AMERICA'S NEW BUSINESS PLAN
**EXECUTIVE SUMMARY**

America’s entrepreneurs don’t ask for much. They embrace the future by building it themselves, working toward goals with the spirit and drive to overcome every hurdle in their paths. But too often and for too long, America’s policymakers have taken that spirit and drive for granted. Being “pro-business” has come to represent favoring big business in today’s politics. And when government does act to help American enterprise, support is heavily skewed toward established businesses — not scrappy and striving new business owners and entrepreneurs. This is despite the fact that new businesses created by entrepreneurs are the primary source of almost all net new jobs.1

Making it easier for everyday Americans to start their own businesses is essential for creating economic growth that works for everyone. After all, this is what the American Dream is all about: the belief that anyone, regardless of who they are or where they are from, has the opportunity to make a better life. Unless leaders move quickly to reduce unnecessary barriers and expand the circle of American entrepreneurs, the United States will no longer be the most innovative nation with the most dynamic economy on Earth.

America’s New Business Plan puts the ambitions and can-do spirit of everyday Americans first through a four-part entrepreneurship plan that ensures anyone with an idea has access to the opportunity, funding, knowledge, and support to turn it into a reality.

**OPPORTUNITY ★ A Level Playing Field and Less Red Tape**

When it comes to starting a business, entrepreneurs need a level playing field to compete with established businesses, which have better access to policymakers. Among other things, this means economic development efforts should support local business owners and not just offer incentives to attract outside businesses. Policymakers should prioritize the development of supportive ecosystems that help everyday Americans start businesses and they should cut red tape that holds people back.

**FUNDING ★ Equal Access to the Right Kind of Capital Everywhere**

Entrepreneurs continually emphasize the need for access to capital, including patient capital and other innovative models that give them an opportunity to get their businesses off the ground. These funding streams must extend beyond the coasts and reach deep into the heart of America to serve communities that lack access to capital and populations that are underrepresented as entrepreneurs.

**KNOWLEDGE ★ The Know-How to Start a Business**

Starting a business is a courageous act, and far too many entrepreneurs take that risk without really knowing where to begin or understanding the requirements and barriers that come with turning an idea into reality. Policymakers can help by supporting policies that connect entrepreneurs to those who can show them the ropes and programs that teach entrepreneurs the skills needed to successfully launch a business. Policymakers can ensure a strong current of new entrepreneurs and their employees by embedding real world learning in classrooms — sharpening workplace skills such as communication, problem-solving, judgement, and decision-making.

**SUPPORT ★ The Ability for All to Take Risks**

Becoming an entrepreneur means leaving behind the stability of a traditional job, and with it benefits such as health care and retirement savings. Most importantly, it often means forgoing a stable salary — a daunting proposition for anyone, but especially for the many Americans living paycheck to paycheck or with little savings. Policymakers must act to ensure the next generation of entrepreneurs is not locked out of opportunities to improve their economic situations by addressing Americans’ real financial concerns that limit risk-taking.

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Entrepreneurship — the work of the makers, doers, and dreamers in our country — is deeply embedded in the American DNA. America itself was founded as a startup nation — an entrepreneurial act of courage and vision. Entrepreneurs have guided economic revolutions in agriculture, industry, technology, and service that have propelled standards of living upward. That same spirit of striving for a better future has since inspired everyday Americans from all walks of life to take risks and start new things. It’s what drives the entrepreneurs of today, and — with bold action and support — it’s what will empower the next generation of American entrepreneurs.

Despite what some may think, entrepreneurship is not just about big names and billionaires. It’s about everyday Americans — from the man who starts the neighborhood ice cream shop to the woman launching an agriculture technology startup — having the opportunity to support themselves and their families and improve their communities.

But for too long, our elected officials have put big businesses first, squeezing the middle class and stifling competition. Taking the risk of opening your own business and pulling yourself into a better economic situation is a truly courageous act. We need to empower all Americans dreaming of a brighter future by leveling the playing field, expanding access to capital beyond the few, fostering local ecosystems that provide entrepreneurs with practical knowledge, and providing the support necessary for entrepreneurs to take risks.

America’s future depends on entrepreneurs. Entrepreneurs not only embody the American spirit, they also power our economy. The new businesses they start account for nearly all net new job creation. However, the nation is facing a difficult reality: Starting and building a business has become harder and rarer in most of America. In fact, the rate of new entrepreneurs has essentially been flat for the past 20 years.

