AMERICA'S NEW BUSINESS PLAN

START US UP

AMERICA'S NEW BUSINESS PLAN

RECKONING WITH DUAL PANDEMICS

The last 12 months have made even more visible the fundamental inequities of race, gender, and geography as America confronts the dual pandemics of both COVID-19 and racial injustice.

The murders of George Floyd, Breonna Taylor, and other Black Americans vividly illustrated the extreme depths of racial injustice long present in America. The collective impact of centuries of racism toward Black Americans is measured not only in lives lost but also in unrealized personal and economic potential and advancement.

The impact of the COVID-19 pandemic has been much worse in communities of color. Blacks, Latinos, and Native Americans have died at twice or more the rate of Whites.[1] At the same time, COVID-19 has overwhelmed the already fragile health care system in rural areas.[2] And women have been disproportionately hurt by the pandemic's economic fallout.[3]

These dual pandemics have played out in interwoven and complex ways against the backdrop of an unequal American economy. In recent years, the American economy has been acceleratingly reshaped by trends that have consolidated wealth and limited opportunities for meaningful employment and upward mobility. Since the Great Recession, only the top 20% richest Americans gained wealth, while 80% of families fell behind.[4]

Collectively, these symptoms of inequity are part of a broader pathology in which systemic barriers create a fundamental imbalance between those with privilege and those with uneven access to opportunities. This imbalance is pronounced for America's entrepreneurs, who face an increasingly difficult path to turn their ideas into reality. Prior to the COVID-19 pandemic, the rate of new entrepreneurs had essentially been flat for 20 years.[5]

Together, these injustices keep our nation from meeting its full potential.

The new administration's promise to "heal the nation" has never felt more urgent or needed, but it cannot be done without a deeper commitment to transforming our economy and society.

To build an economy that works for everyone and enables more entrepreneurship, policies must break down historic and systemic barriers so that all Americans, regardless of race, gender, and geography, can achieve economic stability, mobility, and prosperity.

1. "Risk for COVID-19 Infection, Hospitalization, and Death By Race/Ethnicity," Centers for Disease Control and Prevention, February 18, 2021.
2. Christine Vestal, "COVID-19 Patients Swamp Rural Hospitals," Stateline, The Pew Charitable Trusts, October 20, 2020.
3. Jessica Looze and Sameeksha Desai, "Economic Engagement of Mothers: Entrepreneurship, Employment, and the Motherhood Wage Penalty," Ewing Marion Kauffman Foundation: Kansas City, 2020.
4. Katherine Schaeffer, "6 facts about economic inequality in the U.S.," Pew Research Center, February 7, 2020.
5. Robert Fairlie and Sameeksha Desai, "2019 Early-Stage Entrepreneurship in the United States," Kauffman Indicators of Entrepreneurship, Ewing Marion Kauffman Foundation: Kansas City, 2020.

HISTORIC INEQUITIES REMAIN

Even before the COVID-19 pandemic, people of color, women, and rural Americans faced a range of barriers that impact entrepreneurship. Black households in America today have a median net worth of just $17,000[6], about one-tenth that of White households. Latino households face similar wealth gaps. With less ability to take risks and less money with which to start new businesses, Black and Latino entrepreneurs remain at a disadvantage.

Inequities compound when Black entrepreneurs seek outside funding to start their businesses. Their loan requests are three times less likely to be approved than those of White entrepreneurs – a difference that persists even after accounting for credit scores and net worth.[7]

Women, too, face inequities. Research has found that men are significantly more likely to secure funding than women when pitching the same business content.[8] Other studies have found that investors ask women entrepreneurs about non-losses while men are asked about growth-oriented gains.[9]

Geographic inequities also unfairly limit access to entrepreneurship. Good ideas and capable entrepreneurs live in every community, yet 79% of venture capital supports entrepreneurs in just three coastal states.[10]

Simply put, whole groups of Americans face extra challenges in starting a business and recovering from one of the most destructive years in American history.

We have always known that access to entrepreneurship is impacted not just by immediate things like whether one has funding, but also by much bigger issues that limit opportunity and upward mobility and make it more difficult for large portions of the country to secure quality education, jobs, housing, and health care. When people are not given a quality education, it puts entrepreneurship almost out of reach. When an aspiring entrepreneur faces disparate outcomes in health or unequal access to safe and affordable transit, that too affects entrepreneurship. Unless and until we counter the structural inequities in our economy affecting people of color, women, and rural residents, America will never realize its full potential.

TAKING STOCK OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has both exposed the depth of these racial, gender, and geographic inequities and exacerbated them. Businesses owned by entrepreneurs of color were less likely to secure low-interest government loans in 2020 and more likely to shut down permanently. From February 2020 to April 2020, the number of active business owners in the United States declined 22% – the largest drop on record.[11] Black, Latino, Asian, and female business owners were all more likely to close their doors for good.[12]

6. "Median Value of Family Net Worth," Tax Policy Center, March 11, 2019.
7. Robert Fairlie, Alicia Robb, and David Robinson, "Black and white: Access to capital among minority-owned startups," Stanford Institute for Economic Policy Research, working paper 17-003, 2017.
8. Alison Wood Brooks, Laura Huang, Sarah Wood Kearney, and Fiona E. Murray, "Investors prefer entrepreneurial ventures pitched by attractive men," Proceedings of the National Academy of Sciences, 111(12): 4427–4431, 2014.
9. Dana Kanze, Laura Huang, Mark Conley, and E. Tory Higgins, "We ask men to win and women not to lose: Closing the gender gap in startup funding," Academy of Management Journal, 61(2), 2017.
10. "National Venture Capital Association 2019 Yearbook," National Venture Capital Association, 2019.
11. Robert Fairlie, "The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey," NBER Working Paper 27309, National Bureau of Economic Research, June 2020.
12. Robert Fairlie, "The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey," NBER Working Paper 27309, National Bureau of Economic Research, June 2020.

As little as 12% of Black and Latino business owners who reported applying for support through the federal government's Paycheck Protection Program (PPP) in the spring of 2020 received the help they requested, even as protests again moved the nation to reckon with systemic racism.[13] An estimated 140,000 jobs[14] overwhelmingly occupied by women disappeared just in the month of December 2020 as COVID cases hit new highs.

While the number of business applications filed in 2020 jumped 24% over 2019, many new entrepreneurs may have been spurred by limited options for economic engagement due to layoffs and COVID-19-related restrictions.[15] Entrepreneurship research has found that business creation increases in economic recessions as some turn to entrepreneurship out of necessity.[16] According to the Kauffman Indicators of Entrepreneurship, the percentage of new entrepreneurs who left a job or other labor market status to start a business in 2020 was 69.8% – the lowest this measure has been in 25 years, and a year-over-year decline more than twice what was seen during the Great Recession.[17]

Our nation is at a crossroads not experienced in generations.

Will we continue to confer privilege on some while excluding many others, or will we finally dismantle systemic racism?

Will we allow barriers to sustainable growth and prosperity to endure for Americans based solely on who they are and where they live, or will we expand access in equitable ways that result in an economy that works for everyone?

Will we accept a winner-take-all economy in which the biggest businesses generate wealth for a few, or will we reorder the economy so that many independent small businesses can compete and thrive?

Will America live up to its reputation as the world's beacon of opportunity and the best place to start a business, or will we cede our position as the world's leading economy to competitors eager to take our place?

The choices we make in the coming months will determine which path America takes.

THE PROMISE OF ENTREPRENEURSHIP

The creative and bold work of entrepreneurs shapes the future in countless ways, big and small. Entrepreneurs are innovators whose willingness to take risks yields benefits for everyone in the form of new products, services, inventions, and jobs. Entrepreneurs are our economy's primary job creators. New businesses started by entrepreneurs are the source of most net new jobs.[18]

By and large, Americans intuitively grasp the importance of entrepreneurship. Nearly three out of every four voters believe it is critical or very important to the success of the economy that there are policies and programs in place to support new business owners and small businesses.[19] Entrepreneurs are on the front lines to rebuild our economy. Imagine what additional, new discoveries could be made, what additional and new wealth created, what revitalization could occur if access to entrepreneurship were finally equitable.

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13. "Federal Stimulus Survey Findings," Global Strategy Group for Color of Change and UnidosUS, May 2020.
14. Megan DiTrolio, "140,000 Jobs Were Lost in December. All Were Held by Women," Yahoo Finance, January 8, 2021.
15. "Business Formation Statistics," U.S. Census Bureau, https://www.census.gov/econ/bfs/index.html.
16. Robert Fairlie and Frank Fossen, "Opportunity versus Necessity Entrepreneurship: Two Components of Business Creation," Stanford Institute for Economic Policy Research, April 2017.
17. Robert Fairlie and Sameeksha Desai, "2020 Early-Stage Entrepreneurship in the United States," Kauffman Indicators of Entrepreneurship, Ewing Marion Kauffman Foundation: Kansas City, 2021.
18. John Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Who Creates Jobs? Small Versus Large Versus Young," The Review of Economics and Statistics 95, no. 2 (May 2013): 347-361.
19. Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies poll, 2020.

RECOMMITTING TO THE FOUR PILLARS OF AMERICA'S NEW BUSINESS PLAN

Launched in 2019, America's New Business Plan set out to level the playing field and create equitable access to entrepreneurial opportunities for everyday Americans striving to launch new businesses.

Removing barriers that have made it harder for people of color, women, and those in rural communities to start a business requires addressing policies that directly impact new and small businesses as well as much bigger issues that limit access to entrepreneurship.

The new administration and governors around the country are pushing for additional economic relief that will create the conditions for sustained investment in historically disadvantaged communities and include an aggressive and more coordinated vaccination campaign that will allow more businesses to fully open. Members of Start Us Up, a national coalition of organizations supporting America's New Business Plan, have identified policies that will help business owners survive now and are working with policymakers to ensure relief efforts equitably reach those most in need. This should be a priority, but action cannot end there.

Under better conditions, America can shift from emergency aid aimed at stabilizing existing businesses to a bolder strategy that transforms our flawed and unequal economy into a better, more inclusive one, centered on entrepreneurship's power to drive growth, innovation, and job creation.

As a nation, we must support all Americans eager for a fair shot at a brighter future by leveling the playing field and expanding access to opportunity, capital, practical knowledge, and the necessary support for entrepreneurs to take risks.

