

Continuing to administer stimulus funds from the American Rescue Plan to support small businesses

It's been more than two years since the COVID-19 crisis began, but many small businesses are still struggling to keep their doors open. While there are currently no federal relief programs available to small businesses, many hard-hit businesses still need support. Last year, the American Rescue Plan provided billions of dollars to state governments to support their communities. After a year, these governments still have an opportunity to support their local economies through small business support. As a leading representative of America's 30 million small businesses, we offer updated recommendations for the most constructive ways to continue administering stimulus aid provided to state and local governments. Strategic investments can have a transformative impact on the long-term sustainability of a small business ecosystem.

Targeted grants

Small businesses, particularly those owned by women and entrepreneurs of color, are struggling to recover from the pandemic. More than [1 in 4 small businesses](#) (26%) may not survive past six months without additional funding or market changes, and 37% say their business is on the decline compared to the previous month. That is why we continue to encourage the establishment of grant programs to best support small businesses. State and local governments can help fill the void, establishing their own grant programs, either on their own or in partnership with local nonprofits. These programs have had incredible success across the country, including the Rebuild! Virginia Grant to help impacted small businesses rebuild from the economic crisis.

Business assistance

Most small business owners tend to run every department of their business, making it difficult for small business owners to stay apprised of all the changes that impact them. That is why technical assistance (TA) providers are so critical to the small business ecosystem. They provide essential education, resources and knowledge about business plans, access to capital opportunities and business growth. Many TA providers are already stretched thin as a result of the pandemic, which is why they need greater funding to expand their capacity to better meet the demand for help among small businesses. Governments and municipalities could establish grant programs directed toward organizations providing this crucial assistance. California, for instance, before the pandemic enacted its own grant program to support the state's network of small business development centers.

Access to broadband

Many rural communities lack access to broadband, while dense populations struggle to afford service. These invariably impact the small businesses that reside in those communities. In fact, nearly [3 million](#) small businesses report having a lack of access to broadband. Additionally, [53% of small businesses strongly support](#) expanding broadband access. That's why states and localities must ensure access to affordable broadband, which can be done by creating or investing in community-led broadband programs. Localities in California and Colorado have established state broadband offices, allocated funding to assess connectivity, and even developed broadband grant programs. What's more, the Infrastructure Investment and Jobs Act that passed late last year sets aside \$64 billion for federal funding for broadband projects. Coupled with federal efforts to address broadband access, states and localities that address broadband barriers now will uplift their small business ecosystems.

Rent relief

Many small businesses continue to face a rent crisis. In fact, [26% of small business owners](#) couldn't cover rent on time and in full in the month of January. What's more, challenges continue to mount for minority-owned business, with 44% reporting to struggle to pay their rent this month. Similarly, 27% of women-owned businesses reported not being able to pay rent. We recommend that state and local governments use this aid to create a commercial rent and mortgage relief grant administered to small businesses.

Revolving loan funds and increasing loan guarantees

Revolving loan funds are a powerful tool for state and local governments to support small businesses in their region. Allocating federal aid to establish these funds and increase loan guarantees would support the small business ecosystem by ensuring greater access to capital. One example of how states can use these federal dollars is the California Rebuilding Fund. The program utilizes the State Loan Guarantee Program, which provides necessary liquidity to participating community development financial institutions throughout California to make affordable, long-term loans to small businesses. Counties have also been able to plug into the California Rebuilding Fund framework as a vehicle to invest dollars back into their local communities. Additionally, some of the national relief programs increased loan guarantees due to the pandemic, which incentivized lenders to make riskier loans to small business borrowers and prevented permanent closures. This also meant more businesses had access to capital and that the dollars were more equitably distributed.

Creation of public banks

Local, public banks play an important role in small business growth and development. Public banks are more [willing to loan to smaller businesses](#) and directly serve the communities they are a part of. [They also help build community wealth](#) and support small businesses by participating in loans to community-based organizations by local lenders. This is particularly important for rural cities and counties because they can originate loans when a local lender is not available. Public banks can also create special financial service products for marginalized small businesses. States and localities should consider creating their own public banks to better serve their communities.

Tax credit programs

State and local governments should consider creating tax credit programs to reimburse small businesses for employee sick days or paid leave. For example, in states like California, paid sick leave is required for those employers with 26 or more employees, but no reimbursement is provided. States and localities could create their own reimbursement plans to expand sick leave for small businesses. Our polling shows that [small businesses support](#) government-sponsored sick leave.

Licensing requirements and permitting costs

Small businesses have had to adapt quickly because of the pandemic, but they continue to struggle to meet state licensing and permit costs. This hinders their ability to contribute to their local economies and workforce and it restricts their cash flow during a difficult time. State governments should consider easing barriers and costs associated with licensing requirements so that entrepreneurs are encouraged to start or grow a business while maintaining consumer safety.