Yet America remains a nation with vivid entrepreneurial dreams. More than 60% of Americans have a dream business in mind they would love to create, and more than 40% would quit their job and start a business in the next six months if they had the tools and resources they needed. Millions of Americans want the opportunity to shape their own destiny, start a business, and pursue the promise of a better life.

The subject of entrepreneurship, however, almost never enters the national conversation. In the 2016 election cycle, the nation’s entrepreneurs were rarely mentioned in media, debate, or platform coverage. There is a hole at the center of our economic discussion where hope should be.

Headed into a decisive presidential election in 2020, some prioritize the protection of jobs from global competition. Others talk about addressing income inequality. Still others emphasize the promotion of overall economic growth. All of these things, while important, are insufficient.

Entrepreneurship — the defining American spirit of starting and building a business — is the answer to many of the economic challenges facing the country. It’s a solution in need of more champions.

America’s New Business Plan lays out a set of ideas for supporting and promoting entrepreneurship — because the more entrepreneurs succeed, the more everyone succeeds. We cannot take America’s can-do spirit for granted any longer. It is time for more policymakers to recognize what has been true since the nation’s founding: that entrepreneurs are the driving force of individual opportunity and economic prosperity. America must now reflect this fact in policies at the local, state, and national levels.

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 nearly all of the net new jobs in the American economy, including fueling net new job creation during economic downturns.6

ENTREPRENEURS NEED POLICYMAKERS TO GET INVOLVED

Thriving ecosystems that support entrepreneurs require participation from many, including policymakers.7 Yet many entrepreneurs do not feel that policymakers are fulfilling their role as active contributors.

Seventy-nine percent of new business owners feel they did not have support from the government to start their business.8 A majority of entrepreneurs (66%) agree that government incentives favor established businesses over new businesses.9

Sixty percent of entrepreneurs do not think the government cares about them. This concern is even more pronounced among female entrepreneurs (65%) compared with male entrepreneurs (56%).10

It is these entrepreneurs who drive job creation at a time when Americans still view the economy as a top issue for policymakers. A 2019 Pew Research Center survey found that 70% of Americans believe the economy should be a top priority for the president and Congress, while another 50% believe that jobs should be a top priority.11 When presented with information about the job-creating power of entrepreneurship, voters’ support for entrepreneurship increases substantially, resulting in four out of five saying entrepreneurship is a major or top priority when deciding which candidate will get their vote.12

ENTREPRENEUR

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 purposefully 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.
What Policymakers Can Do To Tap America’s Entrepreneurial Spirit
OPPORTUNITY • A LEVEL PLAYING FIELD AND LESS RED TAPE

Policymakers should make life easier for entrepreneurs by doing away with burdensome regulations and requirements, as well as by using their influence to lift up and support people in all communities who take the risk of starting a business. This approach requires a change of mindset for policymakers at all levels and a commitment to leveling the playing field between new and established businesses. New enterprises are difficult enough to get off the ground; government shouldn’t make it more complicated.

Unfortunately, government red tape, the outsized influence of established businesses, and market concentration too often conspire to block entrepreneurs from fulfilling their dreams of starting or growing their businesses. Many entrepreneurs encounter a confusing web of existing and outdated regulations, ordinances, and permits. And unlike established business (particularly big businesses), entrepreneurs lack the means to hire teams of consultants and attorneys to navigate these complicated systems. In fact, more than 50% of entrepreneurs report having experienced difficulty navigating the paperwork required to start a business.13 Entrepreneurs must also increasingly compete against established firms that dominate entire industries. More than one in four independent business owners and one-third of retailers believe mergers in their industries are “creating an unfair playing field.”14

Economic development policies should also 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.15 Unsurprisingly, 80% of entrepreneurs believe government prioritizes large corporations over small businesses.16

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15 “State Tax Revenue Lost to Tax Abatement Programs,” Good Jobs First.
16 Internal polling conducted by Global Strategy Group, 2019.
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. Another 65% say that it is too time-consuming for business owners to stay legally compliant with local, state, and federal regulations. 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 an Entrepreneurship Impact Statement (EIS) for all new laws, regulations, and rules developed that 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. 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.

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

Too often, the regulatory requirements of starting a business are unclear for entrepreneurs. 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-read 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.