ACCESS TO OPPORTUNITY ★ A Level Playing Field Without Red Tape

Entrepreneurship today is a path that is far more readily available to those who are White, male, and wealthy. We cannot begin to make this opportunity available to all until we address the underlying and systemic issues that make it so. Entrepreneurship can be a path that leads to sustainable growth and prosperity, but that can only be the case if we take meaningful action to address barriers to entry.

ACCESS TO FUNDING ★ The Right Kind of Capital Everywhere

Capital remains among the most impactful ways to strengthen access to entrepreneurship. Today, at least 83% of entrepreneurs do not access bank loans or venture capital when launching a business, tilting the scales in favor of the privileged who possess the wealth to create new businesses. The ongoing impact of past discriminatory policies, such as redlining, must be countered and new in-vestments made to ensure we are supporting entrepreneurs of color as well as women and rural Americans who have less access to funding in the private market.

ACCESS TO KNOWLEDGE ★ The Know-How to Start a Business

All entrepreneurs start with a business idea, but they need access to networks and know-how to turn that idea into a reality. Far too many courageous entrepreneurs take the risk of starting a business without really knowing where to begin or understanding the requirements and barriers that come with opening a business. We need to strengthen entrepreneur support organizations that help entrepreneurs along the journey, connect entrepreneurs to mentors, and improve education from pre-K upward.

ACCESS TO SUPPORT ★ The Ability for All to Take Risks

Becoming an entrepreneur means leaving behind the stability of a traditional job and steady income – a daunting proposition for anyone, but especially for the many Americans living paycheck to paycheck or with little savings. Having access to a safety net makes risk-taking far more viable. Policymakers must act to ensure the next generation of entrepreneurs is not locked out of opportunities to improve their economic situations by helping Americans build wealth and addressing their real financial concerns that limit risk-taking.

2021: MEETING THE MOMENT

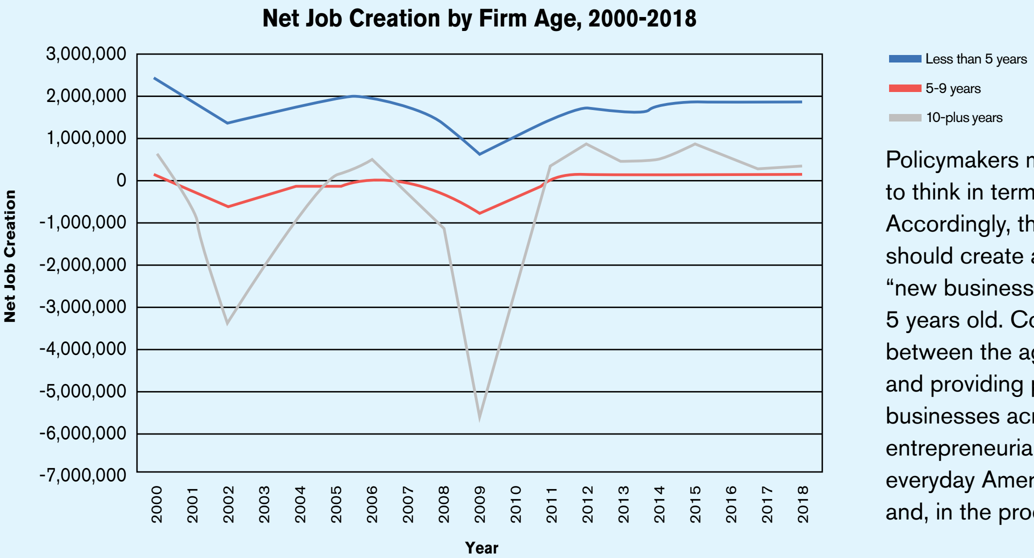
Moments of crisis are also moments of opportunity. In 2021, America has the opportunity to transform itself by strengthening policies that address racial inequality, narrow the gap between rich and poor, and raise the economic status of historically marginalized communities. Now is the time for America to ensure that the best and boldest ideas for supporting entrepreneurship are discussed, debated, and acted on.

In doing so, we will be forced to look not just at the immediate issues related to starting a business, but also at the underlying impacts of systemic barriers that limit access and opportunity. Though difficult, this is the way to rebuild better – to create an economy that works for everyone.

More than ever, America needs entrepreneurs of every race and gender and from every region to leap into the unknown and discover new and better ways to move our country forward.

A PARADIGM SHIFT: AGE, NOT SIZE

Policymakers often think of small businesses as the employment engine of economic growth. But when it comes to job creation, it is not the size of the business that matters as much as the age of the business. Businesses that are less than 5 years old create most net new jobs in the American economy, including fueling net new job creation during economic downturns.[20]



Data from the Bureau of Labor Statistics

Policymakers must shift their focus to think in terms of age, not size. Accordingly, the federal government should create a standard definition of "new businesses" as those less than 5 years old. Codifying the distinction between the age and size of a business and providing policy support for new businesses across each stage of the entrepreneurial journey will better enable everyday Americans to start businesses and, in the process, employ millions.

Policymakers must shift their focus to think in terms of age, not size. Accordingly, the federal government should measure business performance and outcomes by age cohorts in addition to size, reporting this data publicly and using it to guide policymaking. Codifying the distinction between the age and size of a business and providing policy support for new businesses across each stage of the entrepreneurial journey will better enable everyday Americans to start businesses and, in the process, employ millions.

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20. John Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Who Creates Jobs? Small Versus Large Versus Young," The Review of Economics and Statistics 95, no. 2 (May 2013): 347-361.

ENTREPRENEURS NEED POLICYMAKERS TO GET INVOLVED

Thriving ecosystems that support entrepreneurs require participation from many, including policymakers. Yet many entrepreneurs do not feel that policymakers are fulfilling their role as active contributors.

79% Seventy-nine percent of new business owners feel they did not have support from the government to start their business.[21]

81% A majority of entrepreneurs (81%) agree that government incentives favor established businesses over new businesses.[22]

69% Sixty-nine percent of entrepreneurs do not think the government cares about them. This concern is even more pronounced among female entrepreneurs (75%) compared with male entrepreneurs (65%).[23]

In a December 2020 poll, just a quarter of entrepreneurs rated the state of the national economy as excellent or good.[24] Voters were even more pessimistic about the economic climate for small businesses, with just 16% saying the climate was excellent or good. It is these entrepreneurs who drive job creation at a time when Americans still view the economy as a top issue for policymakers. A 2020 Pew Research Center survey found that 67% of Americans believe the economy should be a top priority for the president and Congress, and 49% believe that jobs should be a top priority.[25]

→ EN·TRE·PRE·NEUR

Defining who is an entrepreneur is challenging. There are often differing views among organizations that promote entrepreneurship and entrepreneurs.

Every business starts with the simple act of making and selling something. So, we use a definition that is purposely broad in order to capture the first measurable steps – no matter how small – someone takes in the journey of turning an idea into a business.

For the purposes of America's New Business Plan, an entrepreneur is a person who has sold or is planning to sell a product or service, thereby entering into business and generating reportable income or expenses associated with this activity.

21. "Breaking Barriers: The Voice of Entrepreneurs," Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies, February 2018.
22. Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies poll, 2020.
23. Ibid.
24. Ibid.
25. "As Economic Concerns Recede, Environmental Protection Rises on the Public's Policy Agenda," Pew Research Center, February 2020.

What Policymakers Can Do to Tap America's Entrepreneurial Spirit

ACCESS TO OPPORTUNITY★
A LEVEL PLAYING FIELD WITHOUT RED TAPE

Starting a business is hard for anyone. But the challenge is magnified for people of color, women, and rural residents. Policymakers need to do more to break down barriers to starting businesses for all entrepreneurs, and to correct for disadvantages based on race, gender, and geography by leveling the playing field.

While policymakers have long highlighted the importance of small businesses to local economies, this talk has not translated to sufficient action. Far too frequently, the needs of more dominant businesses are prioritized over the needs of new and small businesses, putting all entrepreneurs at a disadvantage.

Unfortunately, government red tape, market concentration, and the outsized influence of established businesses too often conspire to block entrepreneurs from fulfilling their dreams of starting or growing their businesses. Many entrepreneurs encounter a confusing web of outdated regulations, ordinances, and permits. And unlike big, established corporations, entrepreneurs lack the means to hire teams of consultants, attorneys, and lobbyists to shape and navigate these complicated systems. During the COVID-19 pandemic, 52% of entrepreneurs with a business under a year old identified laws, policies, and regulations as a challenge.[26]

Entrepreneurs must also increasingly compete against powerful firms that dominate entire industries, especially online platforms that can set the terms between customers and the smaller businesses that rely on them. More than one in four independent business owners and one-third of retailers believe mergers in their industries are "creating an unfair playing field" and two-thirds say antitrust laws need to be more vigorously enforced.[27] Data suggest they are correct: Research shows that increases in concentration and reduced entrepreneurial dynamism move in tandem.[28] Between 2006 and 2016, the proportion of newly launched businesses as a share of all employer firms fell from just over 10% to nearly 7%.[29] And from 2010 to 2014, as concentration became more acute, the creation of net new businesses in five metro areas was equal to that in the rest of America.[30]

Policymakers need a new mindset that is committed to leveling the playing field between new and established businesses – particularly the most powerful businesses. Among other things, 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.[31] Unsurprisingly, 74% of entrepreneurs believe government prioritizes large corporations over small businesses.[32] When it comes to ensuring markets are fair and competitive, this sentiment also holds true. Policymakers have long avoided policing anti-competitive conduct from powerful firms or limiting mergers that are likely to weaken fair competition. New businesses are difficult enough to get off the ground; policymakers can help by removing barriers and leveling the playing field.

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26. Jessica Looze and Sameeksha Desai, "How Does COVID-19 Affect Challenges Facing Entrepreneurs? Trends by Business Age," Ewing Marion Kauffman Foundation: Kansas City, 2020.
27. "2019 Independent Business Survey," Institute for Local Self-Reliance, July 2019.
28. Jason Furman, "Beyond Antitrust: The Role of Competition Policy in Promoting Inclusive Growth," Searle Center Conference on Antitrust Economics and Competition Policy, Chicago, Illinois, September 16, 2016.
29. Sameeksha Desai, Travis Howe, and Hayden Murray, "2018 New Employer Business Report: National and State Trends," Ewing Marion Kauffman Foundation: Kansas City, 2020.
30. "Dynamism in Retreat: Consequences for Regions, Markets, and Workers," Economic Innovation Group, February 2017.
31. "State Tax Revenue Lost to Tax Abatement Programs," Good Jobs First.
32. Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies poll, 2020.

