capability for the collection and dissemination of relevant business and trade information for their members;
- provide cooperative advertising;
- provide business promotion including trade fairs and expositions;





- provide technical services including centralized accounting, marketing, research and development;
- negotiate group business insurance;
- negotiate trade discounts and credit agreements; and
- provide a working liaison with the corresponding majority trade association with a view toward securing specialized industry assistance and developing working relationships with majority corporations in their industry.

The Private Investment activity is designed to stimulate private sector efforts in support of minority business. In order to accomplish this, OMBE seeks the involvement of private firms and professional associations through the following three (3) types of programs: Business Resource Centers (BRCs); Private Resource Programs (PRPs); and Contracted Support Services (CSSs). Through this activity, minority firms receive marketing, procurement, greater access to capital, business opportunities and highly specialized or intensified consultant services.

- Business Resource Centers (BRCs)

BRCs are private, non-profit corporations funded primarily by OMBE. Other support is usually in the form of services in-kind, space, equipment, and volunteer staff from the majority business community. The BRC's mission is to provide a wide range of business services to minority-owned firms and to assist majority corporations and companies in establishing ongoing purchaser/supplier relationships with these firms. The BRC Boards are made up of top corporate executives and private businessmen strongly interested in fostering opportunities for minority business ownership.

- Private Resource Program (PRPs)

PRPs provide support for major sector organizations and trade associations such as the Federal Government Accountants Association and the National Shoe Retailers Association which in turn mobilize the involvement of their own members at the local level to support the minority business effort on a volunteer basis. By contracting with private organizations and trade associations such as these, OMBE has been able to multiply its own efforts into widespread support for many minority businesses. A PRP contract has an individually tailored scope of work which is designed



to best utilize the resources of the particular organizations, associations or industries.

In addition, the National Minority Purchasing Council (NMPC) is funded through this program. It is OMBE's principal means for identifying private procurement opportunities for minority-owned businesses. The Council is composed of senior executives from major corporations, officials from national trade associations, and from OMBE-funded BDOs. Since its inception, the National Minority Purchasing Council has become very visible in the corporate community and is regarded as the single organizations with the most expertise in corporate/minority purchasing relations.

The primary objective of the Council is to increase private sector purchasing from minority firms. It is responsible for developing national policies and programs to encourage the purchase of goods and services from minority firms.

- Contracted Support Services (CSSs)

CSSs are used to satisfy the expected needs for management and technical assistance of large businesses with complex problems which cannot be effectively served by BDOs, CCACs or other OMBE-funded organizations. BDOs and CCACs assist large groups of potential and established businesses and consequently are neither funded nor staffed to provide highly specialized services that some of the larger minority firms may require. These minority-owned businesses have complex needs in financial planning, marketing strategy, technological application and other critical business areas, such as energy and material shortages. Assistance in these areas requires more specialized skills, greater flexibility, and longer engagements than is normally available from BDOs, CCACs and other OMBE-funded projects.

To illustrate the sectors of the minority-owned business community that can be served by this activity, the 1972 Bureau of the Census "Special Report: Minority-Owned Businesses" shows that about 10% of minority-owned firms with paid employees operate in major industry groups (two digit SIC industries) where the average gross receipts for the industry exceeds \$200,000.

The industries in this grouping with the largest number of firms or with the highest average gross receipts are: general building contractors; manufacturing; wholesale trade; retail trade (food stores, automobile dealers and service stations); and banking, securities, and commodity brokers.

The Government Investment effort recognized the need for both Federal and local government participation. The OMBE system of business assistance includes State Office of Minority Business Enterprise (State OMBEs) which are funded to accomplish, at the local level, basic functional activities similar to those mandated to the National OMBE per Executive Order 11625.

State Offices of Minority Business Enterprise (State OMBEs)

State OMBEs have been established in 18 states and provide a direct link to individual state efforts to identify minority suppliers of goods and services. State OMBEs have proved useful in stimulating direct and 8(a) set-aside procurement for minority owned firms, in providing state supported education and training for minority businesspersons, land use and construction programs.

Experiment and Demonstration projects are undertaken to develop research data required by OMBE to identify programmatic gaps in the minority enterprise program, and to develop and test new innovative and realistic ways of filling these gaps and/or improving the minority business program.

In the past, minority entrepreneurs have tended to seek business opportunities in areas which offered the easiest entry and least expense in terms of initial capital outlay, such as service stations, restaurants, small grocery stores and beauty shops. In most cases, these types of firms have very marginal growth potential and the greatest likelihood of failure. Therefore, OMBE identifies new areas of business opportunities for minority entrepreneurs that represent high-growth potential and further identifies the skills and resources required for entry and access to these areas. This is an ongoing research task which continues each year.

Research Studies:

Failure Rate Analysis

- Obtain failure data (numbers and reasons) on all OMBE client firms using FY 1974 as a base year

### Survey of Minority-Owned Firms in Selected States

- A study to determine the progress or lack of progress of minority-owned firms, since 1972 when the last survey of minority-owned businesses was taken.