Supporting Evidence

- Nearly three-quarters of entrepreneurs agree that government regulations on businesses are complex and hard to follow. 20

- Sixty-five percent of entrepreneurs believe it is too time-consuming for business owners to stay legally compliant with local, state, and federal regulations. 21

- The United States ranks 53rd in the World Bank’s assessment of how easy it is to start a business. 22

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 process for registering a business can be improved.

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20 “Regulations & the Economy: The Relationship & How to Improve It,” Committee for Economic Development, September 27, 2017
Unleash the Job-Creating Power of Immigrant Entrepreneurs (Federal)
Coming to America is an entrepreneurial exercise in and of itself, and tapping more talented people from around the world to use their skills to start and grow businesses here is good for the United States and its global economic competitiveness. Yet current immigration policy makes it difficult for foreign-born entrepreneurs to receive a green card (i.e., permanent residency). Immigration reform is needed to unlock the potential of immigrant entrepreneurs in the United States. The federal government should:

- Establish a startup visa that authorizes foreign entrepreneurs to start businesses in the United States.

Supporting Evidence
- Research shows that immigrants are twice as likely as native-born Americans to start a business.23
- More than half of all of America’s startups valued at $1 billion or more were started by at least one immigrant.24
- 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%.25

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.26 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%, with disproportionate effects on women.27,28
- About 15% of workers without a college degree and 14% 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.29

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26 Karla Walter, “States Must Act to Protect Workers From Exploitative Noncompete and No-Poach Agreements,” Center for American Progress, April 2019.
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 pre-emption would accomplish a similar purpose.

→ Reduce blanket bans and “good character” clauses in remaining licensing requirements, which erect barriers to entrepreneurship for the formerly incarcerated.30,31

Supporting Evidence

★ Today, about 29% of jobs require a government-issued license, a dramatic increase from the 1970s, when just 10% of workers were licensed.32

★ 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.33

In 2017, Arizona’s governor issued an executive order requiring all state licensing boards to perform a review of all existing licensing requirements.34 The Arizona Legislature also passed legislation to establish a cause of action that allows workers to challenge licensing requirements that serve no legitimate health or safety purposes.
Business owners believe that access to capital is the most important resource for starting a business (43%) and also the most significant barrier to entrepreneurship (55%). Furthermore, 33% of Americans cite funding as the number one reason they have not started a business.

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. Women, black, and Latinx entrepreneurs disproportionately struggle 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. 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.

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% of entrepreneurs across all demographics access it. But for those entrepreneurs whose businesses need the extra jolt venture capital can provide, securing funding can still be difficult. Seventy-five percent of venture capital supports entrepreneurs in only three states: California, Massachusetts, and New York. Additionally, 27% of founders who receive venture capital attended an Ivy League university. Only 2% of venture capital flows to women-led firms, and just 1% to firms led by African-Americans.

These statistics all point to the untapped economic power that remains overlooked in underserved communities and populations across America. Capital must flow to empower entrepreneurs in every community and to ensure that populations too often left behind are given equal opportunities to turn their ideas into businesses.

**RESOURCE:** The Kauffman Foundation report Access to Capital for Entrepreneurs: Removing Barriers identifies barriers entrepreneurs face in accessing capital, surveys efforts to break down these barriers, and identifies possible responses. The report highlights that entrepreneurs face “geographic, demographic, and wealth barriers” when financing their businesses.

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36 America’s SBDC and the Center for Generational Kinetics, “America’s Voice on Small Business.”
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.\(^47\) 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 public-private partnership to close such gaps for entrepreneurs everywhere by 2030. In doing so, the president should:

- Instruct the U.S. Department of the Treasury, 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.

- 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 new funding models and technologies that serve all types of new businesses, especially those currently underserved by the capital marketplace.

- Incorporate lessons learned from past and current government programs, including the State Small Business Credit Initiative, SBA loan guaranty programs, and Small Business Investment Company.\(^48\)

- Ask governors and mayors to examine how their state and local ecosystems can be improved to increase access to capital for all entrepreneurs.

**State Small Business Credit Initiative**

The State Small Business Credit Initiative (SSBCI) provided $1.5 billion from the U.S. Department of the Treasury to state programs that promoted private financing for small businesses.\(^49\) 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).\(^50\) In addition, 42% of financing went to low- and moderate-income areas.\(^51\) Furthermore, the median capital access program loan size was just $14,800, helping to fill funding gaps in regard to small to midsize loans.\(^52\)

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\(^{47}\) Kauffman Foundation, “Access to Capital for Entrepreneurs: Remaining Barriers.”


