

## **Micro and Minority Business Assistance Entities and Programs**

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### **Issue**

Analyze the current Massachusetts bill that establishes a micro and minority business strategy committee and determine if Connecticut has a comparable entity.

### **Summary**

Massachusetts [H. 216](#) (2017-2018 Session) establishes a committee with the powers of a quasi-public agency whose sole mission is to prepare and implement a micro and minority business development strategy separate from small business development (i.e., Micro and Minority Business Strategy Committee (MMBSC)). The nine-member committee, which consists of executive branch officials and gubernatorial appointees, may issue bonds and hire staff. (The bill's last reported action indicates a public hearing that was scheduled for September 19, 2017.)

Connecticut does not have a comparable, single-purpose entity. The Department of Economic and Community Development's broad powers and duties include assisting micro and minority-owned businesses, and the financial and technical assistance reserved exclusively for these businesses is delivered by seven state- and federally-funded nonprofit business development entities. Some, such as the Connecticut Community Economic Development Fund, operate separate loan programs for small, micro, and minority- and women-owned businesses.

# Analysis of H. 216

## Purpose

The bill requires MMBSC to implement a micro business and minority business economic development strategy (but does not indicate whether MMBSC or another entity must prepare the strategy). The strategy must (1) be separate from small business development, (2) increase inner city jobs, and (3) address the micro business and minority business community in urban areas.

Under the bill, a micro business is one that has 20 or fewer employees and meets the gross revenue criterion MMBSC must set. A minority business is one that is beneficially owned by at least one minority owner, as MMBSC must define. Both types of businesses must have their principal place of business in Massachusetts and be organized as sole proprietorships, partnerships, or corporations.

## Micro and Minority-owned Businesses

Connecticut law does not have a standard definition of “microbusinesses,” but instead defines the term for different purposes. For example, businesses with 10 or fewer employees or gross revenue under \$500,000 qualified for technical assistance under a 2006 pilot program (CGS § 4a-60g).

The definition of minority business also varies by program. For example, a small minority-owned business may bid on minority business set-aside contract if it is owned by a woman, minority group member, or a person with disabilities; grossed \$15 million or less in its last fiscal year; and meets other statutory criteria (CGS § 4a-60g(a)).

## Organizational Type

The bill establishes MMBSC as a body politic and corporate deemed to perform an essential government function, statutory terms that are often used to describe a quasi-public agency. Although the bill places MMBSC in the Executive Office of Housing and Community Development, it removes it from the office or another state entity’s supervision or control.

## MMBSC Members

The bill specifies the committee’s makeup. As Table 1 shows, the members consist of three state officials and six gubernatorial appointees representing micro and minority businesses.

Table 1: MMBSC Governing Board

State Officials	Gubernatorial Appointees
<ul style="list-style-type: none"><li>Secretary of Housing and Community Development</li><li>Assistant Secretary of Business Development</li><li>Secretary of the Executive Office for Administration and Finance or a designee</li></ul>	<ul style="list-style-type: none"><li>3 representatives of minority business owners</li><li>3 residents of urban or inner-city areas and micro business owners</li></ul>

The gubernatorial appointees serve five-year terms, except for the initial members, who must serve staggered terms. The governor must fill any vacancy for the balance of the term.

## ***Powers***

The bill grants MMBSC a wide range of fiscal and administrative powers similar to those granted to quasi-public agencies. Among other things, MMBSC may:

1. employ a chief executive officer and other necessary agents, employees, professionals, and business advisors and fix their salaries;
2. make notes and issue bonds, including tax exempt bonds, and secure them by pledging revenue, mortgages, and notes issued by other entities;
3. enter into agreements or other transactions with federal and state agencies and receive from them grants, loans, or advances to implement the strategy;
4. create, issue, or sell stock and other capital participation instruments; and
5. adopt implementing regulations.

The bill also authorizes the state treasurer to purchase MMBSC stock or authorize other state entities to do so. MMBSC must use the proceeds to purchase capital participation instruments or invest the funds in any security that is eligible for state investments.

## ***Oversight***

The bill authorizes the state auditor to examine and audit MMBSC's receipts, disbursements, contracts, mortgages, investments, and other matters related to its finances, operations, and affairs.

## **Comparable Connecticut State Entities**

Connecticut does not have a state agency whose only purpose is to plan and implement a strategy to assist micro businesses and minority-owned businesses. Instead, the planning and program implementation functions are performed by different entities. For example, assisting micro and minority-owned businesses is among the many powers and duties the law assigns to the Department of Economic and Community Development (DECD) commissioner. Assisting minority-owned businesses is also one of the duties of DECD's Office of Small Business Affairs.

Programs providing loans and technical assistance to micro and minority-owned businesses are implemented by nonprofit economic development corporations that also serve small businesses. For example, the Connecticut Community Economic Development Fund administers federal Small

Business Administration-funded micro business loans and DECD-funded minority- and women-owned business loans. The Black Business Alliance, Hartford Economic Development Corporation, and the Spanish-American Merchants Association provide DECD Small Business Express loans to minority-owned businesses with funds set aside for this purpose (CGS § 32-7g (g)).

Table 2 identifies the entities that plan or administer micro and minority business assistance programs.

**Table 2: Connecticut Micro Business and Minority Business State Policy Planning and Program Implementation Organizations**

<i>Function</i>	<i>Micro Business</i>	<i>Minority Business</i>
Policy Planning	Department of Economic and Community Development (DECD) commissioner’s statutory powers and duties include identifying and assisting micro businesses “whose growth and success could benefit from state or private assistance (CGS § 32-1c(25))	<ul style="list-style-type: none"> <li>• DECD commissioner’s statutory powers and duties include aiding minority businesses in their development (CGS § 32-1c(11))</li> <li>• DECD’s Office of Small Business Affairs’ statutory mission includes “aiding and encouraging businesses owned and operated by minorities and other socially or economically disadvantaged individuals (CGS § 32-9n)</li> </ul>
Program Implementation	<p>The following nonprofit organizations administer SBA funded microloans:</p> <ul style="list-style-type: none"> <li>• <a href="#">ACCION</a><sup>1</sup></li> <li>• <a href="#">Community Economic Development Fund</a></li> <li>• <a href="#">Community Investment Corporation</a></li> <li>• <a href="#">Hartford Economic Development Corporation</a> (HEDCO)<sup>2</sup></li> </ul>	<p>The following nonprofit organizations provide loans or technical assistance to minority-owned businesses:</p> <ul style="list-style-type: none"> <li>• <a href="#">ACCION</a></li> <li>• <a href="#">Black Business Alliance</a>, <a href="#">HEDCO</a> and <a href="#">Spanish American Merchants Association</a> (jointly administered minority business revolving loan funds capitalized by DECD’s Small Business Express program)</li> <li>• <a href="#">Small Business Development Centers</a></li> <li>• <a href="#">Community Economic Development Fund</a></li> </ul>

<sup>1</sup>[ACCION](#) is based in Boston but serves the eastern U.S.

<sup>2</sup>SBA, [Resource Guide for Small Business: Connecticut Edition, 2016](#)

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