### Type of Industry Research

- A study of business opportunities for minorities in specific types of manufacturing industries emphasizing opportunities in light industries which normally generate more jobs.

Program Development and Management activity finances all salaries and related expenses of OMBE. Included in this activity are responsible for overall development and direction of OMBE programs including the administration of the contract and grant program previously described. These responsibilities are carried out in the National Office of OMBE's six Regional Offices.

In addition to OMBE's direct assistance program there are several major activities supporting minority enterprise that do not operate as a result of OMBE program funding.

- Interagency Council for Minority Business Enterprise

Significant increases in Federal assistance to minority business have been achieved through OMBE staff efforts to stimulate, develop, coordinate and monitor Federal minority business activities. OMBE utilizes a variety of approaches to bring about increased Federal activity, the most notable of which has been the Interagency Council for Minority Business Enterprise. Established in 1969, it is charied by the Under Secretary of Commerce and maintained by the OMBE staff. The Council is composed of high-level representatives from each Federal agency. It continues to be highly productive in increasing Federal involvement in minority business.

In FY '69, total Federal assistance to minority business amounted to \$213 million. By FY '75, this had grown to \$1.27 billion, an increase of over 600%. Total Federal assistance has aggregated \$5.96 billion since OMBE's inception.

- Inter-Agency Agreements

To promote specialized areas of public support for minority business growth, OMBE has cultivated a relationship with other Federal agencies leading to formal agreements. Agreements with these agencies stipulate a sharing of responsibilities, expertise and resources

between OMBE and other agencies, including agreements between:

- OMBE/MARAD to involve minority firms as suppliers of marine-related equipment, services and suppliers to the maritime industry;
  - OMBE/HUD to stimulate minority construction industry participation in the HUD Property Disposition Program, as rehabilitation contractors;
  - OMBE/FAA to assist minority firms in getting a fair share of airport construction and maintenance;
  - OMBE/NASA to help capable minority firms develop new products through space program technology transfer;
  - OMBE/NPS involving the grant of concessions to minority entrepreneurs in national parks;
  - OMBE/GSA/SBA to assist minorities in obtaining concessions in Federal buildings;
  - OMBE/EDA/SBA/FmHa involving minority owned business access to rural cable television markets;
  - OMBE/FHWA to assist minority owned firms who seek highway construction contracts or subcontracts.
- Minority Banking Program

Through its minority-banking program, OMBE strengthens minority banks through increased deposits and capital, and provides professional assistance in capital management to minority groups seeking to open banks. In 1969, 24 banks in the United States were minority-owned, with assets of \$290 million. As of December 31, 1975, that number had increased to 71 minority-owned banks with \$1.3 billion in assets.

- Minority Enterprise Small Business Investment Companies (MESBICs)

MESBICs provide investment capital for minority business growth. Through MESBICs private capital can be used to provide greater potential capital flow to minority business. Currently, with OMBE's assistance, 80 MESBICs are in operation with \$40 million in private capital, including investments by such industry giants as Rockwell, General Motors, Sears and Roebuck and others.

- Majority Banking Program

Commercial banks have been asked by OMBE to intensify their commercial loan programs to minorities. Working with the American Bankers Association, OMBE secured a pledge in 1970 that over a five-year period, ABA member banks would increase minority loans by \$1 billion. The actual increase during the pledged period amounted to \$1.5 billion.

- Minority Savings and Loan Associations

OMBE also assists in the formation and management of minority-owned savings and loan institutions. In 1969, there were 43 savings and loan associations with \$350 million in assets. By 1975, there were 78 such institutions, with assets of \$650 million.

- Minority Life Insurance Companies

OMBE works with minority owned life insurance companies to strengthen their capital program. In 1969, there were 43 such life insurance companies, with assets of \$438 million and \$2.5 billion insurance in force. By 1975, 37 minority owned life insurance companies had assets of \$530 million, with \$7.5 billion insurance in force. OMBE's realistic goal for 1977 has been targeted for \$12 billion insurance in force with minority-owned life insurance companies.

- Franchising for Minority Entrepreneurs

Franchising for minority businesspersons has increased at a very rapid rate. Under the OMBE assisted franchising program, many national franchisors have made special arrangements for minority individuals to enter the franchising field, thus becoming eligible to immediately trade on the name of the national franchisor, with management and technical assistance made available as part of the arrangement. In 1969, minorities owned some 450 franchises, with \$67.5 million in sales. By 1975, those figures had risen to 3,072 minority owned franchises, with sales of \$547 million.

- Auto/Truck Dealerships

Major automobile companies have joined with OMBE in a program to increase minority dealerships across the United States. Their effort has proved significant. From 14 dealerships in 1969, with sales of \$22.4 million, minority business has seen a growth to 255 dealerships in 1975, with \$635.5 million in sales.