Create an Entrepreneurship Impact Statement (Federal, State, Local)

Nearly three-quarters of entrepreneurs believe that government regulations on businesses are complex and hard to follow.[33] Another 65% say that it is too time-consuming for business owners to stay legally compliant with local, state, and federal regulations.[34] While retroactively addressing laws that have had negative effects on entrepreneurs is critical, it is not enough. It is imperative that entrepreneurs be considered from the start as new laws and policies are enacted. To do so, Congress, state legislatures, and local governments should:

- Require Require an Entrepreneurship Impact Statement (EIS) for all new laws, regulations, and rules developed that will affect businesses less than 5 years old. At the federal level, the EIS would require the Congressional Budget Office and issuing agencies to estimate the direct costs to new businesses (i.e., those less than 5 years old) of changes to laws and regulations so that policymakers become aware of the impact these policies would have on new businesses before bills are passed or new regulations issued. States and localities would enact and follow similar procedures in their respective jurisdictions.

Supporting Evidence

★ The 1995 Unfunded Mandates Reform Act (UMRA) provides a template for the proposed Entrepreneurship Impact Statement (EIS). Analysis shows the UMRA has provided lawmakers with more detailed information that has been used in congressional debate on important intergovernmental issues. In addition, just 14 intergovernmental mandates that exceed the UMRA's statutory threshold were enacted between 2006 and 2016.[35] While the number of intergovernmental mandates from years prior to the UMRA's enactment is unavailable for comparison, unfunded mandates were significant enough to make addressing them a top priority for the associations representing state and local governments, and the law helped Congress make reducing unfunded mandates a commensurate priority.

Streamline the Process of Starting a Business (Federal, State, Local)

Too often, the regulatory requirements of starting a business are unclear for entrepreneurs and can be more difficult for immigrants navigating cultural and language barriers.[36] This is especially the case when starting a brick-and-mortar business. Conflicting information from various local regulatory bodies can cause delays that are far costlier than just the added time to become compliant. To entrepreneurs, it may mean more time paying rent on a commercial space with no revenue or income, and it can often be the difference between a successful enterprise and one that is forced to close its doors far too early. Even seemingly insignificant fees and forms can add up to have a detrimental effect. Government should support the following solutions:

- Create a single list of all requirements to start any business and easy-to-understand guides that walk entrepreneurs through the permitting process. These should be translated into multiple languages and posted in public offices and in an easy-to-find location online.
- Require coordination across agencies to simplify all federal, state, and local procedures, forms, licenses, and permits required to start a business.
- Create federal and state incentives for local authorities to reduce barriers to starting businesses, even down to the smallest fees and forms.

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33. "Breaking Barriers: The Voice of Entrepreneurs," Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies, November 2018.
34. Ibid.
35. Theresa Gullo, "History and Evaluation of the Unfunded Mandates Reform Act," National Tax Journal 57, no. 3 (September 2004): 559-570.
36. Tamar Jacoby, "The entrepreneurial energy of immigrant business owners – and the hidden barriers they face," Currents, Ewing Marion Kauffman Foundation, March 19, 2020.

Supporting Evidence

- ★ Nearly three-quarters of entrepreneurs agree that government regulations on businesses are complex and hard to follow.[37]
- ★ Sixty-three percent of entrepreneurs believe it is too time-consuming for business owners to stay legally compliant with local, state, and federal regulations.[38]
- ★ During the COVID-19 pandemic, 52% of entrepreneurs with a new business under 1 year old identified laws, polices, and regulations as a challenge.[39]

RESOURCE: One tool governments can use to assess and improve their online business registration processes is the Global Enterprise Registration. The Global Enterprise Registration provides a website assessment tool that allows administrators to evaluate their own sites and see how their online processes for registering a business can be improved.

BRIGHT SPOT

In response to the COVID-19 pandemic, many cities have adapted their local rules and regulations around starting and operating a business. In November 2020, San Francisco voters approved a broad ballot measure to streamline and simplify the process of starting a business[40], including by allowing all applications for storefront use to be reviewed within 30 days (compared with the months it would previously take), ensuring parallel cross-department application reviews to speed up the application process, and relaxing zoning ordinances and regulatory rules. San Francisco is also modernizing zoning restrictions to allow businesses to open more quickly by making more businesses eligible for streamlined approval in neighborhood commercial zones.

Remove Debt-Imposed Barriers to Entry (State, Local)

In some states and cities, entrepreneurs are required to prove they do not owe debts to the government prior to starting a business. For some, this can make something as insignificant as a minor traffic ticket or parking violation an unnecessary hurdle to starting a business. Other places impose excessive fines and fees that trap residents in cycles of debt. A 2015 Department of Justice report[41], released in the aftermath of the killing of Michael Brown, revealed that Ferguson city officials aggressively raised revenue by fining residents for things as insignificant as high grass or weeds in a yard. When residents cannot pay, they are assessed late fees that quickly pile up and create artificial debt-imposed barriers to not only starting a business, but to economic self-sufficiency. A 2017 study by the U.S. Commission on Civil Rights[42] found that these practices are widespread across U.S. municipalities and that they disproportionately target and impact the poor and communities or color. Policymakers should:

- Remove debt-imposed barriers to entry, or "debt traps," that prevent prospective entrepreneurs from obtaining or renewing a business license because of unpaid fines and fees unrelated to the business.
- Eliminate unreasonable and excessively punitive fines and fees that trap would-be entrepreneurs in cycles of debt.

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37. "Kauffman Foundation Entrepreneurship Survey," Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies, 2018.
38. Ibid.
39. Jessica Looze and Sameeksha Desai, "How Does COVID-19 Affect Challenges Facing Entrepreneurs? Trends by Business Age," Ewing Marion Kauffman Foundation: Kansas City, 2020.
40. Taylor Bisacky, "Prop H to help SF businesses with permit process," KRON4, November 4, 2020.
41. "Investigation of the Ferguson Police Department," U.S. Department of Justice Civil Rights Division, March 4, 2015.
42. "Targeted Fines and Fees Against Communities of Color: Civil Rights & Constitutional Implications," U.S. Commission on Civil Rights, September 2017.

Supporting Evidence

- People of color have lower average household income and are more likely to have debt in collections or in default or be delinquent on debt payments than White Americans are.[43] Moreover, research by the National League of Cities based on a review of Census data from 20,000 cities found a positive correlation between cities' Black and Latino populations and cities' reliance on fines and fees.[44]
- It can be difficult for prospective entrepreneurs to figure out whether they have outstanding debt. One study found that none of eight states examined had a central state repository where information on the total amount owed could be found.[45]

Improve Connection to the Digital Economy for All Entrepreneurs (Federal)

Too many Americans are without access to fast, reliable, and affordable broadband. For entrepreneurs and new business owners, broadband provides them with a wealth of options to fill their employee needs through telework or telecommunications with contracting firms. It also allows them to seamlessly offer their products or services for sale online and connect to the global marketplace, as well as connect with or present to funders. These benefits have only become more important during the COVID-19 pandemic. To level the playing field and reduce barriers to entrepreneurship, the federal government should:

- Create and deploy a national broadband plan to ensure all Americans are connected to the internet with fast, reliable, and affordable service. The plan should build a more competitive broadband marketplace and address the cost of service by ensuring that the Lifeline subsidy for low-income households is adequate to support their access.

Supporting Evidence

- Geographic disparities remain when it comes to access to broadband in the United States. A 2020 Federal Communications Commission report stated that 98.5% of Americans in urban areas have access to fixed terrestrial broadband, but only 77.7% of those in rural areas and 72.3% on tribal lands do.[46]
- Approximately 18% of Black Americans are without home broadband subscriptions.[47]
- Fifty-one percent of households with an annual income below $25,000 do not have home internet service because it is too expensive.[48]
- U.S. consumers pay the highest average costs for internet service of any region examined by New America in its The Cost of Connectivity 2020 report.[49]

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43. "Debt in America: An Interactive Map," Urban Institute, December 17, 2019.
44. Denise Belser, "Why Cities Should Find Equitable Ways to Impose and Collect Fines and Fees," National League of Cities, February 8, 2019.
45. Sarah Shannon, Beth M. Huebner, Alexes Harris, Karin Martin, Mary Pattillo, Becky Pettit, Bryan Sykes, and Christopher Uggen, "The Broad Scope and Variation of Monetary Sanctions: Evidence From Eight States," UCLA Criminal Justice Law Review 4(1), 2020.
46. "2020 Broadband Deployment Report," Federal Communications Commission, 2020.
47. Angela Siefer and Bill Callahan, "Limiting Broadband Investment to 'Rural Only' Discriminates Against Black Americans and other Communities of Color," National Digital Inclusion Alliance, June 2020.
48. Rafi Goldberg, "Unplugged: NTIA Survey Finds Some Americans Still Avoid Home Internet Use," National Telecommunications and Information Administration, U.S. Department of Commerce, April 15, 2019.
49. Becky Chao and Claire Park, "The Cost of Connectivity 2020," Open Technology Institute, New America, July 15, 2020.

Unleash the Job-Creating Power of Immigrant Entrepreneurs (Federal)

Foreign-born entrepreneurs and would-be entrepreneurs face obstacles different from those of their native-born counterparts, including long delays in becoming a legal permanent resident that postpone new business creation[50] and visa categories that do not allow for entrepreneurship until permanent residence is granted.[51] Many foreign-born individuals enter the United States in a status that fails to guarantee they can remain in the United States on a permanent basis. Without the certainty that one can stay permanently, it is very challenging to formulate a long-term business strategy or attract investment. To remove barriers for foreign-born individuals already in the U.S. in a temporary status, such as an H-1B visa holder or an international student, and for those who would come in the future, the federal government should:

- Increase the number of employment-based green cards and eliminate the per-country limit for high-skilled immigrants to decrease wait times.
- Establish a startup visa with a path to permanent residency.

