

# REBUILDING BETTER

ACTIVATING THE START US UP COALITION  
IN RESPONSE TO COVID-19

**STARTUS UP**  
AMERICA'S NEW BUSINESS PLAN

# THE COVID-19 CRISIS RESPONSE

America's entrepreneurs are at the frontlines in the battle to preserve and restore our economy. While policymakers have prioritized big business for years, these same policymakers are now realizing that huge corporations are not going to be the key to saving our economy; it's the startups and small businesses that form the heart of every community. As we know, new and small businesses are at extreme risk in this crisis: nearly half don't have the financial reserves to last more than a few weeks, and more than a quarter are unprofitable.

In response to this crisis, we are focusing on the elements of our broader policy framework, called America's New Business Plan, to be responsive to what new and small business owners urgently need today to keep their doors open.

Policymakers across the country are having conversations now about how to stabilize the economy, but we've seen what happens when entrepreneurs don't have a prominent seat at the table — we get bureaucratic solutions that privilege big business and policies that continue to leave behind the women, minorities, and rural residents who most need the support.

Comprised of more than 150 entrepreneurship advocates across the country, the Start Us Up coalition is working to elevate the voices of entrepreneurs so policymakers reverse decades of misplaced priorities that have made it far easier for big businesses to grow than for new businesses to start at all. Our goal is not just to restore the economy, but to rebuild better by ensuring all Americans — especially female, minority, immigrant, and rural entrepreneurs who have historically been marginalized by investors and lenders — can turn their ideas into businesses.

What follows is the COVID-19 entrepreneurial roadmap for Start Us Up. These are policy solutions for every level of government that are divided into short-term ("Crisis Response") and long-term ("Rebuild Better") actions and organized around the four core needs all entrepreneurs have. Those needs are outlined in America's New Business Plan: Funding, Opportunity, Knowledge, and Support.

## FUNDING

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 businesses. Those disparities are even more significant now as the majority of business owners lack the financial resources needed to weather the current crisis. We need aggressive action to create equal access to the right kind of capital, especially for female, minority, immigrant, and rural entrepreneurs.

### CRISIS RESPONSE

- State and local governments should partner with philanthropic organizations to create funding pools that reduce fees and interest of Community Development Financial Institutions' (CDFI) short-term lending to businesses not eligible for SBA loans.
- The SBA should consider a set-aside for businesses with fewer than 20 employees, which make up 89% of all businesses in America.

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- 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.

## BRIGHT SPOT

**In recovery efforts across the country, community organizations are joining local governments and financial institutions to meet the unique needs of new and small businesses.**

Launched on March 16, 2020, the **Birmingham Strong Fund** is an example of how cities are using public funds to leverage private contributions and lend money to local businesses. The emergency loan fund will provide zero-interest, 180-day loans of no more than \$25,000 to small businesses with fewer than 50 employees. At the expiration of the loan period, the loans are expected to evolve into a revolving loan program for small businesses housed within the Community Foundation of Greater Birmingham. The explicit purpose of the fund is to provide a bridge loan into the SBA's Program, stabilizing operations and payroll until additional capital can arrive.

In Kansas City, community foundations have created the **KC COVID-19 Small Business Relief Fund** — a \$5 million program intended to provide immediate relief to local, new, and small businesses experiencing extreme economic disruption and financial strain. Administered by AltCap, a local CDFI, the emergency funds are available to local small businesses that have 20 or fewer full-time equivalent employees. Priority is given to small businesses in retail, food service, arts and entertainment, hospitality, health care not directly involved in the COVID-19 response, fitness, personal service, and transportation.

## OPPORTUNITY

In normal times, burdensome red tape makes it expensive and difficult to start and run a business. Now, red tape threatens to put out of business millions of entrepreneurs who can't navigate the complexities of government assistance programs. As states and municipalities develop localized recovery plans, cutting red tape must be a priority.

### CRISIS RESPONSE

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

### REBUILD BETTER

- Create a single list of all requirements to start and run a business, and coordinate across agencies to simplify regulatory requirements and processes at the local, state, and federal levels.
- Establish a startup visa that authorizes foreign entrepreneurs to start businesses in the United States.
- Restrict the use of non-competes through outright bans or by shortening the maximum duration of these contracts and narrowing the scope of industries and jobs for which non-competes may be used.
- Replace occupational licensing with less onerous forms of regulation, such as certifications or permits, in industries where public health is not seriously threatened. For instance, in most states, it takes far longer to get a license to run a hair salon than to become an EMT.

## KNOWLEDGE

Underserved entrepreneurs have fewer connections to relevant resources than existing business owners do. One of the biggest advantages for a connected entrepreneur is getting support from skilled professionals, such as through strong networks, cooperative platforms, co-working hubs, and high-quality incubators and accelerators. We need to open that access up to more new businesses in a way that is culturally specific.

### CRISIS RESPONSE

- Provide technical assistance funding to grow and develop entrepreneur support organizations that better connect underserved entrepreneurs with helpful people and tools.
- The SBA should create a plan to develop and deploy an Entrepreneurship Corp, or "E-Corps," to provide support to underserved communities that apply for assistance.

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- Develop competitive grants to modernize the 63 Small Business Development Centers (SBDCs), 900 service locations, and 3,000 One-Stop centers to become more user-friendly.
- 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.
- Significantly expand the number of entrepreneur support organizations (ESOs) that receive workforce training funding.
- 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 lack of a safety net has become apparent across all of society, but it has always been there for new businesses. Assuming the full risk of failure, they are responsible for health care, retirement savings, and other the necessities that they, their families, and their employees depend on.**

**Placing further strain on new businesses are financial obligations, such as paying off student loans. This crisis highlights the need for a comprehensive safety net that supports entrepreneurial risk-taking, especially for female, minority, immigrant, and rural entrepreneurs.**

### CRISIS RESPONSE

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

### REBUILD BETTER

- 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.
- Permit entrepreneurs to make “reach-back” contributions to their retirement accounts for a limited number of years, and 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.
- 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).