

# The REED Plan

## *Promoting Economic Development via Access*

Prepared for



By



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## Austin Economic Context

It's no secret that in the aggregate Austin has done exceptionally well economically in recent decades. The numbers tell the story; compound annual job growth in the Austin MSA (Bastrop, Caldwell, Hays, Travis, and Williamson counties) from 2013-2023 was 4.2 percent, a pace almost double the comparable statewide figure of 2.2 percent, while total personal income rose 8.2 percent annually in the local economy, compared to Texas at 5.6 percent during the same period.

It's also no secret that the benefits of this overall prosperity have been unevenly distributed. In recent decades, economic inequality has grown throughout the country, decreasing economic opportunity for millions of Americans. Austin, Texas has long been one of the nation's fastest growing cities, and over the last decade, it has been known for its strong economy and increasing diversity. What is not so well known is that Austin shows how a growing population and economy does not equally benefit all residents. In fact, Austin is an example that even with growth, communities that historically have lacked access to resources can be left further and further behind. Overall, Austin has a promising economy with a growing population, increasing educational attainment and a growing median income. Yet sadly, Austin's path to prosperity is one where in 2016 Blacks and Hispanics made only 66 percent and 73 percent of the median income, while in 1980 Blacks made 75 percent and Hispanics made 87 percent of the city's median income.

These trends continue. As of the most recent information available from the American Community Survey of the Census Bureau, White Alone households in the city of Austin have a median household income of \$104,356 (\$2023), while the comparable figures for Black and Hispanic households are \$63,800 (\$2023) and \$71,507 (\$2023), respectively. Put another way, White Alone households make 14 percent more than the overall Austin median household income of \$91,501 last year, while Black households made 30 percent less, and Hispanic households were 22 percent below the overall median.

TXP has written extensively in the past about the benefits of closing this gap via raising people out of poverty. To draw from a previous report to the City of Austin:

Expenditures on poverty reduction and increasing educational attainment should be viewed as investments which generate first-order returns over time in the form of increased economic productivity, rising incomes, greater tax revenue, and reduced public expenditures on social programs. The quantitative analysis of these factors finds that aligning the non-Anglo poverty rate in the Austin area with the Anglo rate would create billions of dollars in additional household income, generating a net gain of tens of millions



of dollars for local jurisdictions (via new tax revenue and avoided social services). Beyond these benefits, it is also likely that poverty reduction will yield improved health outcomes (and decreased healthcare costs), lower rates of criminal behavior, and stronger social cohesion and civic participation. Clearly, the overall cost-benefit of investing in enhancing workforce capacity via targeted efforts to change the trajectory of impoverished young people could be highly positive.

In concert with lagging income levels, minority/LGBTQ+ groups in the Austin area also comprise a disproportionately small share of business ownership and activity. The Census Bureau provides the information presented in Table 1 for 2018, the most recently-available data.<sup>1</sup> As is clear, local minority-owned business presence lags the overall economic performance of Austin minority owned individuals, suggesting additional challenges. This is confirmed by the disparity study conducted for the City of Austin by Colette Holt & Associates which found that minority-owned and women-owned firms continue to face an uphill battle in competing with non-minority owned firms. Neither the City nor the federal government track any data related to LGBT owned firms.

In general, we found that even after considering potential mitigating factors, business formation rates by Blacks, Hispanics and White women are lower compared to White males. The data indicate that non-Whites and White women receive lower wages and Blacks and White women receive lower business earnings after controlling for possible explanatory factors. These analyses support the conclusion that barriers to business success do affect non-Whites and White women entrepreneurs.

**Table 1: Minority-Owned Business Profile in the Austin MSA (2018)**

	Population	Firms	Employees	Payroll (\$000)
White Alone	1,119,594	33,889	374,008	\$20,458,040
Black Alone	149,293	486	8,177	\$206,244
Hispanic Alone	707,964	3,720	37,883	\$1,927,795
Asian Alone	127,855	3,596	25,905	\$822,338
Totals	2,104,706	41,691	445,973	\$23,414,417
Share				
White Alone	53.2%	81.3%	83.9%	87.4%
Black Alone	7.1%	1.2%	1.8%	0.9%
Hispanic Alone	33.6%	8.9%	8.5%	8.2%
Asian Alone	6.1%	8.6%	5.8%	3.5%

Sources: Census Bureau, TXP

<sup>1</sup> Publicly traded firms and companies headquartered elsewhere are not included in this data.