Supporting Evidence

- ★ Immigrants seeking to become a legal permanent resident wait an average of almost six years to get a green card, which is twice as long as the wait time was 30 years ago. Some wait far longer.[52]
- ★ Foreign students that study in the United States are less likely to stay in the United States as wait times for becoming a legal permanent resident increase.[53]
- ★ Immigrants are nearly twice as likely as native-born Americans to start a business.[54]
- ★ More than half of all of America's startups valued at $1 billion or more were started by at least one immigrant.[55]
- ★ Immigrants are playing an increasingly large role as new business owners. Between 1995 and 2012, the share of employer firms started by immigrants grew from about 16% to 25%.[56]

BRIGHT SPOT

Canada's Startup Visa: Canada granted residency to 510 entrepreneurs in 2019[57] through its Start-up Visa Program, which is for immigrant entrepreneurs who have the potential to build businesses in Canada that are innovative, create jobs for Canadians, and compete on a global scale.[58] To be eligible for Canada's national Start-up Visa, an entrepreneur must secure support from a Canadian angel investor or hedge fund, or be accepted into an accredited incubator program. A major component of the Canadian program is that startup proposals are reviewed by designated business entities instead of immigration or visa officials.[59] After the business proposal has been vetted, immigration officials review the entrepreneur's visa application. A similar program run at the provincial level in Canada also exists. Australia, New Zealand, and the United Kingdom also have startup visa programs.

50. Rajshree Agarwal, Martin Ganco, and Joseph Raffiee, "Immigrant Entrepreneurship: The Effect of Early Career Immigration Constraints and Job-Education Match on Science and Engineering Workforce," 2020.
51. Stuart Anderson, "Startup Visa Proposals and Job Creation," NFAP Policy Brief, National Foundation for American Policy, March 2016.
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Unlock Entrepreneurial Activity by Reforming Noncompete Agreements (Federal, State)

The free movement in and out of jobs is essential for a dynamic, entrepreneur-driven economy. Yet many states enforce employer noncompete agreements that lock employees into their current jobs and hamper new business creation.[60] To curb the negative impacts of noncompete agreements on entrepreneurship, policymakers should:

- Restrict the use of noncompetes through outright bans or by shortening the maximum duration of these contracts and narrowing the scope of industries and jobs for which noncompetes may be used.
- Improve transparency by requiring employers to disclose their intent to use a noncompete in job postings and offers.

Supporting Evidence

- ★ Greater enforceability of noncompetes has been found to reduce new business creation by as much as 18%[61], with disproportionate effects on women.[62]
- ★ About 14% of workers without a college degree and 13% of workers earning less than $40,000 annually are subject to noncompete agreements, even as these workers are just half as likely as their higher-earning peers to possess trade secrets.[63]

BRIGHT SPOT

Several states took action in 2019 to reform and restrict noncompete agreements, including the state of Washington. Policymakers in Washington banned any noncompete agreement lasting longer than 18 months and made them unenforceable for employees making a salary less than $100,000 per year.[64] Washington also increased transparency by requiring employers to give potential employees notice of noncompete agreements prior to their employment start date.[65] Policymakers in Maine and Oregon took similar steps to improve transparency.[66,67]

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Rein in Occupational Licensing (Federal, State)

Occupational licensing erects barriers to workers entering certain fields and to prospective entrepreneurs creating businesses that can compete with incumbent firms benefiting from licensing protection. Policymakers should:

- Replace licensing with less onerous forms of regulation, such as certifications or permits, in industries where public health is not seriously threatened.
- Streamline remaining licensing requirements. States can develop regional or interstate compacts to ensure occupational licenses are transferable to or recognized by neighboring states, just like a driver's license. Federal preemption would accomplish a similar purpose.
- Reduce blanket bans[68] and "good character[69]" clauses in remaining licensing requirements, which erect barriers to entrepreneurship for the formerly incarcerated.[70,71]

BRIGHT SPOT

Several states, including Florida, Mississippi, Missouri, and Ohio, enacted occupational licensing reform in 2020. Florida reduced barriers to occupational licensing through reciprocity, eliminated repetitive business licenses and fees, and reduced licensure education requirements, such as dropping the required training for a barber from 1,200 to 900 hours, removing registration requirements for hair braiding, and preventing license suspension due to unpaid student loans.[72,73] Missouri also expanded reciprocity by allowing professional licenses in other states to remain valid in Missouri in fields such as nursing, teaching, and cosmetology for those who are in good standing with the jurisdiction from which the license was issued.[74] The reforms in Mississippi and Ohio reduced licensing barriers for military families.[75]

Supporting Evidence

- ★ Since the 1960s, the number of jobs that require an occupational license has increased from about 5% to 25%.[76]
- ★ Research suggests that stricter occupational licensing requirements lead to higher recidivism rates, increasing recidivism by more than 9% in strict states and decreasing it by as much as 2.5% in more lenient ones.[77]

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68. "Barriers to Work: People with Criminal Records," National Conference of State Legislatures, July 17, 2018.
69. Dick M. Carpenter II, Ph.D., Lisa Knepper, Kyle Sweetland, and Jennifer McDonald, "License to Work: A National Study of Burdens from Occupational Licensing, 2nd Edition," Institute for Justice, November 2017.
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72. Andrew Wimer, "Governor Signs Bill Making It Easier for Floridians to Work," Institute for Justice, June 30, 2020.
73. "Governor Ron DeSantis Signs 'The Occupational Freedom and Opportunity Act' to Remove Unnecessary Barriers to Employment," Florida Governor Ron DeSantis, June 30, 2020.
74. "H.B. 2046," Missouri House of Representatives, 2020.
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76. Zach Herman, "The National Occupational Licensing Database," National Conference of State Legislatures, March 24, 2020.
77. Dick M. Carpenter II, Ph.D., Lisa Knepper, Kyle Sweetland, and Jennifer McDonald, "License to Work: A National Study of Burdens from Occupational Licensing, 2nd Edition," Institute for Justice, November 2017.

ACCESS TO FUNDING ★ THE RIGHT KIND OF CAPITAL EVERYWHERE

Business owners believe that access to capital is the most important resource for starting a business (43%) and also one of the most significant barriers to starting a business (72%).[78,79] Furthermore, 33% of Americans cite funding as the No. 1 reason they have not started a business.[80]

However, capital doesn't flow to all deserving entrepreneurs. At least 83% of entrepreneurs do not access bank loans or venture capital when launching a business, tilting the scales in favor of those who have the wealth to create new enterprises.[81] Women, Black, and Latino entrepreneurs must overcome additional bias and barriers to raise the funds their businesses need. While 45% of men say that getting the money to start a new business is difficult, 63% of women report the same.[82] On average, Black entrepreneurs start with much less capital, have less family wealth to rely on, and are much less likely to get bank loans or other forms of investment than equivalent applicants who are White or of other racial identities.[83,84]

The COVID-19 pandemic illuminated the role financial intermediaries play in supporting – or not supporting – entrepreneurs and small business owners. The first wave of pandemic relief for small businesses came primarily through the Paycheck Protection Program (PPP), which provided loans to businesses through financial institutions. Yet those loans disproportionately benefited small business owners and entrepreneurs who already had stronger ties to the financial system. Lenders were more likely[85] to lend money to previous clients, yet less than 25% of Black entrepreneurs have an existing relationship with a bank.[86]

In the past five years, 46% of White-owned businesses with employees accessed credit from a bank, compared with just 23% of Black-owned businesses and 32% of Latino-owned businesses.[87] Moreover, just 78 out of 950 Community Development Financial Institutions, which are more likely to lend to minority-owned businesses, participated in early rounds of PPP lending.[88] The result was PPP loans reaching only 20% of eligible firms through the first half of 2020 in states with the highest densities of Black-owned businesses.[89]

Despite its ubiquitous media presence, venture capital – fuel for a small number of the fastest-growing new businesses – is not a fit for most startups. In fact, only 0.5%[90] of entrepreneurs across all demographics access it. But even for those entrepreneurs whose businesses need the extra jolt venture capital can provide, securing funding can still be difficult. Three-quarters of venture capital supports entrepreneurs in only three states: California, Massachusetts, and New York.[91] Additionally, 27% of founders who receive venture capital attended an Ivy League university.[92] Less than 3% of venture capital investment went to women-led firms in 2019.[93] Businesses founded by Latino and Black entrepreneurs make up just 2% and 1% of venture-backed firms, respectively.[94]

These statistics all point to the untapped economic power that remains overlooked in entrepreneurs who are people of color, women, and rural residents. Capital must flow to entrepreneurs in every community so that populations too often left behind are given equitable opportunities to turn their ideas into businesses.

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78. "Breaking Barriers: The Voice of Entrepreneurs," Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies, November 2018.
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80. "America's Voice on Small Business: Generational Views of Entrepreneurship and Small Business," America's Small Business Development Centers and the Center for Generational Kinetics, May 2017.
81. Victor Hwang, Sameeksha Desai, and Ross Baird, "Access to Capital for Entrepreneurs: Removing Barriers," Ewing Marion Kauffman Foundation: Kansas City, 2019.
82. "America's Voice on Small Business: Generational Views of Entrepreneurship and Small Business," America's Small Business Development Centers and the Center for Generational Kinetics, May 2017.
83. Sterling A. Bone, Glenn L. Christensen, Jerome D. Williams, Stella Adams, Anneliese Lederer, and Paul C. Lubin. "Detecting Discrimination in Small Business Lending," Jon M. Huntsman School of Business at Utah State University, 2017.
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86. Claire Kramer Mills and Jessica Battisto, "Double Jeopardy: COVID-19's Concentrated Health and Wealth Effects in Black Communities," Federal Reserve Bank of New York, August 2020.
87. "Small Business Credit Survey: 2020 Report on Employer Firms," Fed Small Business, 2020.
88. Emily Flitter, "Black-Owned Businesses Could Face Hurdles in Federal Aid Program," The New York Times, June 4, 2020.
89. Claire Kramer Mills and Jessica Battisto, "Double Jeopardy: COVID-19's Concentrated Health and Wealth Effects in Black Communities," Federal Reserve Bank of New York, August 2020.
90. Victor Hwang, Sameeksha Desai, and Ross Baird, "Access to Capital for Entrepreneurs: Removing Barriers," Ewing Marion Kauffman Foundation: Kansas City, 2019.
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92. Testimony by Professor Banu Özkazanç-Pan, Ph.D., to the U.S. Senate Committee on Small Business and Entrepreneurship on the Reauthorization of SBA's Small Business Investment Company Program, June 26, 2019.
93. Kate Clark, "US VC investment in female founders hits all-time high," TechCrunch, December 9, 2019.
94. Ilene H. Lang and Reggie Van Lee, "Institutional Investors Must Help Close the Race and Gender Gaps in Venture Capital," Harvard Business Review, August 27, 2020.

