

The Agenda for Illinois' Entrepreneurs

Small Business Majority's Illinois policy agenda ensures that small business is at the center of a thriving and inclusive economy and advance policies that promote equitable pathways for entrepreneurship, with a particular emphasis on addressing systemic racism and sexism that impede economic inclusion and harm businesses owned by people of color, women and other underserved owners. The state's 1.2 million small businesses employ 2.5 million people (about 45% of the private workforce), with firms less than 20 employees creating the largest net job gains.¹ Yet, Illinois small businesses continue to face setbacks from the COVID-19 crisis and struggle to access the financing and support to weather the storm. Small Business Majority's research has found that even as economic conditions are starting to improve for some small businesses, small businesses owned by entrepreneurs of color disproportionately lag behind white-owned businesses.

To advance an equitable recovery from the pandemic and promote an inclusive economy, it is critical to prioritize the smallest businesses and those from communities that have faced racial, ethnicity and gender-based discrimination, and other underserved business owners who are both socially and economically disadvantaged. Legislators and policymakers should consider the proposals outlined below.

Expand equitable access to capital and business support services for Illinois' diverse entrepreneurs

- **Support equitable appropriations and deployment of state-based pandemic disaster relief and non-pandemic capital through grants, low-cost loans and innovative equity capital coupled with business finance counseling.** This funding should place an emphasis on supporting owners located in low- and moderate- income areas, as well as the capital needs of the self-employed and businesses with less than 20 employees.
- **Invest in inclusive outreach for entrepreneurship service organizations, including culturally appropriate counseling for diverse owners** who are both socially and economically disadvantaged in order to increase owners' awareness and access to state funding, as well as to support their management of funds.
- **Foster innovative capital through programs such as the State Small Business Credit Initiative (SSBCI) and other state-based programs that meet under-resourced small business needs** by collaborating with CDFIs, nonprofit microlenders, community banks, credit unions, nonprofits and private sector firms led by diverse leaders committed to supporting small business in underserved areas.
- **Pass truth-in-lending legislation that ensures fair online small business lending and combats predatory practices, which disproportionately impacts owners of color and other under-resourced entrepreneurs.** At the same time, we urge improved regulation and legislation to: 1) invest in strengthening access and ease to report and track predatory lending through the state online small business and consumer complaint system, such as the Illinois Attorney General; and 2) address predatory practices among small business loan brokers, such as amending the Illinois Loan Brokers Act to include business loan brokers, which would also require fee and contract transparency.
- **Strengthen the implementation of the Illinois Community Reinvestment Act to ensure that state-regulated financial institutions meet diverse small business capital and credit needs, especially in low- and moderate-income neighborhoods.** Proposed rules, legislation and budget allocation should: 1) define state-based levels of non-compliance and consequences related to section 1071 of the federal Dodd-Frank Act that amends the Equal Credit

Opportunity Act in order to review if a financial institution's data reveals discrimination patterns for applicants and borrowers related to race, ethnicity and gender in contrast to owners in non-underserved areas; and 2) allocate funds to conduct regular Illinois CRA data analysis related to small businesses led by an office for fair credit within a state agency.

- **Expand no-cost, certified small business support for start-up and growth, especially as many have chosen to be part- or full-time entrepreneurs out of necessity during the pandemic.**
 - **Increase funding for Illinois Small Business Development Centers (SBDCs)** to boost staffing, resources, virtual technology support and promotional outreach of the SBDCs. These centers provide low and no-cost counseling and assistance by professionally certified staff in metropolitan, micropolitan and rural areas, including underserved areas.
 - **At the same time, implement processes and systems that strengthen SBDC interaction across state agencies and other centers that complement their purpose to equitably service and counsel on entrepreneurs' top needs.** This includes supporting business and workforce development, capital access and workplace benefits. SBDCs should also align services with any Entrepreneurship Assistance Centers, federal and state business navigator organizations, and similar state-funded small business service programs that may be established pending funds.
- **Fund a feasibility study on establishing a state bank.** A previous study was conducted in 2010, but since then the pandemic has shown that disproportionate access to capital continues. A state bank would re-invest a portion of deposits into low-interest loans that include small business, infrastructure and agriculture purposes to ensure lending in underserved areas.

Address healthcare access and affordability

Healthcare access and affordability continues to be one of the top concerns for small businesses and self-employed, based on Small Business Majority research.² Illinois lawmakers can better help owners and employees so they are neither left with skimpy plans with exorbitant drug coverage, nor be uninsured or under-insured because they must choose between safeguarding their health or their pocketbook.

- **Allocate \$40 million in the State of Illinois' FY 2023 budget** in response to small business owners' need for enrollment assistance to help find an affordable health plan, avoid junk plans and navigate insurance complexity by reinstating the Illinois community-based enrollment assister program. 2021 research illustrates this is one of the top two barriers for finding affordable comprehensive, non-predatory coverage for either Medicaid or marketplace insurance in Illinois. Additionally we urge improved report accessibility of self-employed Medicaid enrollment trends by geographic area.
- **Advance recommendations from the state's 2021 feasibility study on healthcare affordability** for small and microbusiness owners by: 1) establishing a Medicaid buy-in option; and/or 2) stabilizing ACA marketplace premiums by funding a state reinsurance program, as other states have done such as Colorado, Maine and Maryland; and, 3) addressing the rising costs of prescription drugs, as these costs are [hurting small business owners' bottom lines](#).³
- **Keep health insurance costs down by enacting a state individual mandate for more Illinoisans to enroll in health insurance, which will financially** maintain balanced risk pools, particularly in light of the repeal of the federal individual mandate penalty.