- Cable Television

This is a new, high growth industry which presents excellent opportunities for minority ownership in the communications field. Since its inception in 1973, OMBE had helped in establishing 54 new ventures holding 30 franchises, with a market value of \$19 million. OMBE has helped arrange \$7.5 million in financing for the ventures, with an additional \$16 million in financing in negotiation. Four minority-owned cable television systems are now in operation, with four more under construction.

- Business Management Fellowship Program

In a joint program with the National Football League and the National Alliance of Businessmen, OMBE has sponsored the BMFP program since 1973. Under this program, graduating high school students in the top ten percent of their class who have been accepted by an accredited college are matched with corporations and businesses for summer employment during their college years. The student who proves himself may be offered a job upon graduation, in a management capacity. Selected NFL players work with member corporations and businesses in the selection process, under the guidance of the Office of the Secretary of Commerce Personnel Office.

- Minority Business Opportunity Committees (MBOCs)

OMBE started this program in 1970 to identify, promote and coordinate Federal resources at the local level in support of minority business. MBOCs are organized as standing committees of local Federal Executive Boards or Federal Executive Associations, consisting of representatives of each Federal agency located within a particular geographical area. MBOCs serve as local links to deliver Federal resources to minority firms, promoting the needs of minority businesspersons within

the local governmental structure, stimulating public sector procurement from minority firms, securing minority business concessions, identifying sources of deposits in minority financial institutions, and arranging minority business education seminars and training courses. MBOCs have also been instrumental in developing localized lists of minority suppliers, and resolving specific entrepreneurial problems. Since its inception, the MBOC program has grown to 35 organizations around the nation.

- Minority Business Concessions Program was developed by OMBE during the latter part of 1970 and is designed to promote minority business development by enabling a number of minority entrepreneurs to lease business concessions in Federal facilities. A unique contracting agreement was developed to insure that the terms of each concession contract were as favorable as possible for the minority businessman. Minority concessions which have been established through this program, in conjunction with the Interagency Council, are concentrating their efforts to insure that the failure rate is minimized and that the program is expanded to reach its full potential.
  
- Technology Utilization. This program, under development since 1973, is designed to assist minority businesses move into new, high-productivity markets which are emerging from advanced technology. Its outgrowth can be traced to an interagency agreement between NASA and OMBE, the purpose of which is to familiarize minority firms with the methodology required to search the estimated \$40 billion of technology housed in NASA's Technology Computer Bank. OMBE's role has been to develop, coordinate and leverage the resources of both government and industry into an operating consortium consisting of 14 federal agencies, 8 major national corporations, banks (The Bank of America has provided financing for two of the initial companies assisted), MESBICs and a program network of over 100 individuals from the public and private sectors providing support to the program. Four minority-owned companies have already received financing amounting to \$750,000. Two companies are in operation and two are start-ups. In addition, over twenty individual commercialization projects are in various stages of development. Several broader based project areas come under the umbrella of the Science and Technology Program. These include industry programs in the biomedical automotive and entertainment fields as well as the cable television program and the New England Innovations Group, which OMBE administers jointly with the National Science Foundation.





RESOURCES

OFFICE OF MINORITY BUSINESS ENTERPRISE  
(Dollar amounts in thousands)

Financial Management Branch  
November 17, 1976

	1976 Actual		TQ Actual		1977 Appropriation Enacted to Date		1978 Estimate	
	End-Of-Year Employment	Amount	End-Of-Year Employment	Amount	End-Of-Year Employment	Amount	End-Of-Year Employment	Amount
<b>Community investment:</b>								
Business development organizations.....		22,503 (20,332)		5,626 ( 5,607)		22,503 (27,974)		22,503 (22,503)
Construction contractor assistance centers.....		2,257 ( 3,485)		564 ( 538)		2,257 ( 2,823)		2,257 ( 2,257)
Minority business and trade associations.....		2,108 ( 1,320)		527 ( 729)		2,108 ( 2,673)		2,108 ( 2,108)
Total community investment.....		<u>26,868</u> <u>(25,137)</u>		<u>6,717</u> <u>( 6,874)</u>		<u>26,868</u> <u>(33,470)</u>		<u>26,868</u> <u>(26,868)</u>
<b>Private investment:</b>								
Business resource centers.....		2,397 ( 1,627)		599 ( 699)		2,397 ( 2,963)		2,397 ( 2,397)
Private resource programs.....		1,982 ( 1,772)		495 ( 105)		1,982 ( 2,548)		1,982 ( 1,982)
Contracted support services.....		3,543 ( 2,796)		887 ( 633)		3,543 ( 4,392)		3,543 ( 3,543)
Total private investment.....		<u>7,922</u> <u>( 6,195)</u>		<u>1,981</u> <u>( 1,437)</u>		<u>7,922</u> <u>( 9,903)</u>		<u>7,922</u> <u>( 7,922)</u>
Government investment.....		2,181 ( 2,383)		545 ( 465)		2,181 ( 2,653)		2,181 ( 2,181)
Experiment and demonstration.....		1,564 ( 1,708)		391 ( 504)		1,564 ( 1,941)		1,564 ( 1,564)
Program development and management.....	202	11,315 (10,883)	206	2,829 ( 3,260)	206	11,465 (11,465)	206	11,328 (11,328)
Total.....	<u>202</u>	<u>49,850</u> <u>(46,306)</u>	<u>206</u>	<u>12,463</u> <u>(12,540)</u>	<u>206</u>	<u>50,000</u> <u>(59,432)</u>	<u>206</u>	<u>49,863</u> <u>(49,863)</u>