RESOURCE: The Kauffman Foundation's Capital Access Lab is a national pilot initiative that aims to find, promote, and scale innovative investment managers, providing new kinds of capital to underserved entrepreneurs and communities. It is informed by findings outlined in the 2019 report "Access to Capital for Entrepreneurs: Removing Barriers," which is being updated in 2021.

Make a National Commitment to Expanding Access to Capital for All Entrepreneurs
(Federal, State, Local)

Too many Americans have been denied the opportunity to turn their ideas into businesses because they lacked the funding required to do so. Between 90% and 95% of entrepreneurs who hire employees require some amount of financing to start their businesses, making capital a critical requirement for new business creation.[95] However, many government programs meant to provide capital to entrepreneurs are biased in favor of established businesses instead of newer businesses. To address the significant and persistent gaps in access to capital, the president should announce a coordinated initiative across the federal government to close such gaps for entrepreneurs everywhere by 2030. In doing so, the president should:

- Instruct the U.S. Treasury Department, Small Business Administration (SBA), and other relevant departments and agencies to make concrete recommendations for how existing capital access programs can be improved to reflect the fact that the age of a business, not its size, is the key factor in job creation, and to direct more support to entrepreneurs launching new businesses.
- Request that Congress make substantial funding available to states for strengthening the private financing of new businesses by expanding capital access through patient capital, innovative investment models and technologies, financing guarantees, user-centered service design, community banking, and other means.
- Form a public-private task force to evaluate the history and current impact of redlining and to recommend actions, including relevant changes to the Community Reinvestment Act, that will counter decades of disinvestment and discrimination. Increased access to capital for entrepreneurs and small businesses should be at the center of how Community Reinvestment Act reform can deploy capital into distressed neighborhoods. The task force should include a cross section of federal agencies, community-based organizations, and representatives from the financial sector.
- Establish clear goals for all federal capital access programs, including the number of new entrepreneurs who access capital (disaggregated by race, gender, socioeconomic class, and geography), revenues generated, new jobs created and sustained, and customer experience feedback.
- Incentivize financial innovation that addresses gaps in capital access by spurring the creation of a new generation of funding models and technologies that serve all types of new businesses, especially those currently underserved by the capital marketplace. Many government funding sources and incentives are limited to small business lending and venture capital funding; other flexible financing mechanisms, such as revenue-based investing and employee ownership models, are worthy of attention.
- Incorporate lessons learned from past and current government programs, including the State Small Business Credit Initiative, SBA loan guaranty programs, and the Small Business Investment Company.
- Evaluate Opportunity Zones to understand the impact of this program to date and to identify reforms to ensure the program better serves new and small businesses, especially those owned by entrepreneurs of color.
- Ask governors and mayors to examine how their state and local entrepreneurial ecosystems can be improved to increase access to capital for all entrepreneurs.

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95. Victor Hwang, Sameeksha Desai, and Ross Baird, "Access to Capital for Entrepreneurs: Removing Barriers," Ewing Marion Kauffman Foundation: Kansas City, 2019.

BRIGHT SPOT

The State Small Business Credit Initiative (SSBCI) provided $1.5 billion from the U.S. Treasury Department to state programs that promoted private financing for small businesses. Its flexibility allowed states to design programs that addressed their specific needs in a variety of ways. The SSBCI addressed gaps for all types of businesses through both debt and equity financing where traditional forms of capital were too often nonexistent. Between 2011 and 2015, SSBCI programs led to $8.4 billion in new lending, and almost half of the recipients were young businesses (under 5 years old).[96] In addition, 42% of financing went to low- and moderate-income areas.[97] Furthermore, the median capital access program loan size was just $14,800, helping fill funding gaps in regard to small to midsize loans.[98]

96. "Program Evaluation of the US Department of Treasury State Small Business Credit Initiative," Center for Regional Economic Competitiveness and Cromwell Schmisseur, State Small Business Credit Initiative, October 2016.

97. Ibid.

98. Ibid.

Invest in Local Financial Institutions (Federal, State, Local)

Community banks, community development financial institutions (CDFIs), and minority depository institutions (MDIs) are important sources of capital for new and small businesses. Yet consolidation in the banking industry has exacerbated gaps in capital access for new and small businesses, especially those owned by entrepreneurs of color.[99] The number of community banks declined by more than 2,000 from 2008 to 2018; the number of MDIs went from 164 at the end of 2001 to 143 at the end of the third quarter of 2020.[100] The number of Black-owned banks declined by more than half between 2001 and the third quarter of 2020, from 48 to 20.[101] To improve access to capital, policymakers should:

- Expand the U.S. Treasury Department's CDFI Fund to help CDFIs scale and lend to more new and small businesses in their communities.
- Encourage the capitalization of local financial institutions by backstopping "equity-like" investment in CDFIs and MDIs and strengthening investor tax credits.
- Provide technical assistance and funding to help CDFIs expand operations.
- Work with philanthropic organizations to create funding pools that reduce risk and interest of CDFIs' short-term lending to businesses not eligible for SBA loans.
- Establish community deposit programs or expand existing community deposit programs to facilitate greater lending to new and small businesses.

Supporting Evidence

- ★ While only 22% ($1.8 trillion) of bank loans in 2014 came from community banks, these local financial institutions accounted for more than 50% of all small business loans.[102]
- ★ Analysis of early lending through the Paycheck Protection Program (PPP) found that more PPP loans were made in states where small local banks have a bigger share of the market.[103]
- ★ From 1994 to 2019, the CDFI Fund awarded nearly $3.6 billion to CDFIs. With an annual budget of $250 million in 2019, the CDFI Fund helped spur the financing of more than 19,000 businesses in underserved areas that lacked access to traditional lending.[104]

BRIGHT SPOT

Rhode Island's BankLOCAL is a community deposit program that was established in 2017 and expanded by $10 million in November 2019 to $30 million. The program deposits a 2-to-1 match for small business loans made by local financial institutions to encourage greater lending to local businesses. Thus far, it has matched almost 350 small business loans, totaling over $37.5 million. Women, minority, first-time, and military veteran entrepreneurs have received 32% of these loans.[105] In 2020, minorities accounted for only 27.6% of all SBA 7(a) loans.[106]

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99. Victor Hwang, Sameeksha Desai, and Ross Baird, "Access to Capital for Entrepreneurs: Removing Barriers," Ewing Marion Kauffman Foundation: Kansas City, 2019.
100. Daniel Brown, "Small Business Facts: Spotlight on Community Bank Lending," U.S. Small Business Administration Office of Advocacy, September 2019.
101. "Minority Depository Institutions Program," Federal Deposit Insurance Corporation, https://www.fdic.gov/regulations/resources/minority/mdi.html.
102. Marshall Lux and Robert Greene, "The State and Fate of Community Banking," Mossavar-Rahmani Center for Business and Government, Harvard Kennedy School, February 2015.
103. Stacy Mitchell, "Update: PPP Loan Data Continues to Show that Big Bank Consolidation has Hampered Small Business Relief," Institute for Local Self-Reliance, June 15, 2020.
104. "Expanding Opportunity: The CDFI Fund's FY 2019 Year in Review," Community Development Financial Institutions Fund, U.S. Department of the Treasury, 2020.
105. "BankLOCAL: Rhode Island's Community Deposit Program," State Investment Information Center, State of Rhode Island, http://investments.treasury.ri.gov/cash-opeb-529/community-deposit.
106. Lebaron Sims and Simone Robbennolt, "Racial and Ethnic Inequity in SBA Lending Patterns, 2010-2020," Prosperity Now, December 2020.

Develop State and Local Entrepreneurial Capital Catalyst Grants (State, Local)

With bank loans and venture capital unavailable to so many entrepreneurs, states and communities should develop innovative funding streams to promote entrepreneurship and to help support new businesses in their jurisdictions.[107] Capital should help entrepreneurs at different stages of starting a business, from having new ideas to opening doors to serving customers. There are a number of innovative models that could be scaled across America. States and localities should create competitive Entrepreneurial Capital Catalyst Grants to:

- Create "evergreen" community investment funds that support new businesses as they move through the early stages of proof-of-concept and product development. States and localities can look to successful models such as MassVentures in Massachusetts and JumpStart Evergreen Fund in northeast Ohio.
- Build collaborative investment funds that engage established businesses to work with emerging businesses for joint product development and supplier relationships. States and localities can gain lessons from the experiences of Cintrifuse and Renaissance Venture Capital, operating in Cincinnati and Michigan, respectively.
- Support investment funds that spur the growth of new financial intermediaries – entrepreneurs creating capital to invest in other entrepreneurs – particularly those with innovative models such as revenue-based investing and profit-sharing. States and localities can leverage domestic learnings from individual funds, such as Lighter Capital and the New Hampshire Community Loan Fund, and can borrow international lessons from "fund of fund" models, such as Yozma Group, IDB Lab, and Capria, on seeding and growing new investment categories.

BRIGHT SPOT

JumpStart Evergreen Fund is a nonprofit seed fund operated by JumpStart, a venture development organization created in 2003 with support from Ohio's Third Frontier program and civic and philanthropic leaders. JumpStart Evergreen Fund invests in technology businesses in the 21 counties of northeast Ohio. The financial returns from the fund are "recycled" to make more investments in additional companies. JumpStart's Evergreen Fund and its other investment funds together:

- Have invested more than $61 million in 125 businesses, with 44% going to women- and people of color-led firms.[108]
- Bridge the gap for new businesses with high potential as they move from new idea to proof-of-concept to commercialization and eventually to venture capital.
- Provide critical services beyond capital, including connections to the right people, operational assistance, and other sources of capital as a company grows.

107. Victor Hwang, Sameeksha Desai, and Ross Baird, "Access to Capital for Entrepreneurs: Removing Barriers," Ewing Marion Kauffman Foundation: Kansas City, 2019.
108. "Real Economic Impact," JumpStart, October 2020, https://www.jumpstartinc.org/our-impact.

Protect Entrepreneurs Through Truth-in-Lending Laws (Federal, State)

The federal Truth in Lending Act (TILA) does not provide enough protection to all borrowers. While individual consumers are protected by TILA's disclosure requirements for loan costs and terms, these do not generally apply to small business owners or entrepreneurs obtaining credit for commercial purposes. This leaves commercial borrowers at risk. Given that Black and Latino entrepreneurs are far less likely to secure funding through traditional capital markets[109], they are particularly vulnerable to deceptive or predatory lending practices and credit products. In fact, businesses owned by people of color are more likely to seek out alternative financing providers, such as merchant cash advances, than White-owned firms are.[110] To ensure entrepreneurs and small business owners are adequately protected and able to make fully informed decisions, policymakers should:

- Apply relevant consumer truth-in-lending rules to new and small business borrowers so there is greater transparency in lending terms, rates, and other conditions, including for all nonbank commercial financing products.