\(^{49}\) “What is the State Small Business Credit Initiative (SSBCI)?” U.S. Treasury, n.d.


\(^{51}\) ibid.

\(^{52}\) ibid.
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. 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 Lighter Capital and the New Hampshire Community Loan Fund, and can borrow international lessons from Israel’s Yozma Group, IDB Lab, and Capria on growing new investment categories.

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.

- By 2017, the fund had invested more than $27 million in 76 businesses.
- The fund bridges 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.
- The fund also provides critical services beyond capital, including connections to the right people, operational assistance, and other sources of capital as a company grows.

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:

- Raise the Regulation Crowdfunding offering limit so new businesses requiring larger amounts of capital may utilize this tool.
- Create tax incentives for investors purchasing securities offered by new businesses through qualifying crowdfunding channels.
- Improve regulatory flexibility and reduce compliance burdens in crowdfunding.
- Expand the nation’s investor base by updating accreditation standards to allow more investors with high financial sophistication to participate.
- Create standards that ensure transparency and fair treatment of new and small businesses by online technology-based lending firms.

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.54
- Between May 2016 and December 2018, the median Regulation Crowdfunding offering amount was $107,367.55

Entrepreneurs report that some of their biggest challenges are practical, such as knowing how to start, operate, and grow a business.\textsuperscript{56,57} 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.\textsuperscript{58} 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.\textsuperscript{59}

Yet aspiring entrepreneurs have fewer connections to relevant resources than existing business owners do. In a recent survey, 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.\textsuperscript{60}

To succeed, new businesses also need access to high-quality workers. Forty-two percent of startups report that it is difficult to hire employees.\textsuperscript{61} 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 are difficult to find.\textsuperscript{62}

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.

\textsuperscript{56} America’s SBDC and the Center for Generational Kinetics, “America’s Voice on Small Business.”
\textsuperscript{58} Ibid.
\textsuperscript{59} Ibid.
\textsuperscript{61} Ibid.
The EDA’s Regional Innovation Strategies program
Under the U.S. Economic Development Administration’s (EDA) Office of Innovation and Entrepreneurship (OIE), 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, jobs, and dynamic regional economies. To date, the i6 Challenge has awarded $80.6 million in grants to 150 projects. 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 has awarded nearly $20 million in federal funds that have gone on to produce 74 Seed Fund Support awards. New businesses supported by grant recipients have generated more than 1,000 jobs across 158 companies.

Develop Inclusive Entrepreneur Support Mechanisms (Federal)
One of the biggest advantages for an entrepreneur with a new idea or business is getting support from skilled professionals, such as through strong networks, cooperative platforms, co-working hubs, and high-quality incubators and accelerators. 63 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 63 Small Business Development Centers (SBDCs) and more than 900 service locations, with a focus on facilitated 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 Latinx (24%) first-year business owners have only one or fewer other business owners in their network. 64
- Recent analysis found that 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. 65

BRIGHT SPOT

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65 Daniel C. Fehder and Yael V. Hochberg, “Spillover Effects of Startup Accelerator Programs: Evidence from Venture-Guided Startup Activity,” University of Southern California, Rice University, and NBER, April 2019.
Integrate Entrepreneurship into K-16 Education (Federal, State, Local)

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

- Embed entrepreneurial know-how and spirit in classrooms throughout America by creating opportunities for students to explore and acquire the habits of mind, behaviors, skills, knowledge, and competencies that equip them to be entrepreneurial – whether by creating businesses themselves or by making contributions as employees and community members.

- Provide students with real world learning experiences through project-based learning, client-based projects, and internships.

- Give students opportunities to explore design thinking and prototyping, problem-solving and communications, as well as ensuring all students are leaving high school with basic financial literacy skills.

- Examine how state agencies can better collaborate, collect appropriate data, provide curriculum and credit flexibility, and allow for alternative teacher certification pathways.

- Monitor state funding formula implications that will support or incentivize real world learning within districts.

