What New & Small Businesses Need From Policymakers in COVID-19

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Today’s Speakers

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START US UP

Start Us Up is a diverse coalition of 190+ organizations from across the country working together to elevate the importance of entrepreneurship and support America’s New Business Plan.

Learn more at www.StartUsUpNow.org.
Agenda

★★ America’s New Business Plan and Rebuilding Better
  • Jason Wiens, Kauffman Foundation
★★ Conversation – What New & Small Businesses Need From Policymakers in COVID-19
  • Caroline Cummings, Oregon RAIN
  • Meagan Forbes, Institute for Justice
★★ Q&A
★★ Resources
Even before the COVID-19 crisis, America was experiencing a troubling and persistent period of entrepreneurship stagnation. **For the past 20 years, the rate of new entrepreneurs has essentially been flat.** Now, America’s entrepreneurs are at the frontlines in the battle to preserve and rebuild our economy.
Would you say that **women**, **rural residents** and **entrepreneurs of color** have equal access to funding and opportunities as other new businesses in your state?
The Problem: Unequal Access

Women, people of color, and rural residents face unique barriers to starting their own businesses.*

- **34% of male entrepreneurs** said it’s very easy to start a business.
- **15% of female entrepreneurs** said it’s very easy to start a business.
- **13% of entrepreneurs of color** said it’s very easy to start a business.

*SOURCE: Ewing Marion Kauffman Foundation 2020 State of Entrepreneurship Survey*
Would you say your state historically has paid more attention or given more support to big business or new and small business?
The Problem: Uneven Playing Field

Policymakers misguidedly prioritize big business over new and small business, handing out billions in subsidies to large corporations.

★ 68% of entrepreneurs and 65% of general election voters believe government prioritizes big business over small business.*

★ Only 19% of general election voters rate the economic climate for small businesses as positive since March 16, while 54% of voters view it as positive for big business over the same time.*

*SOURCE: Ewing Marion Kauffman Foundation 2020 State of Entrepreneurship Survey
Economic development policies should be overhauled. **Billions of dollars** are spent annually by state and local governments to attract existing businesses to relocate to their state or city, but comparatively few dollars are spent on supporting **new, homegrown businesses**.
Launched in Fall 2019, America's New Business Plan creates a bipartisan roadmap for policymakers to support entrepreneurship. The four-part plan contains policies that ensure anyone with an idea has access to the opportunity, funding, knowledge, and support to turn it into a reality.
# A Plan By & For Entrepreneurs

America’s New Business Plan is informed by:

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<th>Public polling and surveys of entrepreneurs</th>
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<td>In-depth conversations with nearly 50 leaders in the entrepreneur community</td>
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<td>Research and data on entrepreneurship</td>
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The COVID-19 Crisis

New and small businesses are at extreme risk and need help now.

★ The number of business owners declined by a record 3.3 million between February and April.

★ The number of African American business owners declined 41% from February to April—twice the drop in active business ownership among whites.

★ The number of Latinx business owners dropped 36% during the same period, representing more than 1.1 million businesses.
Our goal shouldn’t be to just restore the economy, but to **rebuild better** by ensuring all Americans – especially those who have historically been marginalized – can turn their ideas into businesses.

**Rebuilding Better is Start Us Up’s COVID-19 response plan**, with policy solutions for every level of government that are divided into two parts:

- **Crisis Response**: Short-term
- **Rebuild Better**: Long-term
In normal times, burdensome red tape makes it expensive and difficult to start and run a business. Now, red tape threatens to put out of business millions of entrepreneurs who can’t navigate the complexities of government. As states develop and implement recovery plans, cutting red tape must be a priority.

### CRISIS RESPONSE
- Eliminate business registration and occupational licensing fees until there is full economic recovery.