Supporting Evidence

- ★ Analysis of small business loan applications found some alternative lenders charging APRs of 90% or higher, with one study finding Black business owners were charged an average APR of 128%.[111]
- ★ A survey indicated that a majority of small business owners[112] believe predatory lending is a problem and support stiffer regulations for alternative lenders.

BRIGHT SPOT

States Enact Small Business Truth in Lending Protections: In 2018, California's governor signed into law the first-ever Truth in Lending Act for small businesses. Under this new law, at the time financing is offered, lenders must disclose the total amount of financing, total cost of financing, term length, frequency and amount of payments, prepayment policies, and an annualized interest rate.[113] Analysis from the Responsible Business Lending Coalition, using data from the Federal Reserve, estimated that California's Truth in Lending Act would save small businesses in the state between $617 million to $2.9 billion annually.[114] In December 2020, New York followed suit when the state's governor signed the Small Business Truth in Lending Act, which requires disclosure of APR or estimated APR.

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109. "Small Business Credit Survey: 2019 Report on Minority-Owned Firms," Federal Reserve Bank of Atlanta, December 2019.
110. Ibid.
111. "Unaffordable and Unsustainable: The New Business Lending on Main Street," Opportunity Fund, May 2016.
112. "Small Business Owners Concerned with Predatory Lending, Support More Regulation of Alternative Lenders," Small Business Majority, December 12, 2017.
113. Carolina Martinez and Heidi Pickman, "California passes historic truth in small-business lending law — Congress should take note," The Hill, October 5, 2018.
114. "Re: Third Invitation for Comments on Proposed Rulemaking Commercial Financing Disclosures, File No: 01-18," Responsible Business Lending Coalition, January 31, 2020, http://www.borrowersbillofrights.org/uploads/1/0/0/4/100447618/rblc_comment_-_commercial_financing_disclosures_pro_01-18.pdf.

Unleash Online Tools to Drive Alternative Funding Opportunities into the Heartland
(Federal, State)

While venture capital is highly concentrated, crowdfunding and other online tools have the potential to drive innovative funding sources to entrepreneurs throughout the American heartland. To spur more online financing activity, policymakers should:

- Create tax incentives for investors purchasing securities offered by new businesses through qualifying crowdfunding channels.
- Improve regulatory flexibility and reduce compliance burdens in crowdfunding.
- Collect demographic information on the U.S. Securities and Exchange Commission's Form C about the entrepreneurs whose businesses are seeking to raise capital via Regulation Crowdfunding and report data disaggregated by race and gender.

Supporting Evidence

★ Early evidence from the U.S. securities crowdfunding market indicates that crowdfunding is a promising new way for high-quality, early-stage companies to find funding.[115]

★ Between May 2016 and December 2018, the median Regulation Crowdfunding offering amount was $107,367. [116]

BRIGHT SPOT

The U.S. Securities and Exchange Commission (SEC) expanded the nation's investor base in 2020 when it changed the "accredited investor" definition. Accredited investors, previously defined as only individuals with an income of at least $200,000 or a net worth over $1 million, are now also qualified based on measures of financial sophistication, such as professional certifications and credentials.[117] Additionally in 2020, the SEC raised the Regulation Crowdfunding offering limit from $1.07 million to $5 million, giving businesses that require larger amounts of capital another fundraising option.[118]

115. Eliot Abrams, "Securities Crowdfunding: More than Family, Friends, and Fools?" University of Chicago, January 2017.
116. "Report to the Commission, Regulation Crowdfunding," U.S. Securities and Exchange Commission, June 18, 2019.
117. "With new 'accredited investor' definition, SEC expands pool of startup funders," Start Us Up, September 2, 2020.
118. "SEC Harmonizes and Improves 'Patchwork' Exempt Offering Framework," U.S. Securities and Exchange Commission, November 2, 2020.

ACCESS TO KNOWLEDGE ★ THE KNOW-HOW TO START A BUSINESS

Entrepreneurs report that some of their biggest challenges are practical, such as knowing how to start, operate, and grow a business.[119,120] Given that many entrepreneurs were not taught the skills needed to successfully launch a business during their formal education and training, they learn as they go, seeking support from other business owners and organizations that offer coaching.

Strong ecosystems foster the fast flow of talent, information, and resources, helping entrepreneurs quickly find what they need at each stage of business development. When entrepreneurs are able to find the resources they need, they report value from these connections. Sixty-four percent of entrepreneurs found the opinions and insights of others who have started a business to be helpful.[121] Even more (79%) said they would participate in weekly programs for local entrepreneurs to come together for conversations if those programs existed and they knew about them.[122]

Yet aspiring entrepreneurs have fewer connections to relevant resources than existing business owners do. More than half (55%) of established business owners reported knowing more than five other business owners, but only 39% of entrepreneurs who had started a business in the past year reported the same.[123] New business owners are more likely to have challenges finding networks, connections, and mentors than owners of mature businesses.[124]

To succeed, new businesses also need access to high-quality workers. Fifty-two percent of businesses less than a year old reported difficulty finding skilled employees during the COVID-19 pandemic.[125] This is particularly a challenge in rural areas that have suffered "brain drains" as their labor pools have migrated to urban centers. In a 2019 Small Business Majority study, all 21 focus groups of rural business owners stressed that good employees were difficult to find.[126]

Developing a continuous pipeline that offers Americans a lifetime of opportunities to learn the skills necessary to be a successful entrepreneur is vital to a thriving U.S. economy.

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119. "America's Voice on Small Business: Generational Views of Entrepreneurship and Small Business," America's Small Business Development Centers and the Center for Generational Kinetics, May 2017.
120. "Kauffman Foundation Entrepreneurship Survey," Kauffman Foundation, Global Strategy Group and Public Opinion Strategies, 2018.
121. Ibid.
122. Ibid.
123. "Breaking Barriers: The Voice of Entrepreneurs," Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies, February 2018.
124. Jessica Looze and Sameeksha Desai, "How has COVID-19 Changed Challenges for Entrepreneurs? Implications for Entrepreneurship Support," Ewing Marion Kauffman Foundation: Kansas City, November 2020.
125. Ibid.
126. "Examining the Unique Opportunities and Challenges Facing Rural Small Businesses," Small Business Majority, February 12, 2019.

Develop Inclusive Entrepreneur Support Mechanisms (Federal)

Entrepreneurs value support from skilled professionals, through avenues such as through strong networks, cooperative platforms, co-working hubs, and high-quality incubators and accelerators.[127] Government should support the growth and development of those methods and others to connect entrepreneurs with helpful people and tools. Policymakers should:

- Develop competitive grants to modernize the 62 Small Business Development Centers (SBDCs) and more than 900 service locations, with a focus on facilitating learning through connections and peer support in entrepreneurial ecosystems.
- Create pay-for-success models that provide federal support to organizations that serve entrepreneurs when certain agreed-upon benchmarks are met, such as the number of new businesses created, ease of accessing appropriate capital, increased revenues, new jobs created and sustained, and underserved areas and populations reached.

Supporting Evidence

- ★ About a quarter of Black (26%) and Latino (24%) first-year business owners have only one or fewer other business owners in their network.[128]
- ★ The introduction of accelerators to a region has a significant impact on the number of early-stage deals for new businesses, and these deals are driven primarily by the emergence of local, new venture capital firms.[129]

BRIGHT SPOT

The EDA's Regional Innovation Strategies program: Under the U.S. Economic Development Administration's (EDA) Office of Innovation and Entrepreneurship, the Regional Innovation Strategies (RIS) program awards funding through two grant competitions: the i6 Challenge and the Seed Fund Support Program. Since 2014, the RIS program has made more than $100 million in federal grants to 224 organizations across 47 states and two territories, with more than $1 billion in additional capital investments.

The i6 Challenge funds a range of programs and services – including entrepreneurship centers, entrepreneurial ecosystem building, technology incubators, and startup accelerators – that support innovation-based, high-growth entrepreneurship. By providing proof-of-concept and commercialization assistance, these programs and services result in new businesses and jobs and dynamic regional economies. From 2014 to 2018, the i6 Challenge awarded $42 million in grants and matches to 88 projects.[130] These funds have helped organizations support more than 4,000 entrepreneurs, resulting in more than 7,000 jobs being created and retained.

The Seed Fund Support grant competition provides funding for technical assistance and operational support to organizations that provide early-stage, equity-based capital to startups with high growth potential. The Seed Fund Support Program awarded $10 million in federal funding that produced 40 Seed Fund Support awards from 2014 to 2018.[131] New businesses supported by grant recipients have generated more than 1,000 jobs across 158 companies.

127. "Kauffman Foundation Entrepreneurship Survey," Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies, 2018.
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Prepare the Youth of Today to Be the Entrepreneurs of Tomorrow (Federal, State, Local)

To ensure that a strong current of entrepreneurial talent is continuously emerging in the United States, policies must jump-start the stagnant rate of new entrepreneurs, equitably grow the next generation of business owners, and develop employees with entrepreneurial capabilities. To do this, policymakers should:

- Develop data infrastructure at the federal and state levels that enable accountability measures to evaluate student outcomes beyond high school, providing insights and opportunities to redesign student experiences and competencies to equip students to be entrepreneurial and to demonstrate their acquired skills and experiences, whether they are creating a business themselves or making contributions as employees and community members.
- Provide students with real world learning experiences and industry-recognized credentials. These credentials are assets that are immediately market-valued, created through client- and community-based projects, entrepreneurial experiences, and internships.
- Give students opportunities to explore design thinking and prototyping to solve a market and/or social problem.
- Ensure all students complete high school having acquired basic financial literacy skills through direct experiences relevant to life and work.
- Examine how state agencies can better collaborate, collect appropriate data, provide curriculum and credit flexibility, and allow for alternative teacher certification pathways that provide students with access to professionals who are working or have worked in an area of interest.
- Monitor state funding formula implications that support or incentivize real world learning within districts.
- Monitor and evolve federal grant programs that have been adjusted to support four-year, two-year, and qualified credentialing acquisition for students.
- Ensure local entities work closely with employers, especially new businesses, on alignment of curriculum to current and emerging workforce needs in order to ensure equity of access to employer-based learning opportunities.

