

Supporting Small Business & Entrepreneurs

Small business is often referred to as the engine of the American economy. In 2019, small businesses accounted for 99.9 percent of American businesses, and [47.3 percent of American workers](#) were employed by these firms, with businesses with fewer than 100 employees contributing the largest share of small business employment. Entrepreneurs and startups are at the heart of this economic dynamism, but since the Great Recession, entrepreneurs have struggled to find access to capital to start new businesses at the same rates as before, and [the startup rate has been sluggish](#), with more firms failing than launching each year in most metro areas. Notably in 2018, [on net the economy added no additional firms](#) for the first time in our nation's history.

The economic crisis caused by the coronavirus pandemic has hit everyone, but small businesses bore the brunt of the economic impact. A shocking majority of small businesses report being adversely affected by the pandemic, with [one report putting the percentage at 75 percent](#) and [another putting it as high as 91 percent](#). The Census Bureau's Small Business Pulse Survey found that as of October 3, 2020, 44 percent of businesses nationwide believe it will be [at least 6 months before their business returns to a normal level](#) of operations. And for many businesses, there will be no return to normal: [Yelp's September Economic Impact Report](#) found that 60 percent of business closures since the crisis began have now become permanent, and that number is still trending upward. Federal relief has reached many businesses, but since programs like the Paycheck Protection Program (PPP) were built on top of the financial system, businesses and communities that have historically struggled for access to that system have been [left out of support or received significantly delayed support](#). On average, it took 31 days for minority-owned businesses to receive PPP loans, a week longer than white-owned businesses. Sole proprietors of color experienced a three week delay in receiving their loans compared to white sole proprietors. Small businesses in general operate with small cash buffers, making delay of loans a serious issue for all but particularly acute for minority businesses, who have some of the smallest cash buffers in addition to suffering longer delays in aid.



With the startup rate already in crisis before the pandemic, entrepreneurs need support to help rebuild the small business sector and create new jobs in the face of major business closures and to turn the tide of a longer trend of depression in business creation. We must avoid the mistakes made in the wake of the Great Recession and offer support to both existing businesses and entrepreneurs looking to start new businesses to get Americans working again.

Rebuilding a New Normal: Key Principles and Policy Goals

- **Make the goal of recovery to create higher-quality jobs and close racial gaps, rather than building back toward the pre-COVID status quo.**
- Target limited city and state funding to fill in gaps left by federal support, with a special focus on minority-owned businesses or other businesses and entrepreneurs who have historically struggled to access capital:
 - ▷ Get diverse stakeholders involved to form recommendations that are timely and locally relevant, and to leverage local knowledge of the crisis' impact in your city or state and how aid is currently performing.
 - ▷ Prioritize preserving businesses: saving businesses is more efficient than waiting for new ones to open. Use local relief funds to support small businesses through grants and other tools, and target those funds based on local or regional needs and strengths.
 - ▷ Tap into the U.S. Treasury's [State Small Business Credit Initiative](#), which offers funding to strengthen state programs to finance high-growth small businesses.
 - ▷ Use local and state procurement and spending to support local business growth.
- Offer support beyond direct financial assistance:
 - ▷ Provide assistance to help small businesses apply for federal relief, or instruction on how banks view their finances so that they can become more successful at applying for financing.
 - ▷ Provide technical assistance for businesses to protect public health and move services online/operate remotely where possible.
 - ▷ Provide guidance and investment in people: workforce training, productivity optimization, and other employer needs to boost employee stability.
 - ▷ Connect entrepreneurs and business owners with a local [Small Business Development Center](#) (SBDC) to scale up these types of assistance. SBDCs provide no-cost business consulting and low-cost training for existing and new businesses, and are funded in part by the U.S. Small Business Administration.
 - ▷ Eliminate unnecessary licensing requirements to allow workers to move geographically or shift from one sector to another, making growth easier and more dynamic.
 - ▷ Create opportunities for businesses to share ideas with one another and boost the local business ecosystem.
 - ▷ Relax local regulations to allow businesses to operate more flexibly to meet public health guidelines, such as expanding space available for outdoor dining.
- To drive the early recovery, ensure that entrepreneurship dollars are investing in the types of businesses that drive economic growth, such as tech startups and other businesses that are designed to grow quickly, and that these dollars are supporting an entrepreneurial ecosystem that reflects your city or state's diversity.
- Increase access to capital for entrepreneurs, especially those historically underserved by the banking and finance sectors:
 - ▷ Support local and community banks, which are typically better at distributing capital to diverse businesses, or credit unions.
 - ▷ Create or support community development financial institutions (CDFIs), which offer affordable lending for disadvantaged people and communities and which can identify viable businesses in minority communities.
 - ▷ Consider a "second chance" lending program.
 - ▷ Implement an Angel Investor Tax Credit to incentivize investing in small businesses.
- Advocate for future federal funding that is more flexible than the PPP, and that offers "second chance" lending for entrepreneurs who have had to shut their doors despite receiving aid in the initial round of federal support.



