

The agenda for Virginia's entrepreneurs

Small Business Majority has created a comprehensive state policy agenda to ensure entrepreneurship is at the center of a thriving and inclusive economy in Virginia. Virginia's nearly 750,000 small businesses employ 1.5 million people, which amounts to nearly half of the private workforce, according to the U.S. Small Business Administration. This is why it's critical that state lawmakers enact policies to support and empower these entrepreneurs, guaranteeing they have access to capital to start and grow their business, affordable and quality healthcare and the ability to compete for top talent with larger companies. To achieve these goals, policymakers should consider the following policy proposals.

Access to responsible small business lending

Entrepreneurs—particularly women, people of color, rural business owners and other underserved populations—face significant hurdles accessing capital and the resources they need to start and grow their businesses. Policymakers can pursue policies to ensure greater access and more options for entrepreneurs to obtain the responsible capital they need by considering the following:

- Significantly expand small business technical assistance programs with state funding, as [some states](#), have done to ensure current and aspiring entrepreneurs have the resources they need to grow their businesses and create new jobs.
- Promote responsible lending practices by lenders and brokers as set forth in the [Small Business Borrowers' Bill of Rights](#). Specifically, promote laws governing business lending that require: (1) transparency around rates and terms, including APR, (2) non-abusive products, (3) responsible underwriting, (4) fair treatment from brokers, (5) nondiscrimination, (6) fair debt collection practices and (7) accurate credit reporting. As part of this effort, we recommend passing legislation extending Truth in Lending Act disclosure requirements to small business loans or credit products, such as California's small business [truth in lending](#) legislation enacted in late 2018.
- Enact policies to strengthen and expand community bank lending, which provides more than half of all small business lending. For example, we recommend encouraging state and local governments to shift public funds into community banks and ensure those deposits are used to increase small business lending by requiring them to regularly report on small business lending.
- 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. A feasibility study done in Vermont found that a state bank would boost gross domestic product by 0.64% and create 2,500 jobs.

Expand healthcare access and affordability

Virginia has made significant strides when it comes to expanding access to healthcare, particularly by expanding Medicaid in 2018 to cover more low-income adults in the coverage gap, yet thousands of entrepreneurs and small business employees remain uninsured. Virginia can address its remaining uninsured rate and promote more affordability for the small business community through commonsense policies to strengthen healthcare markets and expand coverage.

- Block the extension of short-term, limited duration insurance plans. In August 2018, the Trump administration finalized a rule extending the maximum duration of short-term plans to 364 days and allowing insurers to renew coverage for up to three years, essentially allowing consumers to use these plans as full-term coverage. These plans are intended to fill gaps in an individual's coverage in the event of job loss or other life changes, but are not required to cover essential health benefits like prescription coverage or mental health treatment and can come with hefty

deductibles. Leaving them in place will cause younger and healthier people to leave the marketplaces and create an unbalanced risk pool that raises costs for everyone else who remains in the individual marketplaces.

- Highly regulate association health plans (AHPs) in the light of new federal rules making it easier for groups to sell insurance across state lines. These plans would encourage younger, healthier groups to purchase inadequate coverage, thus increasing costs for most of the small group market and potentially cause a market death spiral. We recommend highly regulating AHPs by preventing self-employed individuals from accessing the small group marketplace for the purpose of joining an association health plan, as has been done in other states. This will allow Virginia to maintain a healthy risk pool and a stable, competitive individual market that helps keep premiums low.
- Ensure that state Section 1332 "state innovation" waivers uphold the ACA's principles and do not encourage people to sign up for less comprehensive coverage or destabilize the insurance markets.
- Create a reinsurance program, which would help stabilize premiums in the individual marketplaces by providing support for insurers facing high financial losses. States such as Colorado, Maryland, New Jersey, Maine and others have been approved to implement their own reinsurance programs to protect their states' marketplaces.
- Enact an individual mandate at the state level to encourage more Americans to enroll in health insurance in order to maintain balanced risk pools and keep costs down, particularly in light of the repeal of the individual mandate penalty.
- Provide additional coverage options for consumers by allowing them to buy in to the state's Medicaid program.
- Address the rising costs of prescription drugs, as these costs are [hurting small business owners' bottom lines](#).

