Testimony of Keith A. Mahoney

The Boston Foundation
U.S. Senate Field Hearing – Chaired by Senator Edward J. Markey

Thank you, Senator Markey, for convening this field hearing, for your long-standing leadership on economic justice and opportunity, and for your work on the SPARK Act which will help thousands of Massachusetts small businesses.

My name is Keith A. Mahoney, and I am here on behalf of The Boston Foundation, a 111-year-old public charity with a simple but enduring mission: to advance equity and opportunity for the people and communities of Greater Boston—especially when the political winds shift and the need is greatest.

The Problem We Cannot Ignore

In 2020, as the COVID-19 pandemic exposed and intensified longstanding racial inequities—and as the nation confronted the murder of George Floyd—important data cut through the noise.

A report from the U.S. Department of Commerce revealed that **businesses owned by people of color were denied loans at twice the rate of white-owned businesses**. And when loans were approved, **the interest rates were, on average, 22 percent higher**.

These disparities were not new. But seeing them documented so clearly prompted many large financial institutions to make public commitments to support businesses of color. Unfortunately, many of those commitments have not endured. As political climates change, too often so does resolve.

If we are serious about growing our economy, we cannot ignore the fact that the Massachusetts small business community is growing more diverse as new businesses across the state are much more likely to be Black, Latino, or women-owned that older businesses.

For community foundations like ours, that is precisely when our responsibility becomes most clear.

A Model That Works: The Business Equity Fund

At The Boston Foundation, we believe equity work must be **durable**, not fashionable. That belief is why we launched the **Business Equity Fund (BEF)** in 2018—well before 2020 forced the nation to confront these issues more publicly.

The goal of the Business Equity Fund is straightforward:
to help established businesses of color **grow, create jobs, build wealth, and strengthen their communities**.

The Fund provides **patient, flexible, low-cost capital** to businesses that are already performing well and are positioned for growth—but are too often locked out of traditional financing.

To date:

- **Seven businesses** have received **$2.3 million in loans**
- **Every one of them survived the COVID crisis**
- The Fund has attracted **nearly $6 million in additional investments**, bringing total capitalization to **$8.8 million**
- Early leadership funding came from **Eastern Bank**, alongside significant support from The Boston Foundation

These results matter—but how they were achieved matters just as much.

An Ecosystem, Not a Single Intervention

The Business Equity Fund does not operate in isolation. It is part of a broader ecosystem that recognizes capital alone is not enough.

That ecosystem includes:

- The **Business Equity Initiative**, which provides grants to organizations who provide businesses with technical assistance, professional networks, and key industry insights and data
- The **Greater Boston Chamber of Commerce's Pacesetters Initiative**, which encourages major employers to direct more procurement dollars to businesses of color

It is the **strength and coordination of this ecosystem**—capital, technical assistance, and market access—that makes the work effective and scalable.

Learning During Crisis: Pausing to Preserve Progress

The Business Equity Fund was intentionally designed to be **regenerative**. Loans are repaid and recycled to support the next generation of businesses.

But during the economic free-fall of 2020, we recognized a hard truth:
Rigid repayment in a frozen economy could undo the very progress the Fund was created to achieve.

So we made a deliberate choice.

The BEF offered an **immediate six-month deferral of all loan payments** for portfolio companies—covering April through September 2020. The logic was simple and humane: if we could relieve business owners of that burden, they could focus on what mattered most—**keeping workers employed and keeping their doors open**.

What is even more impressive is that about a third of the portfolio companies provide opportunities for worker ownership.

This was not charity.
It was **strategic flexibility in service of long-term impact**.

Why This Matters Now

At a time when we rightly talk about trillions of dollars in national investment, the Business Equity Fund offers a lesson in **how smaller, targeted interventions can deliver outsized returns**—especially when they are trusted, locally rooted, and built for the long haul.

The point of the Business Equity Fund has never been simply paying loans back.
It is **paying opportunity forward**—for workers, families, and neighborhoods that have been systematically excluded from capital and stability.

I want to give an example of this: OutKast Electrical Contractors Inc, a growing Black-owned electrical contracting company based in Dorchester, was at a crossroads in 2024. Employing 60 individuals, all local union members, the company's existing financial partners prematurely and seemingly without notice closed their line of credit, effectively leaving bankruptcy as the only course of action.

L.E.A.F, the Local Enterprise Assistance Fund and a TBF grantee, was able to step in and support the company on its path out of bankruptcy and enabled OutKast to stabilize its operations and help create a more prosperous future for the company.

This is just **one** story among many – companies doing innovative work in our most forgotten areas who now can not only continue doing their work, but they can grow and thrive.

Closing

Senator Markey, if we are serious about closing racial wealth gaps and strengthening the Commonwealth's economy from the ground up, we must invest in models that:

- endure political shifts,
- center lived experience,
- and treat equity as a permanent commitment, not a temporary response.

This is why we are especially excited for your SPARK Act legislation. It is filled with common sense policies that not only will extend a lifeline to struggling businesses, but it will add to our economy and will send a message that the American dream is for **all of us.**

The Boston Foundation stands ready to continue this work—and to partner with policymakers who understand that **economic justice is not optional infrastructure. It is essential.**

Thank you for the opportunity to testify.