Historically, the focus on improving outcomes for Austinites lacking access largely was on enhancing and improving employment opportunities. While still crucial, this emphasis leaves out an essential additional element: fostering the creation and sustainability of businesses. Business success is in many ways a gold-standard for addressing historic economic segregation and income inequality, as ownership provides income for both proprietors and employees, as well as leading to wealth creation that will have inter-generational implications.

The first step in developing the REED Economic Development Plan is to better understand market conditions facing stakeholders. An online survey of DECA chamber companies was combined with a series of focus groups, with the following major findings:

- Most firms expect to be growing in the near term
- Access to markets/customers, workers, and capital are all significant issues
- Costs (inputs, occupancy, etc.) are also concerns, but growth requires resources
- Focus new programs on expanding capacity/resource access:
  - Relationship with Major Employers
  - Access to Capital
  - Mentoring/Career Development
- Support secondary efforts to improve the overall economic development environment, including
  - Workforce Development
  - Transportation
  - Childcare
  - Incentives for existing firm expansion

Business development is an area that connects most of these dots. For example, a group of employees at a large local technology firm decide to create a new company, which initially will provide goods/services to the firm they've just left. This works, and over time they staff up, expand their customer base, and improve the lives of not only those associated with the new company (founders and employees) but their families and communities – and generations to come. While the issues outlined above that improve the overall economic development environment are not covered per se in the above scenario, the point remains: business development is one of the most comprehensive means to address the disparities facing those who historically have lacked access. Fortunately, this aligns perfectly with the purpose and mission of the DECA chambers, making this the ideal group to make progress on this front.





## Addressing Business Development Challenges for Under-Resourced Enterprises in Austin

Challenges related to lack of access to adequate resources to support business development are not unique to Austin. These disparities are observed across the nation, spanning communities of all sizes and demographics. While the systemic and historical factors contributing to these challenges are complex and beyond the scope of this report, the immediate business-related issues—including limited networks, access to capital, and technical capacity—are well-documented and quantifiable.

The recommendations outlined in this report, alongside ongoing community initiatives, aim to address these barriers and support businesses in Austin. By focusing on these critical areas, DECA and its partners can foster an environment where underrepresented businesses have the tools and opportunities needed to thrive. The three challenges are interactive contribute to a cycle of insufficient business growth and development.

### Enhancing Capacity and Building Corporate Connections

In Austin, many businesses encounter barriers when establishing relationships with larger corporations that dominate the local economy. Limited access to these business networks can hinder growth and innovation, making it vital to create opportunities for these enterprises to engage more effectively.

Corporate procurement practices, such as “strategic sourcing,” have optimized efficiency by streamlining supplier networks, centralizing procurement activities, and prioritizing large-scale contracts. However, these practices can inadvertently limit opportunities for smaller, local businesses that may not meet the scale or technical specifications often required. To address this, aligning procurement practices with inclusive goals is essential.

Supplier diversity initiatives, while acknowledged at many corporate levels, do not always translate into measurable outcomes. Without clear accountability measures, procurement processes may default to established relationships, leaving underrepresented businesses struggling to gain traction. Establishing clear diversity benchmarks, training procurement teams, and fostering partnerships with local businesses can bridge these gaps, ensuring businesses of all sizes have a pathway to success.

Scaling operations and accessing technical expertise are also critical for businesses aiming to collaborate with larger corporations. Many operate on a smaller scale, facing challenges such as limited access to capital, meeting competitive pricing demands, and adapting to the unique needs of larger clients. Tailored strategies, including targeted training and mentorship



programs, can equip these businesses with the skills and resources needed to navigate complex corporate environments effectively.

Broadening participation in diverse business networks is another key factor. While community-based networks offer essential support, they may lack the scale to drive sustained growth. Expanding access to diverse corporate networks and fostering cross-industry collaboration can unlock new opportunities, drive innovation, and strengthen the economic fabric of Austin.