### REBUILD BETTER
- Replace occupational licensing with less onerous forms of regulation, such as certifications or permits, in industries where public health is not seriously threatened.
- Restrict the use of non-competes through outright bans or by shortening the maximum duration of these contracts and narrowing the scope of industries and jobs for which non-competes may be used.
- Create a single list of all requirements to start and run a business, and coordinate across agencies to simplify regulatory requirements and processes at the local, state, and federal levels.
Underserved entrepreneurs have fewer connections to relevant resources than existing business owners do. **States should develop policies that help entrepreneurs get the skills and know-how they need in a way that is culturally specific.**

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<td>★ Provide technical assistance funding to grow and develop entrepreneur support organizations that better connect underserved entrepreneurs with helpful people and tools.</td>
<td>★ Prioritize entrepreneurial skill-building, access to networks, and new business creation as key components of workforce training programs.</td>
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<td>★ Significantly expand the number of entrepreneur support organizations (ESOs) that receive workforce training funding.</td>
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<td>★ Embed entrepreneurial know-how and spirit in classrooms throughout America by creating opportunities for students to explore and acquire the habits of mind, behaviors, skills, knowledge, and competencies that equip them to be entrepreneurial – whether by creating businesses themselves or by making contributions as employees and community members.</td>
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Funding
EQUAL ACCESS TO THE RIGHT KIND OF CAPITAL EVERYWHERE

At least 83% of entrepreneurs do not access bank loans or venture capital when launching a business. Those disparities are even more significant now as the majority of business owners lack the financial resources needed to weather the current crisis. States should take aggressive action to create equal access to the right kind of capital, especially for female, minority, and rural entrepreneurs.

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<td>★ Partner with philanthropic organizations to create funding pools that reduce fees and interest of Community Development Financial Institutions’ (CDFI) short-term lending to businesses not eligible for SBA loans.</td>
<td>★ Create “evergreen” investment funds that support new businesses as they move through the early stages of proof-of-concept and product development. Look to successful models such as MassVentures in Massachusetts and JumpStart Evergreen Fund in northeast Ohio.</td>
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The lack of a safety net has become apparent across all of society, but it has always been there for new businesses. States should identify policies that contribute to a comprehensive safety net that supports entrepreneurial risk-taking, especially for female, minority, and rural entrepreneurs.

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<td>★ Provide tax incentives to new businesses to offset health care costs.</td>
<td>★ Facilitate the development of a system of portable benefits that follow workers as they move across jobs or out of the workforce to start a business.</td>
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<td>★ Provide entrepreneurs who maintain residence in the state an exclusion from state income tax equal to the amount of student loan payments made in a year, up to a capped amount.</td>
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What do you see as the biggest barrier to starting a new business in your state?
What New & Small Businesses Need

★ **Opportunity:** A Level Playing Field and Less Red Tape
★ **Knowledge:** The Know-How to Start a Business
★ **Funding:** Equal Access to the Right Kind of Capital Everywhere
★ **Support:** The Ability for All to Take Risks
Cutting Through Red Tape
Cutting Through Red Tape

Hierarchy of Occupational Regulation Options

PRIVATE GOVERNANCE OPTIONS

- Market Competition
- Third-party or consumer-created rating and review
- Private Certification
- Specific private civil cause of action or alternative dispute resolution to remedy consumer harm

PUBLIC REGULATION

- Deceptive trade practices act
- Regulation of the process of providing the specific goods or services to consumers
- Public Inspection
- Mandatory bonding or insurance

COMMAND & CONTROL

- Registration
- Government certification
- Specialty occupational license for medical reimbursement
- Occupational license
Caroline Cummings
OREGON RAIN
Access to the Right Information Reduces Barriers to Starting & Scaling
“The Boulder Thesis”
BUILDING A SUSTAINABLE ENTREPRENEURIAL ECONOMY

Led by Entrepreneurs
(Supported by government & academia)

Long-term Commitment
(15-20 years)

Inclusive of Community
(Invite everyone who wants to play a role)

Engage with Activities
(Activate the community where events are open)
Q&A
Resources

Support new and small business owners now by:

- Sign up for the Start Us Up mailing list at StartUsUpNow.org.
- Follow @StartUsUpNow on Twitter and Facebook.
- Get policy development resources from the Institute for Justice’s Customized Legislative Service at 2021initiative.com.
We need to **empower all Americans** dreaming of a **brighter future** by leveling the playing field, expanding access to capital beyond the few, fostering local ecosystems that provide entrepreneurs with practical knowledge, and providing the support necessary for entrepreneurs to take risks.