Notes: Dollar amounts in parentheses represent obligations.  
 Dollar amounts not in parentheses represent appropriation.  
 Obligations may exceed appropriated funds due to the carryover of unobligated funds from prior year(s). (no-year funds)  
 End-of-year employment relevant to full-time permanent employment only.  
 The carryover of unobligated funds from prior years to 1977 was spread by program, for presentation purposes, in proportion to appropriated funds by program.



## MINORITY BUSINESS ENTERPRISE

- o Use of Contracts versus Grants
- o Status of Women in the Minority Business Program
- o Venture Capital Needs for Minority Business
- o Minority Entrepreneurship vis-a-vis Minority Economic Development
- o Extent of Administration's Commitment to Minority Business Development
- o Possible Obsolescence of Current Strategies for Minority Business Development



**TITLE:** Use of Contracts vs Grants

**BACKGROUND:** The great majority of organizations in OMBE's delivery network are now funded by contract.. Federal procurement regulations, which govern the contract process, provide the OMBE staff with some degree of insulation from contractor pressures, although they contain many built-in time delays and their emphasis on competition creates some inequities to organizations which perform well. Grants, on the other hand, provide a more timely, more flexible and less cumbersome funding instrument, but they open the agency to more direct pressures from current and would-be grantees.

OMBE currently has no inherent grant authority, but uses for its grants that authority delegated by EDA under Title III of the Public Works and Economic Development Act of 1965. This delegation is limited in amount; once OMBE reaches the ceiling (\$36.5 in FY 1977), it cannot issue any more grants.

Although the matter is somewhat clouded by conflicting legal interpretations of exactly what must be done by grant vis-a-vis contract, it appears that there is no fundamental barrier to the use of grants if OMBE receives appropriate statutory sanction. Until 1972, both EDA and SBA funded through grants 33 of what are now OMBE's organizations, for performing virtually the same services they currently provide.

**ISSUE:** Should OMBE continue its present emphasis on contracts, or move to a greater use of grants?

**ANALYSIS:** There is a clear trade-off here between the insulating benefits of reliance on the Federal procurement system, and the administrative delays and red tape inherent in that system. Although many of the latter problems have been reduced through the joint efforts of DOC and OMBE,



those which remain are still formidable. The basic reasons for this is that OMBE is using the contract mechanism to accommodate the kind of requirement normally handled by grant. A switch to grants will significantly speed up the funding process, reduce frustrations and friction between OMBE and its organizations, and enable OMBE to exercise more direct control over its funded elements.

However, such a conversion would also entail a major increase in paperwork that would have to be handled by the OMBE staff, it would need new legislation (because of the EDA limitations), and it clearly would open the OMBE staff to pressures which now are deflected to Procurement.

SCHEDULE: Specific recommendations will be forthcoming in 4Q/76.



**TITLE:** Status of Women in the Minority Business Program

**BACKGROUND:** A U. S. Commission on Civil Rights report in May 1975 recommended that the President establish "a national policy declaring women as a group to be socially and economically disadvantaged and, therefore, eligible for existing business development assistance programs. ..."

With the single exception of the Treasury Department, which has declared that women-owned banks qualify under the minority bank deposit program, no federal agency now considers women, per se, as a minority group. OMB has never taken a position on the U. S. Civil Rights Commission recommendation, although it solicited comments on this last year from the agencies. At that time, both OMBE and SBA argued that women, per se, should not automatically be classified as a minority.

**ISSUE:** Should women, per se, be considered as "socially and economically disadvantaged" and, hence, as an integral part of OMBE's target universe?

**ANALYSIS:** OMBE agrees that women are subject to discrimination in business, particularly in the area of credit. (Apparently, recent legislation mandating equal credit treatment has eased, but by no means solved, this problem.) The extent and impact of the discrimination are indicated by the OMBE-funded Special Census of Women-Owned Business: in 1972, these firms represented only 4.6% of all U. S. firms, and three-tenths of one percent of all U. S. business receipts.

Nevertheless, OMBE's position now remains the same as it was last year:

-- Its Executive Order authority clearly is focused on the "traditional" minorities, e.g., Blacks, Hispanics, Asian Americans, American Indians, etc. Specific Administration and/or Congressional action would be needed to expand this authority so that it encompasses non-minority women.