By addressing these structural challenges and ensuring access to necessary resources, targeted businesses can enhance their competitive edge and forge meaningful, long-term partnerships. These efforts not only bolster individual enterprises but also contribute to a more inclusive and vibrant economic ecosystem.

### **Access to Capital**

Accessing the capital needed to start and grow a business can be a significant challenge for many seeking to start a new business. A large portion of entrepreneurs rely on personal savings or financial support from family and friends to fund their ventures. For some, lower levels of accumulated wealth and limited access to investment resources can make it more difficult to secure the funding needed for their businesses. This underscores the importance of creating opportunities to build financial foundations and invest in entrepreneurial efforts.

### **Overcoming Barriers to Traditional Financing**

Many individuals in under-resourced communities embark on entrepreneurial journeys, often leveraging limited initial resources. While these efforts are commendable, smaller, young businesses—particularly in competitive industries—frequently encounter challenges in securing traditional loans. Factors such as insufficient collateral, minor credit issues, or limited cash flow histories may not meet the stringent criteria set by financial institutions. Additionally, smaller credit needs often are outside the primary focus of larger banks, which prioritize higher-value loans.

Banking practices that rely heavily on standardized credit scoring and rigid requirements can unintentionally create barriers for emerging businesses. These challenges underscore the necessity for financial institutions and alternative funding sources to adopt innovative approaches that accommodate the diverse needs of small businesses. By addressing systemic hurdles and offering flexible, inclusive financial solutions, communities can empower entrepreneurs to access the capital needed to grow and contribute to a thriving, dynamic economy.





## Technical Capacity

Technical expertise and business sophistication are essential for entrepreneurs to build strong relationships and attract capital effectively. These skills enable business owners to identify market opportunities, stay competitive, and foster long-term partnerships. Access to resources that enhance technical capacity can empower entrepreneurs to succeed and thrive in dynamic markets.

While formal education is not the sole determinant of technical capacity, access to educational and professional development opportunities plays a significant role. For many entrepreneurs, targeted training programs, mentorship, and real-world experience provide critical pathways to developing these skills. Building technical capacity involves understanding market trends, fostering relationships with key partners, navigating cultural dynamics, and investing in quality over the long term.

Mentorship is a cornerstone of building business sophistication. Successful business leaders who mentor emerging entrepreneurs share invaluable lessons, access to networks, and strategic insights. However, access to experienced mentors can vary, as there may be fewer role models or large-scale businesses within some communities. This underscores the importance of creating robust mentorship opportunities and expanding access to professional networks.

Training and development programs aimed at small businesses often face challenges in reaching their full potential due to resource constraints. Entrepreneurs frequently juggle multiple responsibilities, such as bookkeeping, marketing, and service provision, which can limit their ability to participate fully in educational initiatives. Recognizing and addressing these barriers by offering flexible and accessible learning opportunities is critical to supporting business growth.

By investing in programs that enhance technical capacity and creating environments where entrepreneurs can learn from successful role models, communities can ensure that all business owners have the tools and support needed to succeed. These efforts not only strengthen individual businesses but also contribute to broader economic resilience and innovation.

## Harnessing the Potential in Austin

The proposals outlined here are informed by best-practices of similar minority/LGBTQ+ owned business development initiatives elsewhere. While no single program has solved business development challenges faced by those who traditionally have lacked access, these





recommendations draw on lessons learned and apply them in the Austin and Texas context. They are divided into primary recommendations, which are initiatives that DECA can assume responsibility for developing and implementing, and secondary recommendations, which enhance the business environment where DECA plays a secondary, supporting role to program development and implementation.

## Primary Recommendations

### **Launch a Major Employer-Based Procurement Initiative**

In partnership with DECA, local major employers should be solicited to commit to individual evaluations of procurement diversity practices currently in place, diversity goals that currently exist, and the success companies are having in meeting those goals. Prior to moving forward with any program recommendations, DECA needs to determine two things. First, it needs to establish a supplier diversity baseline for all participating companies. These companies will have varying policies, goals, and participation levels with respect to supplier diversity. Quantifying a baseline will enable DECA to determine how its respective members will need to alter current policies and goals to increase minority/LGBTQ+ owned participation levels. Once a baseline is created, companies should be evaluated on how well they are meeting the diversity goals. Second, DECA will need to identify “procurement opportunities” for all member companies. This entails first establishing guidelines as to what constitutes a procurement opportunity. Some companies may be measuring across all procurement areas, while others may limit participation to service or local opportunities. A baseline evaluation process of each member company will identify whether adequate procurement diversity goals currently exist and if effective policies and programs are in place to meet the goals.