Supporting Evidence

- ★ Research has shown that with appropriate course content, entrepreneurial education and training in kindergarten through college is linked to positive business outcomes.[132]
- ★ A meta-analysis found a significant relationship between entrepreneurship education and training and corresponding entrepreneurship outcomes.[133]

BRIGHT SPOT

The Real World Learning Initiative, centered in the Kansas City region, is a collaborative of more than 30 districts and charters in both Kansas and Missouri.[134] National education leader Tom Vander Ark has called it "the largest effort to make high school more valuable."[135] The regional partners, including civic, business, and educational institutions, are all aligned around one commitment: By 2030, all high school students in the region will graduate with a market value asset. Every school is engaged in redesigning its curriculum to ensure that students have opportunities in real world learning experiences such as internships, client-connected projects, dual credit, regionally vetted industry-recognized credentials, and entrepreneurial experiences. These experiences and connections to employers build the essential skills students need to be successful in work, life, and further education.

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Create an Entrepreneurship Corps, or "E-Corps" (Federal)

To connect experienced entrepreneurs with new and struggling ones, especially those from underserved backgrounds, the Small Business Administration (SBA) and the Corporation for National and Community Service should:

- Collaborate to develop an Entrepreneurship Corps, or "E-Corps," to mentor and train entrepreneurs. The SBA should create a plan to deploy E-Corps members to underserved communities across the United States that apply for specific assistance.

PROGRAM DETAILS

Entrepreneurs who have successfully built new businesses and have the knowledge and skills to mentor and train emerging entrepreneurs would apply to perform a year of national service in the new E-Corps. The success of E-Corps would be measured by the number of entrepreneurs mentored and trained, the number of new enterprises started by mentored entrepreneurs, and the revenues and jobs created and sustained as a result. Lessons could be learned from the experiences of other service organizations, such as SCORE.

Supporting Evidence

- ★ Endeavor Insight found that 33% of founders who were mentored by successful entrepreneurs went on to become "top performers," compared with just 10% of all others.[136]
- ★ A study from the Journal of Small Business Management found that effective mentoring helped aspiring student entrepreneurs see themselves as entrepreneurs, enhancing their capabilities to further their new business ideas.[137]

Foster a Prepared Workforce Equipped with Entrepreneurial Skills (Federal, State)

Workforce training programs in the United States, especially for those employees displaced by automation or globalization, have shown to result in only modest gains in employment and wage increases.[138,139] The Government Accountability Office (GAO) looked at federal employment and job training programs and found that "in FY2009, nine federal agencies spent approximately $18 billion to administer 47 programs," while also noting that "little is known about the effectiveness of most programs."[140] Given this mixed record and a rapidly changing economy, workforce training should be reimagined around each individual's desire for a career – not around the temporary needs of a corporation. That means workforce training should emphasize the acquisition of a mix of industry credentials and entrepreneurial skills so that Americans are positioned for long-term success, whether as employees, the self-employed, or business owners. State and federal policymakers should:

- Prioritize entrepreneurial skill-building, real-world experiences, access to networks, and new business creation as key components of workforce training programs.
- Significantly expand the number of entrepreneur support organizations that receive workforce training funding.
- Empower the 3,000 OneStop centers to be user-friendly outlets for information about entrepreneurship and to provide support for more Americans wishing to start their own businesses.
- Include entrepreneurship and applicable information and tools in workforce training programs to help tens of thousands of young Americans start their own businesses.

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139. Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, Annalisa Mastri, and Ronald D'Amico, "Providing Public Workforce Services to Job Seekers: 15-Month Impact Findings on the WIA Adult and Dislocated Worker Programs," Mathematica Policy Research, May 30, 2016.
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ACCESS TO SUPPORT ★ THE ABILITY FOR ALL TO TAKE RISKS

When entrepreneurs strike out on their own, they leave behind the salary and benefits an employer provides. Assuming the full risk of failure, they are responsible for health care, retirement savings, and other necessities they, their families, and their employees depend on.

Becoming an entrepreneur is a courageous act, but many feel it is currently out of their reach. Among those who have seriously considered entrepreneurship but ultimately decided against starting a business, almost half were concerned about business survival.[141] Some are held back by financial obligations, such as paying off student loans.[142] Others fear the impact on their personal finances.[143] And some have medical conditions that make maintaining affordable and quality health care essential.

Prior to starting their businesses, nearly half of entrepreneurs feared the loss of job security, while nearly four in 10 were concerned about losing health insurance.[144] According to a 2017 America's Small Business Development Center survey, 41%[145] of Americans would quit their job and start a new business in the next six months if they had the tools and resources they needed. One critical resource is a safety net that supports entrepreneurial risk-taking.

Policymakers must act to ensure the next generation of entrepreneurs is not locked out of opportunities to improve their economic situations by helping Americans build wealth and addressing their real financial concerns that limit risk-taking.

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142. "Opinion Poll: Millennials Identify Student Debt, Retirement Savings as Barriers to Entrepreneurship," Young Invincibles and Small Business Majority, January 27, 2016.
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Provide Health Care Options for Early-Stage Entrepreneurs (Federal, State)

The need for health insurance can prevent entrepreneurial risk-taking, contributing to "job lock," a situation in which employees stay at their current jobs because leaving would result in the loss of benefits they value. To reduce the effects of job lock, policymakers should:

- 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.
- Provide tax incentives to new businesses to offset health care costs.

Supporting Evidence

- ★ Among those who have seriously considered entrepreneurship but ultimately decided against starting a business, 20% cited the need for health care coverage as a reason.[146] Women were more likely to identify this a reason for not pursuing entrepreneurship than men were.
- ★ A 2010 study found that increased tax deductions for health insurance for self-employed workers increased the likelihood of new business creation.[147]
- ★ Research found that prior to the passage of the Affordable Care Act (ACA), self-employed workers were twice as likely to be uninsured, and workers who had employer health insurance were 2.5 to 3.9 percentage points less likely to create a new business.[148]
- ★ Furthermore, research shows the ACA has led to a 3% to 4% increase in self-employment.[149]

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149. James Benjamin Bailey and Dhaval Dave, "The Effect of the Affordable Care Act on Entrepreneurship among Older Adults," Eastern Economic Journal 45(3), 2018.

Provide Entrepreneurs Relief from Student Loan Debt (Federal, State)

In 2011, cumulative outstanding student loan debt in the United States surpassed $1 trillion.[150] Between 2004 and 2014, the number of student loans increased 89%, and the average debt grew 77%.[151] As student loan debt continues to grow, the burdens on the behaviors of those incurring the debt are still not fully known. What's more, as student loan debt has increased, so too has the amount of time it takes for individuals to pay off their loans. A growing body of research has begun to point to student loan debt as a contributing factor to depressed rates of entrepreneurship, especially among younger generations.[152] To avoid a lost generation of entrepreneurial talent, policymakers need to address the burden of student loans. Policymakers should:

- Create a federal Student Loan Deferral Plan that allows entrepreneurs faced with significant student loan burdens to apply to defer their student loans for an initial period of one year and for up to five years.
- Forgive student loan debt for entrepreneurs who continually make capped loan payments for a certain period of time through the Pay As You Earn (PAYE) or Income-Based Repayment (IBR) programs.
- 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.

Supporting Evidence

- Research indicates that as many as six in 10 individuals expect to still be paying off student loans into their 40s.[153] This is significant, as the average age of an entrepreneur is 42, which points to the chilling effect student loans may have on entrepreneurship.[154]
- Black students must overcome larger student loan debt and are five times more likely to default on their student loans compared with their White peers.[155]
- One-third of Black borrowers use income-driven repayment to pay down their student loans.[156]
- Millennials still paying off student loans who own or have plans to own a business say their student loan payments have impacted their ability to start a business. Forty-three percent say student debt affects their ability to invest in their business or hire new employees.[157]
- Forty-eight percent of young people who own or are interested in owning a business cite student loans as one of the main barriers to becoming an entrepreneur.[158] Research shows that higher student loan debt corresponds with lower rates of adult entrepreneurship.

150. Rohit Chopra, "Too Big to Fail: Student debt hits a trillion," Consumer Financial Protection Bureau, March 21, 2012.
151. Andrew Haughwout, Donghoon Lee, Joelle Scally, and Wilbert van der Klaauw, "Student Loan Borrowing and Repayment Trends, 2015," Federal Reserve Bank of New York, April 16, 2015.
152. "Student Loans and Entrepreneurship: An Overview," Entrepreneurship Issue Brief No. 5, Ewing Marion Kauffman Foundation: Kansas City, 2020.
153. "Millennial College Graduates with Student Loans Now Spending Nearly One-Fifth of Their Annual Salaries on Student Loan Repayments," Citizens Financial Group, April 7, 2016.
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155. Judith Scott-Clayton and Jing Li, "Black-white disparity in student loan debt more than triples after graduation," Brookings Institution, October 20, 2016.
156. Ben Miller, "The Continued Student Loan Crisis for Black Borrowers," Center for American Progress, December 2, 2019.
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158. Laura Checovich and Tom Allison, "At the Extremes: Student Debt and Entrepreneurship," Young Invincibles, 2017.

Increase Access to Caregiving (Federal)

For entrepreneurs and those thinking about starting a business, the responsibility of caring for a child or other family member can be a serious hindrance to launching a business and putting in the necessary hours to make it a success. This has been exacerbated by the COVID-19 pandemic, which has forced parents and other caregivers to juggle working from home and caregiving simul-taneously. When it comes to affordable child care, existing federal tax credits are designed to help working families, and thus their requirements are based on earned income. This limits the ability of entrepreneurs – many of whom forgo income in the startup phase – to claim these credits. To reduce these barriers, policymakers should:

- Allow entrepreneurs not yet earning an income but actively working to start or grow a new business to be eligible for the Child and Dependent Care Tax Credit by substituting earned business revenue for the required earned personal income.[159]
- Expand child care programs in the most underserved communities through increased funding for the Child Care and Development Block Grant and Head Start programs.
- Form a commission to recommend a national caregiving policy that ensures affordable and equitable access to caregiving support, recognizing that many caregivers are entrepreneurs themselves, operating in-home day care or other small businesses. A national caregiving policy should work for both consumers and providers.