-- If such an expansion were authorized, it would have to be accompanied by a major (perhaps twofold) increase in the OMBE budget. Otherwise, current resource constraints would drastically curtail the assistance services OMBE now offers to its "traditional" constituencies. Also, without

such an increase, these constituencies would regard inclusion of non-minority women as meaning a sharp diminution of federal efforts in their behalf.

-- Additionally, procedures would have to be worked out in advance to prevent major abuses, e.g., men transferring businesses to their wives and thus making them automatically eligible for preferential federal programs, such as set-aside contracts and low-interest low-collateral loans and guaranties.

The status of women received considerable attention during the recent campaign, and womens' rights groups continue to press hard for acknowledgement that women, in today's society, are inherently disadvantaged and therefore warrant preferential federal treatment.

Much pressure can be expected on the new Administration to make an early decision on this issue.

**SCHEDULE:** An option paper, with contingency plans and budgets, will be completed in January 1977.



**TITLE:** Venture Capital Needs for Minority Business

**BACKGROUND:** It is recognized by the Treasury Department, Congress, industry and the media that there is a current and growing capital shortage in the United States. This shortage is the result of many factors, including tax policy, alternate investment opportunities, economic conditions, inflation, etc. Within the past few years, the decreasing availability of capital has hit minority business particularly hard. Funds for expansion are tighter, and for start-ups even worse. Minority firms generally perceived as offering a greater risk factor, find it virtually impossible to obtain long-term capital funds; without a government guaranty, they often find it very difficult to obtain working capital funds as well.

Congressional testimony would indicate there are between 200 and 600 individual sources (family, corporate, private and public) of venture capital in the United States today, with total assets estimated at approximately \$2 billion. Various sources have defined the minority venture capital gap (to parity) from \$100 billion to \$200 billion, using current value dollars.

Minority business development is badly hindered when minority entrepreneurs cannot obtain funds for buildings and equipment, for acquisitions, for franchises, and for expansion of their businesses. Today, almost the only source of long term funds for such companies are the 83 MESBICs now operating in the U. S., with total private assets of \$46 million, and an SBA leverage capacity of roughly \$180 million. MESBICs are privately-owned, privately managed venture capital companies which make equity investments subordinated long-term loans, or guarantee such loans to businesses owned by disadvantaged persons.

However, the MESBIC program is hampered by tax considerations (which preclude or limit foundation and donation-type investments), organizational considerations (which preclude Subchapter S corporations and limited partnerships), and funding considerations (cost of money, time requirements).

**ISSUES:**

A. To improve the overall effectiveness of the MESBIC program, possible changes include:

1. In the area of taxation:

- a. Allow foundation investments
- b. Provide for Subchapter S organization of MESBICs

c. Authorize investment for credit or early write-off of MESBIC investments

2. Expedite SBA processing of MESBIC applications and encourage further investment by private sources

3. Recognizing that, at the moment, MESBICs are the only venture capital game in town, place greater emphasis on this program at all levels, particularly at OMB and SBA.

4. Encourage legislation similar to S 2613 (to clearly define the cost to a MESBIC of federal monies)

B. More timely action by SBA on processing loan guaranty applications.

C. A significant expansion in the number of Farmers Home Administration loans and loan guarantees to minority firms.

D. Development of large pool of venture capital, oriented toward the acquisition by minority firms of companies of larger scale.

E. A program of economic incentives provided by additional guarantee programs and by revisions of the Internal Revenue Code.

SCHEDULE: Detailed OMBE position paper, 10/77.

**TITLE:** Minority Entrepreneurship vis-a-vis Minority Economic Development

**BACKGROUND:** OMBE's delivery of META services and, even more, the SBA and relevant USDA programs are oriented primarily toward individual entrepreneurs. DCL programs and some HEW efforts address job development through training and education, and HUD focuses on housing. EDA, although supportive of local economic development programs, concentrates its direct funding on "showcase" projects (e.g., industrial parks, shopping centers, other ventures with large job potentials) which often have little or no impact upon minority business, even though they may be located in areas with heavy minority population.

Thus, because of the differing mandates and missions of the agencies involved, there is no clear Federal focus on minority economic development. OMBE, alone and jointly with EDA, has conducted a few pilot R&D projects which bear out the potential of a broader program attack. It seems clear, from the interactive nature of economic development, that such a comprehensive approach is far more cost/effective in terms of its impact on the minority economy per dollar of Federal investment. As in other areas, the problem here is less one of additional dollars than it is of diffused, overlapping and, sometimes, inconsistent use of those Federal dollars already available.

**ISSUE:** To what extent can the minority enterprise program succeed in addressing the problems of minority entrepreneurship without concurrently addressing the broader problems of minority economic development? How can there mutually supportive efforts be tied together more effectively?

**ANALYSIS:** This area is under review by OMBE. Some of the attendant problems may be difficult to solve without consolidation of appropriate activities within a single organizational



2  
structure. However, many of the problems can be addressed through less radical measures, such as tighter and mandatory coordination, use of the "lead agency" concept, etc.