In today’s global business environment, competition for large corporations’ supplier and service contracts is fierce. This is especially true for physical goods readily purchased from sources that achieve production economies of scale to reduce costs. While many small, local companies face multiple competitive disadvantages, they often do possess a geographic advantage in providing services/goods to headquarters operations or large regional facilities. A certain percentage of goods/services is, or could be, advantageously procured locally. These include business services, such as professional (legal, accounting, financial, etc.), janitorial, landscaping, printing, and catering, to name a few.

This recommendation focuses on expanding business networks and building technical capacity for under-resourced businesses, addressing challenges in accessing larger corporate opportunities. As corporate trends increasingly lean toward strategic sourcing, a place-based procurement strategy offers a way to create mutually beneficial partnerships between these



businesses and larger corporations. By fostering access to broader business networks, entrepreneurs can increase their revenues and enhance their long-term success.

Hands-on experience is a crucial element of building technical capacity. While targeted training programs provide foundational knowledge, direct engagement with corporate clients allows small business owners to refine their skills and develop the expertise needed to thrive in competitive markets. This combination of education and real-world experience ensures a comprehensive approach to capacity building.

The success of a place-based procurement strategy depends on identifying and maximizing procurement opportunities. Participating corporations will need to assess their procurement needs and define clear criteria for what constitutes a viable opportunity. Factors such as bid competitiveness and additional considerations beyond pricing must be tailored to fit the unique circumstances of each company and procurement area, whether goods or services.

Coordinating a unified supplier diversity strategy across diverse industries and corporate cultures is another key factor. While some companies may have limited opportunities due to specialized procurement needs, a flexible and adaptive approach can help ensure alignment with business realities. Tailored program recommendations will be essential to address these variations effectively.

Ensuring high-quality participation is equally important. DECA can play a pivotal role in developing program requirements and benchmarks that highlight the capabilities of LGBTQ+ and minority-owned businesses. A robust certification process can help address potential concerns about performance and quality, providing a "seal of approval" that builds confidence among participating corporations. This certification can also streamline the engagement process, making it easier for companies to collaborate with these businesses and achieve meaningful outcomes.

### *Incentivizing Procurement Diversity and Setting Realistic Goals*

To ensure the success of supplier diversity initiatives, participating companies should create meaningful incentives for procurement personnel. Past experiences have shown that such programs are most effective when procurement officers are given explicit goals and accountability measures tied directly to their performance evaluations and compensation. Training programs can further reinforce the importance of broadening the pool of viable suppliers, emphasizing how diversity enhances innovation and competitiveness.

Establishing supplier diversity goals that are ambitious yet achievable is key to fostering progress. While it may not be feasible to reach the ultimate goal—procurement awards that mirror Austin's demographics—immediately, initial benchmarks should reflect the current



composition of business ownership within specific industries. For example, if those identified as historically lacking access constitute 10 percent of janitorial service providers in Austin, participating companies could aim over time to allocate 10 percent of their janitorial procurement to these businesses as a starting point.

DECA's role in this process is critical, especially in the process of setting initial targets and ultimate goals. This foundational step ensures that targets are both informed and actionable, paving the way for long-term success in achieving enhanced procurement practices. Through consistent evaluation and support, these initiatives can drive meaningful change, benefiting both businesses and the broader community.

### **Expanding Mentorship and Community Support**

Beyond financial and access-related challenges, individuals from under-resourced communities often benefit greatly from role models and mentors who can guide and inspire them in their educational and professional journeys. For some, finding relatable mentors can feel daunting, particularly in environments where they perceive themselves as outsiders or misaligned with traditional corporate cultures. Creating a sense of belonging and providing access to mentorship opportunities can empower individuals to thrive.

