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The Minority Business Development Agency's Rural Business Center Program

According to the Department of Commerce's Minority Business Development Agency (MBDA), there are over 544,000 minority business enterprises (MBEs) in rural parts of the United States. MBEs are defined statutorily as businesses majority-owned and managed by socially or economically disadvantaged individuals. To help these businesses access technical, legal, and educational assistance, MBDA has since FY2023 operated the Rural Business Center (RBC) program, an expansion of the agency's flagship Business Center program.

Congress provided specific authorization for the RBC program in the Minority Business Development Act of 2021 (MBD Act of 2021; Division K of the Infrastructure Investment and Jobs Act, P.L. 117-58).

This In Focus discusses legislative provisions concerning the RBC program, program eligibility and activity, and selected issues for Congress.

History and Legislative Provisions

Executive branch interest in having MBDA provide services to rural MBEs dates to at least the 1990s. The Clinton Administration supported substantial increases to MBDA's budget to create a system of what would have been called Rural Business Development Centers. (MBDA Business Centers are generally located in urban areas.)

Congress considered legislation for a specific MBDA program for rural MBEs several decades later. In the 117th Congress, multiple bills—including the Minority Business Resiliency Act of 2021 in both the House (H.R. 2689) and Senate (S. 1255) and the Reaching America's Rural Minority Businesses Act of 2021 (S. 1749)—would have authorized MBDA to establish a program to provide services to rural MBEs. Congress ultimately included aspects of these bills, including the RBC program's authorization, in the MBD Act of 2021.

The MBD Act of 2021 authorized MBDA to fund RBCs to be operated by minority-serving institutions (institutions of higher education that serve concentrations of minority students). The law further directed RBCs to "primarily serve" MBEs located at least 50 miles from an existing MBDA Business Center or that are in a rural area, defined as any area other than (1) a city or town with greater than 50,000 inhabitants or (2) an urbanized area adjacent to such a city or town.

The MBD Act of 2021 specified that RBCs would generally be required to contribute matching funds worth 20% of the amount awarded by MBDA. (RBCs that lack sufficient resources may be permitted to provide a lower cost share,

subject to a determination of "substantial need" by MBDA.) The initial award period for an RBC is at least three years. In selecting organizations for an RBC program award, Congress authorized MBDA to prioritize entities that, among other things, are located in states or regions with a "significant population of socially or economically disadvantaged individuals" or entities that have "a history of serving socially or economically disadvantaged individuals." The MBD Act of 2021 further defined a "socially or economically disadvantaged individual" as someone who:

- has been subjected to racial or ethnic prejudice or cultural bias because of the identity of the individual as a member of a group, without regard to any individual quality of the individual that is unrelated to that identity; or
- has had his or her ability to compete in the free enterprise system impaired due to diminished capital and credit opportunities, as compared to others in the same line of business and competitive market area because of the identity of the individual as a member of a group, without regard to any individual quality of the individual that is unrelated to that identity.

The MBD Act of 2021 included a list of racial groups which MBDA could presume to be socially disadvantaged. However, a 2024 ruling in the U.S. District Court for the Northern District of Texas found that MBDA's presumption of social disadvantage for those groups was unconstitutional. Since the ruling, MBDA has offered its services to individuals of any race that self-certify that they meet the above definitions of socially or economically disadvantaged. (See CRS Report R45015, *Minority Business Development Agency: An Overview of Its History and Current Issues*, for more details.)

Unlike MBDA Business Centers, which under the MBD Act of 2021 are specifically authorized to charge fees for their assistance, RBCs do not have specific authorization to charge fees for services. However, the MBD Act of 2021 also did not specifically prohibit RBCs from charging for fees. Other similar programs, such as the Small Business Administration's (SBA's) Small Business Development Center program, are statutorily prohibited from charging fees.

The technical assistance provided by RBCs is statutorily required to focus on:

- increasing broadband internet access service, digital literacy skills, and e-commerce;

- facilitating advanced manufacturing;
- promoting U.S. manufacturing;
- helping rural MBEs solidify U.S. supply chains;
- improving rural MBEs' connectivity through transportation and logistics;
- finding trade and export opportunities;
- securing financial capital;
- generating entrepreneurship in rural areas;
- creating jobs in rural areas; and
- other issues related to rural MBEs.