SCHEDULE: OMBE's analysis, together with recommendations, will be completed early in 1Q/77.





**TITLE:** Extent of Administration's Commitment to Minority Business Development

**BACKGROUND:** The Minority Enterprise Program was formally initiated in March 1969 through Executive Order. In October 1971, a second Executive Order reaffirmed the program priority and authorized program funding for OMBE. The President requested, and Congress appropriated, \$100 million for OMBE covering the second half of FY 1972 and all of FY 1973. Since then, the OMBE budget --- which is the only separately identifiable line item for minority business development in the Federal Budget --- has remained essentially static. Also, during the past four years, although there has been increasing Congressional, community and business interest in minority enterprise, virtually no public attention has been focused on this area at the White House level.

Leaders of the minority community have interpreted the decreasing availability of Federal dollars (because of inflationary impact upon level funding) as a sign that the national priority for minority enterprise is more apparent than real. Leaders of corporate industry and top Federal officials share this interpretation, which makes it difficult to generate their enthusiastic support; such support is of critical importance to the effective mobilization of their resources.

**ISSUE:** Does the new Administration plan to accord priority attention to the development of minority business? If so, what steps can be taken (with and without additional funding) to emphasize its commitment?

**ANALYSIS:** As noted, the problem is not only one of dollars. Depth of commitment is also measured publicly by the willingness of top Federal officials (President, Vice President, Secretary of Commerce, Administrator of SBA) to "jawbone" industry and financial leaders, Cabinet members, governors and mayors. Another indicator is the introduction and aggressive support of pertinent legislation.



SCHEDULE: Well before the end of 1Q/77, CMBE will prepare specific recommendations as to how the new Administration can demonstrate its commitment to the goals of the Minority Enterprise Program. These recommendations will encompass both funded and non-funded initiatives.





TITLE: Possible Obsolescence of Current Strategies for  
Minority Business Development

BACKGROUND: OMBE has pursued essentially the same overall strategy for minority business development since the start of its funded program in January 1972. Basic elements of this strategy include:

-- Reliance upon funded intermediate organizations to "retail" management and technical assistance (M&TA) services to minority entrepreneurs.

--Reliance upon community-oriented, non-profit organizations as the chief vehicle to deliver these services.

--Provision of services to all serious applicants for assistance.

--An attempt to achieve equity in the racial orientation of funded organizations, resulting in many which (on a de facto basis) address mainly Black, Hispanic, Indian, Asian, etc., constituencies.

--An attempt to achieve equity in geographic location (in terms of minority population concentrations), resulting in the establishment of many, relatively small business development organizations around the country.

--A program "mix" oriented chiefly to the provision of loan packaging and general business counseling services to small minority firms.

Very substantial progress (see Appendix) has been achieved during the past four years by pursuing this strategy. However, OMBE believes that some of the above programmatic emphases have lost their relevance and these are now being realigned. OMBE also is seriously considering a programmatic shift that will affect some of the others. The forthcoming change in



Administration provides an opportunity to review the validity of those program shifts already under way, as well as those now being contemplated. All of the following issues have very strong programmatic and/or political implications.

ISSUE: (1) Reliance upon funded intermediate organizations to deliver services, rather than upon in-house staff.

ANALYSIS: OMBE believes it is considerably more cost-effective to buy its delivery services rather than seek to create a huge new bureaucracy to do the job. Also, it is doubtful whether the needed quality of business counselors can be obtained through the Civil Service recruitment system.

ISSUE: (2) Reliance upon community-oriented, non-profit organizations as the chief delivery vehicle, rather than upon for-profit firms or non-profits which are not community oriented.

ANALYSIS: It is difficult to staff a community-oriented non-profit with people skilled in such areas as marketing, business financing, acquisitions and mergers, etc. Without these skills, the organizations cannot address the needs of larger ventures or of smaller firms reaching for "second stage" development. This aspect must be weighed against the greater ability of a community-oriented organization to make initial contacts, screen clients, and deliver assistance to small businesses. OMBE is now reviewing this issue, assisted by a formal evaluation by a contractor of the M&TA capabilities of its business development organization staffs. Schedule for Resolution: 1Q/77

ISSUE: (3) Should OMBE try to serve all applicants for assistance or concentrate on those with a greater likelihood of business success and growth? Should OMBE's main goal be to increase the number of minority businesses or to increase the size and profitability of minority businesses?

ANALYSIS: The Federal Government has sought to make its business development services available to the widest spectrum





possible. SBA, for example, has adopted a liberal attitude in its Economic Opportunity loan and loan guaranty program; similarly, OMBE has expanded its MGTAs capabilities to reach as wide a base of existing and potential entrepreneurs as possible. The result has been a sharp increase in the number of Federally-assisted new minority businesses.