Modern technology offers transformative tools for expanding mentorship networks and fostering connections. Social media platforms and video-based communication allow for highly specific matching of mentors and mentees, overcoming geographic limitations. For instance, a teenager aspiring to be a lawyer could connect with a network that includes those from a similar background that includes an undergraduate pre-law student, a law student, and practicing attorneys at various stages of their careers. This approach not only provides targeted guidance but also builds a sense of community and shared experience.

These strategies can also enhance recruitment and affinity groups within large, multi-site organizations. By leveraging digital tools, companies can foster inclusive environments that accommodate and celebrate individuality while promoting career development. Recommendations include recruiting a diverse range of mentors, developing comprehensive online content, and implementing robust mentoring programs that utilize technology to maximize reach and impact.

By embracing these approaches, businesses and organizations can create pathways to success for individuals from underrepresented backgrounds, fostering a culture of inclusion and opportunity that benefits everyone.





## **Fostering Entrepreneurship Through Internal Corporate Programs**

Strong relationships between companies and their suppliers are foundational to seamless client services. DECA companies have the unique opportunity to support the growth of this community by encouraging valued employees to transition into entrepreneurial roles as contractors. This initiative could serve as a bridge to entrepreneurship, empowering employees to start their own businesses while fostering lasting, mutually beneficial relationships.

The program would function as an internal small business incubator, providing a supportive environment for emerging entrepreneurs. Participating firms would not only nurture business growth within the community but also benefit from working with suppliers already aligned with their operational standards and organizational culture. This continuity enhances the quality of services and products while strengthening the company's commitment to diversity and inclusion.

Entrepreneurs often face challenges such as limited access to capital, professional networks, and capacity-building resources. By offering a structured transition from employment to entrepreneurship, corporations can help mitigate these risks. Guaranteed contracts for a defined period would provide critical financial stability, allowing entrepreneurs to focus on building their businesses and securing additional contracts.

The program could involve multi-year contracts outlining clear expectations and responsibilities for both parties. For example, DECA companies could guarantee a certain volume of work during the contract period, offer favorable terms, and ensure timely payment to support the entrepreneur's cash flow. In return, participants would work toward greater independence by increasing their share of external clients over time. After the contract concludes, the relationship could evolve into a standard supplier partnership based on mutual success.

To ensure success, the program should be voluntary, allowing interested employees to participate without pressure. Additionally, employees could have the option to return to their previous roles within the first year if they decide entrepreneurship is not the right fit.

This initiative could be implemented independently by each participating company or integrated into a broader program framework. Expanding the program to include mentorship, access to capital, and additional support services would further enhance its impact. It is also essential to address concerns among stakeholders not participating by transparently communicating the company's commitment to fairness and how the program aligns with its values and objectives. By fostering entrepreneurship, DECA companies can



drive innovation, strengthen supplier relationships, and contribute to a more inclusive economic landscape.

### **Expanding Financial Resources Under-Resourced Small Businesses**

To support the growth and sustainability of under-resourced small businesses, DECA, potentially in collaboration with the local public sector, could develop a credit-enhancement or loan loss reserve program. This initiative would encourage local and alternative lenders to provide loans to small businesses by offering credit enhancements, such as guarantees, to mitigate perceived risks.

Many lenders are cautious about extending credit to businesses in these communities due to concerns around collateral and creditworthiness. By establishing a loan loss reserve fund, DECA could address these concerns and unlock significant public and private investment in these enterprises. Funds within the reserve would serve as a safety net for loans with certain risk characteristics, enabling lenders to take on more small business clients.

This initiative could be implemented in partnership with an existing financial institution or through the creation of a dedicated organization, such as a community development financial institution (CDFI). CDFIs are mission-driven entities that specialize in providing financial services to underserved communities. They typically fall into five categories:

1. **Community Development Credit Unions and Banks:** Provide traditional banking services, such as savings accounts and personal loans, tailored to underserved communities.
2. **Microenterprise Funds:** Offer small-scale business loans to entrepreneurs starting or expanding their ventures.
3. **Community Development Corporation-Based Lenders and Investors:** Integrate broader community objectives into their financial decision-making, often assuming equity positions in local ventures.
4. **Community Development Venture Funds:** Focus on equity investments in high-potential businesses within underserved markets.
5. **Community Development Loan and Loan Guarantee Funds:** Provide targeted loan products and guarantees to bridge financing gaps for small businesses.