Supporting Evidence

- ★ Of those who have considered starting a business but did not, or "pre-entrepreneurship leavers," 22% report family considerations such as child care or aging parent care as a reason for not starting a business. This was especially pronounced among married "leavers" (25%), those with children under age 18 (34%), and mothers (37%).[160,161]
- ★ Sixty-two percent of former entrepreneurs said their business suffered because of additional child care responsibilities they had to take on after the onset of the COVID-19 pandemic.[162]
- ★ According to a 2017 Small Business Majority poll, child care was a barrier for starting a business for 36% of entrepreneurs.[163]
- ★ COVID-19 caused parents to reduce their working hours, take a leave from work, or work from home as day cares, camps, and schools closed. The percentage of parents in the workforce dropped about 5% for both mothers and fathers from September 2019 to September 2020.[164]
- ★ Women-owned businesses are hit hardest by lack of child care. Forty-seven percent of women rated the health of their business as "good" in July 2020, down from 60% before the COVID-19 pandemic. For men, this rating only dropped from 67% to 62%.[165]

RESOURCE: The Kauffman Foundation report "Economic Engagement of Mothers: Entrepreneurship, Employment, and the Motherhood Wage Penalty" highlights the financial barriers mothers, especially mothers of color, face as entrepreneurs. Child care expenses can be crippling to a new business: The cost for two children in care exceeds mortgage costs among homeowners in 40 states and Washington, D.C. In fact, nearly two in five mothers who are very interested in starting a business but ultimately have not report that family and caregiving responsibilities are a primary reason. This has been exacerbated by the COVID-19 pandemic, which has disproportionately impacted moth-ers. Mothers age 24 to 39 were nearly three times more likely than fathers of the same age to report being unable to work during COVID-19 because of a school or child care closure.

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162. Kauffman Foundation, Global Strategy Group, and Public Opinion Strategies poll, 2020.
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164. Rakesh Kochhar, "Fewer mothers and fathers in U.S. are working due to COVID-19 downturn; those at work have cut hours," Pew Research Center, October 22, 2020.
165. Special Report on Women-Owned Small Businesses During COVID-19," U.S. Chamber of Commerce, August 26, 2020.

Create Baby Bonds to Encourage Future Entrepreneurs (Federal)

Black and Latino families have much lower median wealth[166] than their White counterparts. This wealth gap is especially pernicious given the fact that the personal or family savings of the entrepreneur is the top source of capital used by businesses at startup.[167] One idea to counteract these gaps and generate wealth that could be put to productive uses is "baby bonds." Under a baby bonds policy, the federal government would create investment accounts for infants, with larger seed grants for families with lower household wealth, and smaller grants for those with more wealth. The value of the bond would increase over time through additional contributions and the returns generated by the investment. The recipient would not be eligible to access it until they reach adulthood. Once fully matured, funds could be used for activities that promote productivity and socioeconomic mobility, such as an investment in education and training or the initial capital to start a business. To address unacceptable racial wealth gaps and put all Americans on a stronger path to entrepreneurship, policymakers should:

- Create a baby bonds program with automatic enrollment at birth and program-provided funds structured progressively – both the seed grant at birth and the annual deposits made by the government.

Supporting Evidence

- ★ Child development accounts, or child savings accounts, have been linked[168] to improved social and emotional well-being in children, heightened educational expectations, improved early academic achievement, better college outcomes, and a greater return on a postsecondary degree.
- ★ A 2018 study of a hypothetical baby bonds program found that while racial wealth differences would still exist, implementing such a program would reduce the median Black-White wealth gap from a factor of 15.9 to 1.4.[169]

Enable Entrepreneurs to Save for Retirement (Federal)

Aspiring entrepreneurs may not take the risk of starting their own businesses because their current jobs help them save for retirement. To ensure potential entrepreneurs are not further inhibited from starting their own businesses because of worries over a lack of retirement savings, federal law should:

- Permit entrepreneurs to make "reach-back" contributions to their retirement accounts for a limited number of years, and to have the tax deferral apply to the current tax year in which those payments are made. This policy recognizes that entrepreneurs often do not have income in the early years of a new business to put toward retirement, and it gives those who are willing to take the risk of starting a business the ability to catch up on their retirement contributions and save for the future when they are more likely to have the means to do so.

Supporting Evidence

- ★ Three-quarters of millennials who own, plan to own, or would like to own a business listed the lack of an employer-sponsored retirement plan as a barrier to entrepreneurship.[170]
- ★ A survey also showed that 34% of business owners lack retirement plans.[171]

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166. Neil Bhutta, Andrew C. Chang, Lisa J. Dettling, Joanne W. Hsu, and Julia Hewitt, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," Board of Governors of the Federal Reserve System, September 28, 2020.
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Become A Champion For Entrepreneurs Now

BECOME A CHAMPION FOR ENTREPRENEURS NOW

Entrepreneurs and government operate at different speeds. As policymakers pursue the adoption of new policies to support everyday Americans opening new businesses, they can also leverage the unique powers associated with their public offices to champion entrepreneurs today. What follows is a list of tangible, actionable steps that policymakers at various levels and in various branches of government can pursue now.

MAYORS CAN:

- ★ Use their State of the City and other public addresses to make increasing entrepreneurship a priority by highlighting the benefits to individuals, families, and the community.
- ★ Conduct focus groups and town hall meetings with entrepreneurs to learn how to address barriers to starting and growing businesses.
- ★ Appoint a city entrepreneurship coordinator to be in charge of making new business creation a priority across the city. The entrepreneurship coordinator would build the entrepreneurial ecosystem by working in partnership with entrepreneurs, entrepreneur support organizations, city agencies and councils, local business and nonprofit leaders, K-12 and higher education systems, and others.
- ★ Require a review of the impact of existing ordinances, licenses, permits, zoning requirements, and other regulations on the creation of new businesses, and work to eliminate or revise them as appropriate.
- ★ Charge economic development agencies with making the support of new, homegrown entrepreneurs a top priority, hire managers in city agencies who understand this priority, and invest in entrepreneurs instead of prioritizing business recruitment.
- ★ Play a leading role in supporting incubators, accelerators, and other entrepreneur support organizations through actions ranging from touting the vital role they play in local economic development to providing them with needed resources.
- ★ Examine how city contracting and procurement can support new businesses and be more entrepreneur-friendly, including by boosting businesses owned by entrepreneurs of color and women.
- ★ Develop and leverage a place-based identity or brand for locally made goods and services to support local makers and entrepreneurs.
- ★ Connect local school leaders, postsecondary educators, job trainers, and employers to create opportunities for students to acquire real-world learning experiences.
- ★ Direct municipal agencies to collect and utilize data on new businesses. Increased effort should be made to disaggregate data by race, gender, and other factors in order to appropriately target interventions that reduce local barriers to new business creation.

GOVERNORS AND STATE LEGISLATORS CAN:

- ★ Use their State of the State and other public addresses and bully pulpits to make increasing entrepreneurship a priority in their states by highlighting the benefits to individuals, families, the state economy, and communities throughout the state.
- ★ Take the pulse of the state's entrepreneurial ecosystem by holding town hall meetings and focus groups with entrepreneurs to assess their needs, identify policies that would support them, and remove barriers.
- ★ Appoint a secretary of entrepreneurship and put this position in the governor's cabinet to coordinate across all relevant state agencies and with the private and nonprofit sectors to build a strong, competitive state ecosystem in which entrepreneurs can thrive.
- ★ Conduct a statewide review of the impact of existing rules and regulations on the creation of new businesses, and work to eliminate barriers or revise laws as appropriate.
- ★ Upgrade state technology systems to better serve small business owners, including by exploring public-private partnerships to improve government services.
- ★ Charge state economic development and unemployment insurance agencies with making the support of entrepreneurs, new businesses, homegrown enterprises, and entrepreneurial ecosystems a top priority, and hire managers within those agencies who understand this priority.
- ★ Examine how state contracting and procurement can support new businesses and be more entrepreneur-friendly, including by boosting businesses owned by entrepreneurs of color and women.
- ★ Build ecosystems with strong networks of entrepreneurs, including leaders of incubators, accelerators, and entrepreneur support organizations, who can help entrepreneurs across the state navigate issues related to starting a business, accessing capital, and finding talent.
- ★ Direct state agencies to link education and workforce data systems, creating the building blocks to understand how education systems lead to careers, as employees or entrepreneurs.
- ★ Direct state agencies to collect and utilize data on new businesses. Increased effort should be made to disaggregate data by race, gender, and other factors in order to appropriately target interventions that reduce barriers to new business creation.

THE PRESIDENT AND MEMBERS OF CONGRESS CAN:

- ★ Use the State of the Union and other public addresses and events to highlight the importance of entrepreneurs to the American experiment and economy.
- ★ Make a permanent director for entrepreneurship position within the White House whose job is to rationalize, coordinate, and improve federal policy and agency effectiveness as it relates to new business creation. Previous administrations housed an assistant director for entrepreneurship in the Office of Science and Technology Policy, but the position should be elevated.
- ★ Restart the Department of Commerce's National Advisory Council for Innovation and Entrepreneurship (NACIE) and empower it to engage across federal agencies to identify and recommend solutions to issues critical to supporting new business creation. NACIE members should represent the diversity of America's entrepreneurs.

- ★ Ensure federal procurement targets for small businesses, including businesses owned by people of color, women, and service-disabled veterans, are met and increase over time.
- ★ Ask the Congressional Research Service or Government Accountability Office to review the most significant federal regulations within select departments and agencies that affect the creation and growth of new businesses.
- ★ Add “entrepreneurship” to the House Small Business Committee name. The Senate Small Business Committee was established in 1940, but in 2001, the name was changed to the Senate Small Business and Entrepreneurship Committee. The House committee should do the same.
- ★ Request that the Small Business Administration (SBA) administrator examine ways the SBA can better support Americans starting new businesses, in addition to the role the agency plays in supporting existing small businesses.
- ★ Join the bipartisan House Entrepreneurship Caucus or the Senate Entrepreneurship Caucus to build support for pro-entrepreneur policies.
- ★ Hold congressional hearings, including with entrepreneurs testifying, to guide the development and implementation of policies that reduce barriers to entrepreneurship.
- ★ Support robust federal data collection efforts and timely reporting to better understand entrepreneurship – inputs to and outcomes of – at a granular level. Increased effort should be made to disaggregate data by race, gender, and other factors in order to appropriately target national and local interventions that reduce barriers to new business creation. When able, make data public for use by state and local governments, entrepreneur support organizations, and researchers.

START US UP

AMERICA'S NEW BUSINESS PLAN