- Ensure local entities work closely with employers, especially new businesses, on alignment of curriculum to 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 K-16 is linked to positive business outcomes.66

- A meta-analysis found a significant relationship between entrepreneurship education and training and corresponding entrepreneurship outcomes.67

The Appalachian Entrepreneurship Education Continuum

Seven community colleges in Appalachia joined to form the Appalachian Entrepreneurship Education Continuum, which has two major components. First, entrepreneurship is embedded into existing lesson plans for K-12 students. Second, the Education Continuum partners with the National Association for Community College Entrepreneurship to connect the community colleges with local K-12 schools. The community college students then use the curricula to “highlight entrepreneurship opportunities for the students and community.” This model paves the way for workforce development in the heart of Appalachia and coal country by helping states develop entrepreneurs to grow their own businesses.

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Create an Entrepreneurship Corps, or “E-Corps” (Federal)

To connect established entrepreneurs with new and struggling ones, especially those from underserved backgrounds, the Small Business Administration (SBA) and the Corporation for National and Community Service (CNCS) 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 enterprises 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 Insights found that 33% of founders who were mentored by successful entrepreneurs went on to become “top performers,” compared with just 10% of all others.68
- 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.69

Foster Pro-Entrepreneur Workforce Education and Training Programs (Federal, State)

Current workforce training programs in the United States, especially for those displaced by automation or globalization, have shown to result in only modest gains in employment and wage increases.70,71 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.”72 Given this mixed record of federal workforce development programs, it is time for an overhaul to achieve better results. In the process, policymakers should give workers fresh options, including approaches that educate and train individuals where America has its greatest potential economic strength — its entrepreneurs. State and federal policymakers should:

- Prioritize entrepreneurial skill-building, access to networks, and new business creation as key components of workforce training programs.
- Significantly expand the number of entrepreneur support organizations (ESOs) that receive workforce training funding.
- Empower the 3,000 One-Stop 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.

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. Some are held back by financial obligations, such as paying off student loans. Others fear the impact on their personal finances. 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. According to the 2017 America’s Small Business Development Center survey, 41% of Americans would quit their job and start new businesses 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.

More business owners believe it has become harder to leave a job and start a business (35%) than those who believe it has gotten easier (23%). Policymakers must take actions to ensure that the creep of “job lock” from these and other factors does not stifle the next generation of entrepreneurs.

74 “2018 Kauffman National Entrepreneurship Survey.”
75 Ibid.
Provide Health Care Options for Early-Stage Entrepreneurs (Federal, State)

For an unmarried potential entrepreneur over the age of 26, the security of employer-sponsored health insurance can prevent risk-taking. This dilemma contributes 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

★ A 2010 study found that increased tax deductions for health insurance for self-employed workers increased the likelihood of new business creation.77

★ Research found that prior to the passage of the Affordable Care Act (ACA), self-employed workers were twice as likely to be uninsured, and that those who had employer health insurance were 2.5 to 3.9 percentage points less likely to create a new business.78

★ Furthermore, research shows that the ACA has led to a 3% to 4% increase in self-employment.79

Enable Reach-Back Contributions to Retirement Savings Plans (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.80

★ A survey also showed that 34% of business owners lack retirement plans.81

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

In 2011, cumulative outstanding student loan debt in the United States surpassed $1 trillion. By 2014, the number of student loans increased 89%, and the average debt grew 77%. 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. To avoid a lost generation of entrepreneurial talent, policymakers need to address the burden of student loans. Policymakers should:

- 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.
- 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.
- 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. This is significant, as the average age of an entrepreneur is 42, which points to the chilling effect student loans may have on entrepreneurship.
- 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 to hire new employees.
- 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. Research shows that higher student loan debt corresponds with lower rates of adult entrepreneurship.

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84 Laura Checovich and Tom Allen, “At the Extremes: Student Debt and Entrepreneurship,” Young Invincibles, 2017.
88 Laura Checovich and Tom Allen, “At the Extremes: Student Debt and Entrepreneurship,” Young Invincibles, 2016.
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. Below 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 (ESOs), 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 among underserved areas and populations.
- Develop and leverage a place-based identity or brand for locally made goods and services to support local makers and entrepreneurs.
- Direct municipal agencies to collect and utilize data on new businesses 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.
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 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.

- 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 established small businesses.

- Create a House Entrepreneurship Caucus to complement the recently established bipartisan Senate Entrepreneurship Caucus.

- Hold congressional hearings, including with entrepreneurs testifying, to guide the development and implementation of policies that reduce barriers to entrepreneurship.

- Support federal data collection efforts to better understand entrepreneurship at a granular level 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.