By leveraging the expertise of CDFIs or similar institutions, DECA can create pathways to capital that empower under-resourced businesses to thrive. This approach would not only support individual entrepreneurs but also strengthen the broader economic fabric of the community.





### *Leveraging Community Development Financial Institutions (CDFIs) and Credit Support*

Community development credit unions and banks play a vital role in underserved communities by offering traditional banking services, such as savings accounts and personal loans. Microenterprise development loan funds provide small-scale business capital to help entrepreneurs launch or expand their ventures. Additionally, community development corporation-based lenders and investors often integrate broader community objectives into their decision-making processes, frequently taking equity positions to support local businesses.

In the context of Austin, the initial focus could be on providing capital to established member businesses with measurable cash flow. Debt instruments would likely serve as the primary means of funding, targeting profitable firms poised for growth. Austin already benefits from mission-driven lenders, such as PeopleFund and LiftFund (formerly Accion Texas), which cater to the needs of traditionally under-resourced businesses. Consequently, the recommended strategy should emphasize credit support, addressing specific needs without requiring extensive infrastructure. A credit support fund could work in tandem with existing financial institutions to achieve two primary objectives:

1. **Preparing Borrowers for Underwriting:** Assist potential borrowers in meeting the requirements of the underwriting process. This includes ensuring that all elements of market analysis, business plan development, and financial documentation align with lender standards.
2. **Addressing Partner Concerns:** Provide solutions to challenges related to business plan development or collateral adequacy. This support could take the form of professional guidance or loan guarantees.

To implement this effectively, clear terms and conditions would need to be established, along with a robust corpus of resources to support the fund. This initiative could complement existing programs, such as those offered by the Small Business Administration (SBA), which already incorporates a comprehensive underwriting process. The goal would be to enhance credit availability and fill gaps in support rather than duplicating existing efforts.

By leveraging the expertise and infrastructure of CDFIs and similar entities, Austin can create targeted financial solutions that empower participating businesses, fostering economic resilience and growth within the community.

### **Establishing a Center for Under-Resourced Business Development**

Implementing the recommendations outlined in this report will require dedicated resources and a coordinated approach. While initial efforts to engage and integrate Austin's major employers can leverage DECA's existing capacity, broader initiatives focused on finance and



technical capacity will necessitate additional funding and personnel over time. Central to this strategy is the creation of a dedicated Center for Under-Resourced Business Development, either as an offshoot of the DECA chambers or as a standalone entity (the Center). The Center would serve as a hub for advancing key programs, including partnerships with major employers, credit support initiatives, and technical capacity-building efforts. Additionally, it would provide a focal point for advocacy and program development to address supplementary recommendations.

Establishing a centralized structure offers two primary advantages:

1. **Clear Accountability:** Assigning primary responsibility for achieving the outlined goals ensures focus and effectiveness. With a dedicated team, progress becomes measurable and achievable.
2. **Integrated Efforts:** Many tasks and programs are interconnected, and individuals served by the Center often benefit from multiple offerings. By bundling resources and tools, the Center can comprehensively address the professional and entrepreneurial needs of participating businesses.

The Center's success will hinge on the quality of its programs. For instance, its mentoring initiatives must secure strong commitments from participants, particularly professionals serving as mentors. These mentors play a pivotal role in fostering growth and must prioritize their engagement to maximize impact. Tailoring specific programs to meet the needs of the community will further enhance outcomes. By consolidating these efforts into a cohesive structure, the Center can effectively drive progress, create meaningful opportunities, and empower businesses to thrive in Austin's dynamic economic landscape.