Selected Examples from America's State and City Governments

Convene stakeholders:

- **Lincoln, NE, Mayor Leirion Gaylor Baird's** [Task Force on Economic Recovery](#) convenes representatives from all types of businesses in her city to formulate policy recommendations that will address current needs as well as prepare the local economy for future shocks. The task force's [recommendations](#) include a number of the best practices highlighted in this document, including business to business support, improved procurement, workforce training, and direct financial assistance.
- In **Chattanooga, TN, Mayor Andy Berke** has leveraged local stakeholders in a variety of ways. Bank CEOs have directed more funds to CDFIs; a local entrepreneurship nonprofit is creating [business resiliency kits](#) to help business owners benefit from others' experience and knowledge on overcoming hurdles; and leadership councils convene stakeholders to tackle other problems.

Target city and state funding:

- **Shelby County, TN Mayor Lee Harris** is providing microgrants for specific sectors of business. For instance, ["Our Beautiful Comeback"](#) microgrants serve close contact businesses like barber shops and hair salons, which have high costs associated with re-opening, and represent a sector of business with high rates of minority participation. Businesses may apply for up to \$2,000 to offset the increased operating costs associated with new public health guidelines, and the program's popularity led to an expansion that allows individual operators to apply for \$500 grants.
- **Albuquerque Mayor Tim Keller's** [Buy Local initiative](#) encourages the community to support local businesses, but also leverages government spending by challenging city agencies to increase the number of contracts awarded to local vendors.
- **Oakland Mayor Libby Schaaf** partnered with a nonprofit for the city's [Small Business Emergency Grant Program](#), which targeted grants to the most vulnerable business owners. The program successfully disbursed \$1.375 million to 275 low-income and minority business owners, with 75 percent of recipients classified as "extremely low-income" or making less than 30 percent of area median income.
- **Rhode Island Treasurer Seth Magaziner's** [BankLOCAL program](#) moves state deposits to local banks and credit unions to make capital more accessible and support institutions that are lending to small businesses. BankLOCAL matches small business loans, and has deposited more than \$37.5 million into local banks.

Offer support beyond direct financial assistance:

- **San Antonio's Mayor Ron Nirenberg** is planning a generational investment in workforce development in this unique moment of economic disruption. His [SA: Ready to Work](#) program, which voters will decide on during the November general election, would make a four-year investment in up to 40,000 displaced workers to train them for the post-COVID economy. Workers would exit the program ready for higher-wage, in-demand jobs, and be provided with wraparound services and grants to give them the chance at improving their employment. The program would also benefit high-value industries in San Antonio, such as aerospace, technology, and bioscience, and ideally attract more of these companies in the future by creating a workforce ready to fill employer needs.
- **Montgomery, AL Mayor Steven Reed's** Economic Impact Task Force created the [Recover Together Small Business Hub](#), a "one-stop clearinghouse" to connect small and minority-owned business with resources and aid for navigating the COVID economic crisis. The public-private partnership combines counseling and case management with community outreach so those who need help are getting it.
- **Nevada Treasurer Zach Conine** is working to ensure small businesses are prepared to take advantage of aid that's offered by providing "navigators" to guide business owners through relief applications.



Additional Resources

*Brookings Metropolitan Policy Program:
Metro Recovery Index*

*Economic Innovation Group:
data snapshots and other research*

*Read other white papers with policy guidelines for pandemic recovery
from the Renewing America Task Force on the NewDEAL Forum website*

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