Program Implementation and Appropriations

MBDA began a pilot RBC program in FY2023 by providing \$3.8 million in supplemental grants to eligible existing Business or Specialty Centers (the latter of which are organizations providing tailored technical assistance to MBEs) to establish new RBCs. MBDA stipulated that a Business or Specialty Centers was eligible to receive a supplemental grant if it was located in a state with:

- a rural minority population of at least 200,000;
- a rural population that was at least 20% minority; or
- at least one rural majority-minority county based on U.S. Census Bureau data.

The MBD Act of 2021 directed MBDA to allocate the majority of its annual appropriations, if approved, to its Business Center program. The law authorized to be appropriated \$110 million for MBDA for each fiscal year from FY2021 through FY2025, and directed MBDA to reserve \$20 million each of those fiscal years for the RBC program. MBDA received \$73 million in appropriations for FY2021, \$55 million in appropriations for FY2022, \$70 million in appropriations for FY2023, and \$68.25 million in appropriations for FY2024. The annual appropriations bills funding MBDA and the bills' accompanying reports did not include suggested amounts specifically for the RBC program.

Considerations for Congress

In light of the March 2024 court ruling declaring MBDA's presumption of social disadvantage for certain program applicants unconstitutional, Congress may consider requiring a procedure other than self-certification for MBDA clients to demonstrate social or economic disadvantage. This could include requiring applicants interested in MBDA services—including RBC program assistance—to demonstrate social or economic disadvantage, for example, through a written narrative explaining why the applicant is socially or economically disadvantaged.

Some Members of Congress have expressed concern that MBDA may lack the funds to effectively administer the RBC program, having so far been appropriated less than what Congress authorized the agency in the MBD Act of 2021. While some Members may advocate increasing MBDA funding (and, potentially, RBC program funding), there have also been attempts in recent years to significantly reduce or eliminate the agency's funding. For example, in FY2018, the Trump Administration recommended a \$6 million "closeout" budget for MBDA, to be used to wind down agency operations. The Trump Administration's budgets in FY2019, FY2020, and FY2021 would have reduced the agency's annual funding to approximately \$10 million. MBDA ultimately received \$39 million, \$40 million, \$52 million, and \$73 million in FY2018, FY2019, FY2020, and FY2021, respectively.

Congressional discussions of funding levels—both for MBDA as a whole and for the RBC program specifically—may also be relevant as MBDA identified broadening and strengthening the RBC program as a priority in the agency's FY2025 congressional budget request. To do so, MBDA requested a funding increase of approximately \$3.2 million to expand the RBC program.

MBDA's FY2025 congressional budget request stated that the agency would conduct semiannual and annual performance reports on the RBC program, the first of which would be due by April 30, 2024, and October 30, 2024, respectively. Among other things, the reports were to include data on the total number of RBC engagements, the number of new businesses formed as a result of RBC activity, and the amount of financing rural MBEs were able to access as a result of RBC assistance. As of December 2024, neither report was publicly available. Congress may consider ordering the completion of these reports.

As mentioned, the MBD Act of 2021 directed RBCs to "primarily serve" MBEs located at least 50 miles from an existing MBDA Business Center or in rural areas. However, while MBDA's website includes a list of Business and Specialty Center locations, MBDA does not appear to maintain a publicly available list of RBC locations. Congress may consider directing MBDA to create a publicly available list of RBC locations, both to ensure that the locations comply with the provisions of the MBD Act of 2021 and that rural MBEs are aware of RBC locations.

Some Members of Congress have previously questioned whether MBDA's services duplicate those provided by other federal agencies, particularly the SBA. The MBD Act of 2021 directed MBDA "to ensure consistency with program goals and to avoid duplication" by reviewing all proposed federal training and technical assistance activities in direct support of the programs carried out under the Business Center program and the RBC program. Congress may have an oversight interest in ensuring that MBDA continues such review, or in ensuring that federal agencies are actively coordinating services and programs.

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