### Broader Economic Development Recommendation

Austin's reputation as a leader in economic growth and innovation is well-earned, yet the benefits of this success have not been evenly distributed. Rising costs and affordability challenges have created barriers for small businesses and entrepreneurs, particularly those from underrepresented communities. Initiatives like Project Connect and Travis County's recent childcare funding are meaningful steps toward addressing these disparities, offering significant benefits to both the broader community and under-resourced business owners. While DECA may not directly implement these initiatives, it plays a vital role as an advocate, ensuring that economic development strategies are inclusive and reflective of Austin's diverse entrepreneurial landscape. By actively engaging such efforts, DECA can amplify its influence and support desirable outcomes, positioning itself as a key stakeholder in shaping future policies and programs. The recommendations presented rely on DECA taking a leadership role in their implementation. In addition to the areas of direct action articulated here, the DECA Chambers are also advocates for improving the overall economic



development environment in Austin, including a range of programs to support workforce development and making sure that incentive policies reflect the needs and opportunities associated with DECA members. Two further key areas of advocacy focus are childcare and transportation.

### **Improving Access to Childcare**

Access to high-quality childcare in Austin is a classic case of too little supply, too much demand, and not enough resources among the customer base to adequately pay. The details are interconnected and daunting. Since many who need childcare cannot afford the market rate, providers struggle to pay wages at a level that attracts and retains quality employees. Meanwhile, the local real estate market yields rents that are out of reach for providers that don't either already own their facilities or have a favorable long-term lease in place, forcing many to locate either well away from their client base or simply shut down when the rent increases. The translation is that childcare for the affluent is adequate (though not without challenges) and extremely challenging for the rest of the working population, absent family circumstances or association with a religious or other group that can offer discounted services. This has become a significant barrier to the creation of middle-skill employment in Austin and is an important part of the overall affordability conversation. DECA is supportive of efforts by the City of Austin, Travis County, and others to expand the supply (both facilities and labor force), lower the costs (meeting demand), and bridging the gap via direct public financial support to those pursuing education and/or workforce participation.

### **Expanding the Region's Transportation Capacity**

There are numerous potential benefits to a community and its economy with enhancement of the region's transportation capacity, especially if that enhancement includes modal expansion. The most immediate beneficiary are users who convert their automobile trips, thereby reducing the personal frustration they experience each workday as they negotiate clogged roadways and attempt to predict unreliable driving times. Employers also benefit when workers commute using alternative forms of transportation, because they presumably do so in less time and are more likely to arrive punctual and rested. This, in turn, gives employees the opportunity to perform their work more productively. Improving transit service also creates opportunities for the entire region to capitalize on its users. By removing their cars from the roadways, transit commuters unintentionally improve the trips of workers who cannot or choose not to use some form of transit. Similarly, their actions also create benefits for industry since many firms are sensitive to the effects of roadway congestion. This is especially important in the wake of the pandemic, as challenges in getting employees to return to in-person work are only heightened by commuting frustration. Beyond the transportation impacts, multi-modal transportation (especially in the form of fixed guideway transit) can have a discernible impact on land use patterns, real estate values, corporate recruitment and relocation, the equitable capacity to connect workers to jobs, tourism, and





the overall appeal of a region to potential firms and residents. These additional impacts cumulatively influence the level and pace of economic growth, as well as the competitive position of the region versus its peers domestically and abroad. Meanwhile, measures of public health and safety, such as traffic fatalities and the level of greenhouse gases in the air, can also be at least partially influenced by urban mobility modes and utilization. For all of the reasons outlined above, DECA strongly supports efforts to expand and diversify the transportation system in the Austin area.

## Operational Structure, Budget, and Timeline

To effectively implement its initiatives, DECA should allocate resources across key program areas, including major employers, finance, and technical capacity. Each focus area should have at least one full-time professional dedicated to program development and execution. Additionally, an advocacy-focused role could address supplemental priorities, ensuring comprehensive support for the community.

Optimizing productivity may require shared resources with DECA member chambers, particularly for physical space occupancy. However, to maintain operational effectiveness, an additional one or two support staff will likely be needed, along with a flexible operating budget for events, travel, and other activities. An estimated annual budget of approximately \$1 million would cover these needs. In parallel, a credit support fund should launch with an initial corpus of at least \$5 million, leveraging up to \$50 million in additional lending. Beyond providing immediate financial impact, this fund could generate net revenue to support ongoing operations and future program development.

DECA has the internal capacity in the near-term to begin creating the enhanced relationship with Austin's large corporations, with the goal of quickly moving to greater procurement, internships, and hiring. Over time, other aspects of this plan can emerge, but will require significant financial resources to be fully implemented.

