

## The Agenda for America's Entrepreneurs: Rural Entrepreneurs

While the perception among many Americans might be that rural economies rely on farming, agriculture is not the top industry in rural America. In fact, [only 1 in 10 workers](#) are employed within the rural economy (agriculture, forestry, fishing, hunting, and mining). Rural communities are diverse and vibrant communities that are supported heavily by small businesses. They are the drivers of job growth and serve as the economic engines for their local communities. That is why we offer the following recommendations to ensure healthy rural small business ecosystems.

### Access to capital

Like their urban and suburban counterparts, rural entrepreneurs struggle to access capital. In fact, [40% of rural small business](#) owners have trouble accessing capital. Still, rural entrepreneurs differ from their urban counterparts in that they depend [predominantly on debt financing](#) but face particular hardships accessing traditional capital. Since between 2012 and 2018, there was a [31% decline](#) in small banks and an almost 12% decline in intermediate banks, which are traditionally present in rural communities. The following policies will help improve access to traditional funding that will benefit not only the rural small business ecosystem but the communities they support.

- Pass the Small Business Lending Disclosure and Broker Regulation Act, which would extend Truth in Lending Act disclosure requirements to small business loans and credit products, understanding that rural communities lack access to capital and may be more vulnerable to predatory lenders. Similarly, we recommend promoting responsible lending practices by lenders and brokers as set forth in the [Small Business Borrowers' Bill of Rights](#).
- Expand online resources and lending platforms for rural small business owners who have fewer local options. Given the severe need for increased access to capital, online lending provides one of the best ways for rural business owners to secure a loan given the lack of viable options in their communities. New online platforms that offer responsible lending options could help close the funding gap for these entrepreneurs, assuming issues related to broadband access among rural residents are also addressed.
- Re-envision the role of the U.S. Small Business Administration (SBA) to better support those in rural areas. This should include shifting a share of the SBA's loan programs to finance independent entrepreneurs in communities that have been left behind.
- Improve federal procurement and contracting among agencies to include prioritization of "buying local" and "buying rural." In addition, "stewardship contracting" should be mandatory where possible to promote local business and economic development.
- Strengthen and expand local lending, especially community bank lending, which provides more than half of all small business lending. Community banks are known to approve more small business loans and have strong ties to their rural communities.
- Establish state banks such as the Bank of North Dakota that make low-interest loans for infrastructure, agriculture, affordable housing, student loans and small businesses. These banks will spur economic growth and lead to thriving community banks with higher lending totals. One way to do this is to pass the Public Banking Act, which would enable the creation of more public banks across the United States, allowing rural communities greater access to capital.
- USDA's Rural Business Investment Program (RBICs) is an underutilized program for making investments available to rural ventures. RBICs, which do not receive public funding, have some similarity to traditional venture capital funds. They are run as investment funds, with some funds

investing in early-stage investments, while others focus on expansion or growth capital. However, RBICs are subject to requirements aimed at assuring a focus on rural areas. At least 75% of RBIC investment funds must be made in rural areas with a population of 50,000 or less. Policymakers should increase the funding to RBICs and earmark some of the funds to improve their outreach and engagement so rural entrepreneurs can be aware of their existence.

## Healthcare

A [Small Business Majority poll](#) found almost 1 in 3 rural small business owners (32%) rated healthcare costs as one of the top issues facing their business. Unlike their counterparts in urban communities, rural small business owners and their employees are more likely to have to travel at least [30 minutes](#) to access emergency care or routine services. Still, small business owners understand that having access to affordable healthcare for themselves and their employees increases workforce retention and efficiency, which helps their bottom line. Rural small businesses and their employees would benefit from the following policies to make healthcare more affordable and accessible.

- Address the rising costs of prescription drugs, as these costs are [hurting small business owners' bottom lines](#). Policy solutions should include allowing Medicare to negotiate prices directly with pharmaceutical companies. States should consider prescription drug review boards to promote drug affordability. This boards also set fair rates for high-cost drugs identified by the board.
- Pass the Medicaid Saves Lives Act or allow individuals, no matter where they reside, to purchase coverage through the ACA marketplace. Millions of individuals, including self-employed small businesses, do not have access to Medicaid coverage. States that deny expansion of Medicaid do a disservice to their rural ecosystems, particularly those who also cannot access coverage on the ACA marketplace.
- Pass the Save Rural Hospitals Act, which would preserve access to rural health care by ensuring fairness in Medicare hospital payments. This would create opportunities for rural critical care facilities and investing in rural health care services.
- Develop Rural Hospital Tax Credits that encourage investments into the building of rural healthcare facilities. This would allow investors to receive a tax credit for charitable donations and rural areas benefit from increased access to healthcare facilities.