However, continuing and high-quality assistance is vital if these new ventures are to survive, let alone prosper. Within current resources, neither OMBE nor SBA can effectively continue to generate the same number of viable new ventures and at the same time assist existing firms to expand. The conflict is one between long-range program impact and short-term program equity, i.e., between quality and numbers. To some extent, OMBE's recent decision to use gross receipts as the primary measure of minority business progress automatically means a de-emphasis on numbers and a new stress on growth. Clearly, though, OMBE cannot abandon service to firms simply because they are small. Schedule for Resolution: OMBE will propose criteria in 1Q/77 for joint SBA/OMBE use, governing intake of new clients. This will require highest levels of Commerce/SBA review and, probably, advance explanation to the Congress.

ISSUE: (4) Single racial orientation of many OMBE-funded organizations.

ANALYSIS: The 1975 House Appropriations Committee Investigative Report accused OMBE of encouraging racial polarization because it funded organizations which considered themselves essentially as "black" or "brown" or "red" etc. In fact, OMBE did initially fund some organizations because they had a track record of dealing effectively with a particular minority group. At the time this happened (1972 and 1973), there quite literally was no other feasible way of reaching these constituencies. However, the growing sophistication of minority business has eliminated the need to rely on such organizations. Except where geographic constraints create a de facto single minority group (e.g., parts of the South and Southwest), this problem no longer exists.

ISSUE: (5) Proliferation of funded organizations to meet geographic/minority population needs has resulted (because of budgetary constraints) in the funding of some contractors at a marginally effective level. Also, in some cities, OMBE funds a number of different



organizations charged with delivering the same basic services. Consolidation of these smaller activities into a single, large and well-staffed "one-stop center" seems to provide a more efficient and effective use of federal resources. However, this process generates heated opposition from the activities affected, and is a very sensitive matter on the Hill. OMBE's FY 1977 Funding Plans call for an acceleration of these consolidations. Should these plans be continued, modified, or halted?

**ANALYSIS:** Because of the long administrative and procurement lead time involved in competitive contracting, OMBE must decide whether or not to consolidate a particular set of requirements not less than four months in advance. (Ex: A contract with a start date of June 1 must have a Request for Proposal completed by February 1.) Schedule for Resolution: Detailed back-up paper presenting an analysis of options will be completed in 4Q/76.

**ISSUE:** (6) OMBE's current program "mix" emphasizes the kind of front-end assistance (business feasibility, loan packaging) which primarily is of benefit to new starts and modest expansions. A relatively small but growing number of firms request sophisticated assistance from OMBE and SBA, which both agencies often are unable to provide. SBA, once having guaranteed or made a loan, is virtually incapable of further rendering appreciable technical assistance in any depth; OMBE's organization (excepting its consultant program) similarly are not equipped for continued assistance in depth. Thus, if a concerted effort is to be made to significantly expand the size, profitability and industrial diversity of minority businesses, some basic realignment of the program "mix" will be required.

**ANALYSIS:** OMBE is now reviewing this issue, assisted by a number of formal program evaluations currently under contract (e.g., consultant service program, MSTA capabilities of business development organizations, one-stop centers, etc.). Schedule for Resolution: 1Q/77.



PROGRAM ACCOMPLISHMENTS

<u>OMBE Funded Organization Performance</u>	<u>FY 1972</u>	<u>FY 1973</u>	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>
Number of Clients Served	15,637	20,600	24,683	33,137	43,820
Number of Clients Receiving Mgmt & Technical Assistance	Unk	12,362	14,010	30,746	42,301
Number of Contracts Awarded	Unk	1,400	4,824	5,708	7,121
Dollar Value of Contracts	Unk	\$126.6M	\$252.6M	\$433.6M	\$486.2M
Number of Financed Packages Approved	1,540	3,225	4,597	5,008	5,689
Dollar Value of Financed Packages Approved	\$83M	\$158.3M	\$200.8M	\$244.8M	\$329M
Gross Business Receipts**	Unk	Unk	Unk	\$3.76B	\$4.96B*

\* = Estimate

\*\* = Not tabulated until FY 75

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	<u>1969</u>	<u>1972</u>	<u>1973</u>	<u>1975</u>	<u>1977 (Estimates)</u>
Corporate Purchases	Unk	\$86M	\$237M	\$514M	\$1B
Total Minority Business Gross Receipts	\$10.6B	\$16.6B	Unk	Unk	\$32.8B





## Congressional Oversight

### Background

In the 93rd Congress only three pieces of legislation were identified as affecting minority business enterprise. In the 94th Congress some 31 bills affecting MBE were introduced, most of them in the last 6 months of the session. Thus, interest in minority business enterprise is not only intense, but rapidly accelerating. Four hearings related to MBE matters were held in the last half of 1976:

#### -Hearing on SBICs and MESBICs

House Small Business Committee's Subcommittee on SBA Oversight and Minority Enterprise 7/22/76

Purpose: Overall review of SBIC and MESBIC programs. No specific legislation discussed.

#### -Hearing on S. 2613

Senate Banking, Housing and Urban Affairs' Subcommittee on Small Business 4/7/76

Purpose: To amend the Small Business Act of 1958 to enable the MESBICs to provide additional assistance to minority businesses.