Ensure Virginia's entrepreneurs and small business employees have access to paid family leave, retirement and other benefits they need for their success

- Pass legislation to create a paid leave insurance programs so small businesses and their employees can access paid family and medical leave. This would allow small businesses to provide their employees with access to paid family and medical leave without fully funding such a program themselves.
- Support state efforts to establish publicly-administered retirement savings programs ("Secure Choice") programs, such as CalSavers in California and similar programs in Connecticut, Illinois, Maryland and Oregon, to help more small businesses and their employees access retirement plans.
- Allow independent entrepreneurs to access Secure Choice programs, understanding many freelancers and self-employed individuals are unable to access traditional retirement benefits.
- Implement policies at the state level that would help more working parents afford child care, understanding this is essential to retaining a skilled workforce. For example, some states have considered making the existing Child and Dependent Care Expenses Credit refundable so low- and moderate-income working families could benefit from a tax refund that will help defray the rising costs of childcare.
- Support state and local efforts to enact higher minimum wages in areas with a greater cost of living—understanding that creating a fair minimum wage is essential to the vibrancy of the small business economy by boosting consumer demand, reducing the burden on public assistance programs and leveling the playing field for small businesses that understand the need for properly-compensated workers.

Support entrepreneurship and the freelance economy

- Promote SBA and other programs that foster peer-to-peer mentoring and encourage expanded procurement opportunities for very small businesses, particularly those owned and run by women and entrepreneurs of color.
- Conduct regular reviews of state and local business licensing requirements. For example:
 - [A new California law](#) legalizes the sale of home-cooked meals, with appropriate health and safety standards and revenue limitations.
 - [A new Missouri law](#) updates regulations around home hair braiding businesses.
- Amend state licensing and permitting costs in order to spur growth in key industries. Connecticut established an [Entrepreneurial Learner's Permit program](#) that provides up to \$1,500 in reimbursements for state licensing and permitting costs to first-time entrepreneurs in areas with high growth potential, like the information services, biotechnology and green technology industries.
- Make the Earned Income Tax Credit (EITC) fully refundable to increase small business employees' incomes, and allow self-employed entrepreneurs to claim the credit. This will be of particular benefit to entrepreneurs as they're just starting their businesses and those in low-margin industries.
- Create more tax incentives for angel investors. More than half of states offer tax incentives for angel investors. Federal support for these efforts would encourage more local and state governments to consider such measures.
- Expand access to shared workspaces, accelerators and incubators that provide the physical and operational infrastructure for entrepreneurs to start and grow new businesses. State and local governments can create initiatives that assist with rent costs for start-ups at these workspaces, accelerators and incubators, especially those located in Opportunity Zones.

Increase investments in infrastructure and economic development

- Enact legislation at the state level to counteract the FCC's repeal of net neutrality. Without a fair and open Internet, small businesses will be put at a disadvantage when trying to compete with larger corporations that have the resources to ensure their websites receive special prioritization from their Internet service providers.
- Oppose state and local tax policies that amount to "giveaways" to large corporations at the expense of investing in Main Street small businesses in local communities.
- Fully disclose incentive packages offered to large companies that are interested in making job deals with communities. It is important that a community's residents and small business owners are fully aware of what elected officials are offering and what the impact will be on affordable housing, public transportation and taxes.
 - For example, Virginia can develop Unified Economic Development Budgets (UEDBs) that will streamline all economic development spending and provide transparent information to policymakers and taxpayers on tax expenditures. UEDBs include names of companies receiving subsidies, the amounts of the subsidies and program and agency-specific expenditures, among other valuable pieces of information, to assist policymakers in making informed decisions with a complete picture of the entire development budget.
- Ensure access to equity financing within new Opportunity Zones investments directly benefits small business. This includes requiring reporting metrics that measure program success based on the number of jobs created, where those jobs are located, employee wages and the number of businesses created, particularly businesses formed by women or people of color.