## Broadband

Access to broadband is a lifeline for rural small businesses, but too many lack access to sustain and grow their businesses. Approximately [23 million people](#) in rural areas lack access to “fast” broadband internet service compared with just 4% of urban residents.

- As the Infrastructure Investment and Jobs law is enacted, ensure broadband access reaches into America’s heartland. Providing broadband access to rural communities will benefit meaningful entrepreneurship, especially in an age of growing digitization. Ensure states with large rural communities have earmarked grants for expanding access and affordability to broadband.
- Establish state broadband offices. For example, Minnesota has established an Office of Rural Broadband, with the statutory goal of making broadband accessible to all homes in Minnesota.

## Essential benefits

The COVID-19 crisis has underscored why today's entrepreneurs and small business employees need a modernized and robust benefits infrastructure that promotes wealth creation and quality jobs for those who do not work for large organizations. [Small businesses want](#) to offer robust benefits to attract quality employees. For too long, big corporations in large cities have been able to attract talented employees from rural businesses by offering robust benefits. If rural small businesses are able to offer those same benefits

to their employees, it will level the playing field and their employees will have access to essential assistance.

- Support federal and state efforts to establish publicly-administered retirement savings programs ("Secure Choice") programs to help more small businesses and their employees access retirement plans.
- Pass the FAMILY Act to establish a national program that would provide partial wage replacement for small business employees and the self-employed to access parental leave or to handle serious health conditions for themselves and family members. In the absence of a federal program, support continued legislative efforts in all states to establish paid family and medical leave insurance programs.
- Implement policies at the federal and state level that would help more working parents afford childcare, while addressing childcare shortages as many rural communities are considered "childcare deserts". Access to affordable, quality childcare is essential to retaining a skilled workforce for rural small business owners. This could include expanding and improving federal income tax credits for childcare expenses that would allow for working parents to receive a percentage of childcare expenses back as a tax refund.

## Business assistance & entrepreneurship

Rural business owners often report struggling to understand or access resources for their business. In fact, a [poll of rural small business owners](#) found that 59% need more information on the capital sources that their business might benefit from. That's why technical assistance providers are critical to rural small businesses. What's more, many providers help small businesses navigate complex business licensing and permits. Access to information and assistance supports rural entrepreneurship and sets small businesses up for long-term success.

- Establish a White House Rural Prosperity Office that would address the needs of rural communities and their small businesses. States that have not yet done so should consider passing state-run rural prosperity offices as well.
- Equip business support organizations with more resources to conduct comprehensive outreach and education programs that provide rural small business owners. This should include elevating these resources and guiding rural small business owners to the existing quality small business technical assistance providers, lenders and other resource providers in their areas, and expanding upon these resources in areas that may be facing gaps in assistance. It's also essential to streamline and increase funding for technical assistance programs at the state and federal levels.
- Ensure state governments utilize technical assistance funding in applying for the State Small Business Credit Initiative (SSBCI). It's crucial that dollars are earmarked to reach rural small businesses.
- Regions should consider enacting universal occupational licenses. This would help spur entrepreneurship and business growth by removing unnecessary relicensing, should they move states after becoming licensed in one place. Eleven states have implemented universal occupational licensing legislation since 2019, while many other legislatures are still debating similar measures.
- For multinational corporations, pass federal legislation that would guarantee there are no loopholes in food labeling. Multinational corporations currently use lax food labeling requirements, which can mislead consumers and create an uneven playing field for American farmers and ranchers.

## Taxes and fair competition

For too long, our nation's tax system has benefited the wealthiest Americans and large multinational corporations at the expense of small business owners, their employees, and independent entrepreneurs. Recognizing the existing challenges rural entrepreneurs face, an unfair tax code adds another layer of disadvantage. Large corporations benefit from an uneven tax system because they extract dollars out of communities but retain that revenue, in comparison to a small business where about [67 cents of every dollar](#) spent goes back into the local community.

- Pass proposals, like those seen in the Build Back Better package, that would comprehensively reform the tax code, close loopholes for large corporations and wealthy Americans and reduce the corporate tax rate for a vast majority of small businesses with under \$400,000 in income. This would help rural small business owners compete on an even playing field.
- Expand both federal and state Earned Income Tax Credit (EITC) programs to increase small business employees' incomes and allow self-employed entrepreneurs to buy into these programs, as proposed in the American Families Plan.
- Make the New Markets Tax Credit permanent. This tax credit has helped attract more than \$60 billion in private sector funding to build businesses in rural communities across the United States.
- Pass antitrust legislation that specifically includes preventing the consolidation of the agriculture sector. Consolidation in rural communities undermines the ability to start and grow a business for entrepreneurs in rural communities.