## Conclusions

Scaling operations and accessing technical expertise are critical components for businesses to establish and grow relationships with larger corporations. In Austin, many of these businesses operate on a smaller scale, which can pose challenges in competing for significant opportunities. Factors such as limited capital, meeting competitive pricing requirements, and adapting to the unique demands of larger clients often require tailored strategies and support.

Developing strong relationships with larger corporations necessitates specific skills and resources. Business owners can benefit greatly from targeted training programs and



mentorship opportunities designed to navigate corporate structures and procurement processes effectively. Addressing gaps in access to educational and professional development resources helps ensure that entrepreneurs are well-equipped to compete and succeed.

Participation in broader business networks is also a key factor. While traditionally under-resourced businesses often rely on community networks, which provide essential support, these networks may lack the scale needed to foster sustained growth. Expanding access to diverse corporate networks and creating opportunities for cross-industry collaboration can help unlock potential and drive innovation.

By addressing structural challenges and providing access to necessary resources, these businesses can enhance their competitive advantage and establish meaningful, long-term partnerships. Such efforts not only strengthen individual businesses but also contribute to a more equitable and dynamic economic landscape.



## Appendix One

### Survey Questions

#### Demographics:

What is your industry/NAICS code?

How long have you been in business?

Less than 12 months

12 to 30 months

30 to 60 months

more than 60 months

Is the majority of your business owned by individual(s) who identify as minority?

If no, please do not complete survey. If yes, please provide total ownership share by the following categories.

*Note: for LGBTQ+ individuals who are also people of color, please duplicate listing, eg, 65% Hispanic and 65% LGBTQ+*

African-American

Hispanic

Asian

Other person of color

LGBTQ+

What is your estimated topline annual revenue in the Austin area for 2023?

*Note: For those is business less than a year, please estimate annualized revenue*

Less than \$100,000

\$100,000 to \$249,999

\$250,000 to \$499,999

\$500,000 to \$999,999

\$1,000,000 to \$1,999,999

\$2,000,000 to \$4,999,999





\$5 million +

How many FTEs do you have in the Austin area:

None

<5

5 to 14

15 to 29

30 to 49

50 to 99

100+



## Performance

Do you expect to be profitable/have net revenue for 2023? If so, at what level?

- We will not be profitable
- Profitability increase of less than 5%
- Profitability increase of 5 to 10%
- Profitability increase of 10 to 15%
- Profitability increased of more than 15%

For those who have been in business for more than a year, what do you anticipate the annual increase in the following to be?

### Employment

- FTEs have declined
- No change in FTEs
- FTE increase of less than 5%
- FTE increase of 5 to 10%
- FTE increase of 10 to 15%
- FTE increase of more than 15%

### Revenue

- Revenue will decline
- No change in Revenue
- Revenue increase of less than 5%
- Revenue increase of 5 to 10%
- Revenue increase of 10 to 15%
- Revenue increase of more than 15%



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### General Questions

Are you looking to expand your business in the next year

Does your company hold any HUB, MBE, WBE, LGBTBE certifications?

Does your company do business with local corporate partners or local gov entities?

### Other

Do you provide support to employees in any or all of the following areas?

Childcare

Employee transportation options

Workforce housing



## Appendix Two

### Focus Group Questions

**The market environment: Please discuss the impact of the overall national economy/local economy/your industry on your business**

**What are the key challenges? Please discuss**

- Labor force availability/access
- Labor force cost
- Market environment/competition
- Regulatory environment
- Access to capital
- Cost of inputs/services
- Cost of occupancy
- Others?

**Have these changed since you started your business?**

**As you look ahead what is your outlook? What is the biggest single factor driving your outlook?**

**Imagine a firm comparable to yours (same industry and size) that is not minority-owned. Do you perceive minority ownership creates additional challenges or benefits for you compared to a similar non-minority owned firm?**

**If yes, please indicate all that apply**

- Access to markets/customers (positive or negative)
- Access to employees (positive or negative)
- Access to capital/credit
- Regulatory challenges/Programs that benefit minority owned business
- Other

**On balance, would you say minority ownership is:**

- A benefit
- A challenge
- Neutral

**Where do you need the most help? Specific ideas?**