#### -Overall minority business enterprise OMBE program

Congressional Black Caucus (Chaired by Congressman Parren Mitchell (D-Md.) chairman on Small Business and Minority Enterprise 6/14/76 and 6/15/76

Purpose: To hear concerns related to minority enterprise programs (Report not issued as of this date)

#### -Hearing on S. 2617

Senate Government Operations' Subcommittee on Intergovernmental Relations 4/13/76

Purpose: Statutory authority for OMBE

The following summary lists major OMBE related Hill forums. The appendix lists Hill staff responsibilities related to these forums.

## Congressional Oversight

Since OMBE is not a statutory agency, direct oversight of its activities is determined by each newly organized Congress. In the 94th Congress, primary House responsibility rested with the House Small Business Committee (Rep. Tom Steed, Chairman), and Rep. Addabbo's Subcommittee on SBA Oversight and Minority Enterprise both held direct jurisdiction over OMBE. In the Senate, Senator Gaylord Nelson's Senate Small Business Committee will probably be



responsible for succeeding to Senate Banking's prior duties for oversight. A pending Senate reorganization move is expected to combine Senate Agriculture and Small Business into a large single structure, making a specific Senate subcommittee jurisdiction for minority business activities increasingly doubtful. However organized, this Senate Committee has told media sources that it will hold hearings on OMBE programs, including "case studies", in early 1977 as a major committee emphasis. (Source: "Congressional Monitor", October issue). It will also hold hearings on the subject of women in business.

#### Capital Development

Legislation which affects minority enterprise small business investment companies (MESBICs) and touches other related capital areas affects the jurisdiction in both the Senate and House of the Banking and Small Business panels of those bodies. The subcommittee pattern is erratic in all four committees from year to year. Within the House Small Business Committees two panels shared responsibility in 1976. Jurisdictional identity can best be ascertained by updated directories and contact after the 95th Congress is organized.

#### Appropriations Committees

Adoption of new fiscal year dates, creation of Senate and House Budget Committees and the Carter Administration's input will affect the timing of Senate and House Appropriations hearings. The Department of Commerce and OMBE present OMBE's case before the respective Senate (Sen. Pastore's in 1975-76) and House Rep. Slack's in 1975-76. 95th Congress duties are not yet assigned.

#### Congressional Black Caucus

The Congressional Black Caucus is a private corporation, consisting of 18 black members of Congress, all of whom were reelected to the 95th Congress. Appearances before the Caucus do not involve the official environment of Congressional appearances, although the Caucus endeavors to follow standard Hill procedures. In 1976, this panel held two day hearings on OMBE, issued critical releases and indicated an intent to provide the OMBE Director with a transcript prior to distribution of its summary report. This has not been done to date.

#### General Accounting Office

The GAO has conducted various studies of OMBE including an 18 month in-depth study of the overall agency as requested by the aforementioned Addabbo panel. (House Small Business). In addition, Members of Congress have directed GAO to study specific regional matters (Dallas in 1976). Reports on these studies have not been received. The receipt of these reports is not predictable, but the Comptroller General ordinarily presents agencies an opportunity to comment prior to publication.



APPENDIX A

I Congressional Oversight  
(94th Congress)

House

Senate

- A. Committee on Small Business  
Tom Steed, Chairman
1. Subcommittee on SBA Oversight  
and Minority Enterprise  
Joseph P. Addabbo, Chairman

- A. Committee on Banking, Housing  
and Urban Affairs  
William Proxmire, Chairman
1. Subcommittee on Small Business  
Robert Morgan, Chairman

II Capital Development

House

Senate

- A. Committee on Small Business  
Tom Steed, Chairman
1. Subcommittee on SBA and SBIC  
Legislation  
Neal Smith, Chairman
2. Subcommittee on SBA Oversight  
and Minority Enterprise  
Joseph P. Addabbo, Chairman

- A. Committee on Banking, Housing  
and Urban Affairs  
William Proxmire, Chairman
1. Subcommittee on Small Business  
Robert Morgan, Chairman
- B. Select Committee on Small Business  
Gaylord Nelson, Chairman
1. Subcommittee on Finance and  
Investment  
John Sparkman, Chairman

III Appropriations

House

Senate

- A. Committee on the Budget  
Brock Adams, Chairman
1. Human Resources Task Force  
Parren J. Mitchell, Chairman
- B. Committee on Appropriations  
George H. Mahon, Chairman
1. Subcommittee on State, Justice,  
Commerce and Judiciary  
John M. Slack, Chairman

- A. Committee on Budget  
Edmund S. Muskie, Chairman
1. No subcommittee or task force
- B. Committee on Appropriations  
John L. McClellan, Chairman
1. Subcommittee on State, Justice,  
Commerce, and Judiciary  
John O. Pastore, Chairman

IV Congressional Black Caucus

- A. Committee on Small Business and Minority  
Business Enterprise  
Parren J. Mitchell, Chairman