Ensure a skilled workforce for Illinois' job creators to help close the wealth and income gap

Illinois lawmakers must address the challenges small businesses face in finding and retaining skilled workers. The struggle is especially challenging for microbusiness owners with less than 10 workers who have capacity barriers serve as the sole person who recruits, trains and manages workers and their

benefits. This puts small businesses on an unequal playing field with larger or wealthier business industries that have these resources for additional staff to oversee employee management.

- **Ensure robust expansion of the Illinois Secure Choice program** to implement the law that extends the Illinois Secure Choice program workplace-based retirement plan program to businesses who employ between 5 to 24 full- or part-time workers. Illinois Secure Choice is a workplace-based retirement wealth building that is not funded by taxes and does not have any administrative, legal or fiscal burdens on small business owners.
- **Appropriate 2.5% percent of the state-funded workforce budget for workforce development specific to small business owners, especially owners with less than 20 workers and the self-employed.** State-based funding, either through the state or federal ARPA relief dollars, would expand small business access to workforce development since federal workforce funds cannot be used for entrepreneurship services. Furthermore, policymakers should invest in targeted responses to the needs of microbusinesses with less than 10 workers and self-employed who are in communities of color and underserved areas to bridge workforce centers with funded Small Business Development Centers and navigator agencies across Illinois. This includes addressing the needs of microbusinesses and the self-employed through state funded programs such as an Employment Barrier Support and Job Retention Fund to align cross-agency programs, and allocate any discretionary federal aid dollars to help support individuals who seek to re-skill and create their own jobs as self-employed entrepreneurs.
- **Implement policies that help working parents afford child and dependent care and that also subsidize compensation for low- and moderate-income small business care providers.** Care infrastructure policies increase both job participation and entrepreneurship among parents and family caregivers, while providing small business care owners relief as many operate on slim profit margins. More than 1 in 3 small business owners say a lack of access to affordable child care was a barrier to starting their business. We must invest in our care economy by: 1) increasing state subsidies for struggling care owners, especially early childhood care providers and their workers who are in underserved areas coupled with 2) tax credits for parents and family caregivers who rely on these services to participate in the workforce.
- **Encourage the state to pass a state-administered insurance program that expands access to paid family and medical leave** for a minimum of four weeks, which would provide partial wage replacement for small business owners who have invested their own equity and savings into starting their business without full loss of income. Additionally, this measure would help small businesses compete in an already difficult hiring market by giving employees access to a benefit that small business owners may not otherwise be able to afford.
- **Help self-employed entrepreneurs create work for themselves and reduce LLC fees** that include equitable consideration and create additional affordability for owners who declare both their primary business address and primary residence each in an area that is low- and - moderate income (LMI).

Invest in infrastructure, economic development and fair small business tax and budget policies

Investments in economic development, infrastructure and tax reform should reflect the role small businesses play as key drivers of our economy by ensuring these infrastructure policies truly benefit small businesses who should also reap business opportunities, rather than large corporations. Specific proposals include:

- **Boost investments in the state's broadband infrastructure, roads, bridges and public transportation to support small businesses, especially those located in under-resourced and disadvantaged areas.**

- **Allocate revenue-based broadband and technology operation grants and training** for diverse small owners and start-ups in underserved areas to strengthen digital operations to compete statewide, nationally and globally through broadband means, with specific aid tailored for self-employed and owners with less than 20 workers statewide.
- **Strengthen pathways and resources to diversify and increase certified minority- and women-owned enterprises** for state prime contracts and subcontracts with focus on also participation across geographic areas.
- **Raise revenue by passing policies that close inefficient corporate loopholes and regressive taxes, in order to advance financial equity and fund policies that support small businesses.** Corporate loopholes put small businesses at a competitive disadvantage and add to budget deficits. Second, roughly 86% of entrepreneurs of color are self-employed and file business taxes as part of their personal income taxes yet the majority of Illinois self-employed small business earn between roughly \$26,000 to \$53,000 annual total median household income¹, thus unfairly paying higher taxes in proportion compared to owners with annual incomes that are triple and higher. 85% of small business owners want large corporations and wealthy Americans to payer their fair share of taxes.
- **Pass legislation expanding the Illinois Earned Income Credit (EIC)**, which would help close the gaps in federal funding relief programs and put more money into the pockets of low-income and working-class Illinoisans who spend up to two times each dollar invested in Illinois EIC at neighborhood small businesses. In return, small businesses invest as much as 52% of these revenues back into their local communities.

¹ SBA Office of Advocacy, Illinois Small Business Profile 2020.

² Scientific Opinion Poll: Small Business Owners Say Drug Prices Are Impacting Their Bottom Lines, Small Business Majority, December 6, 2016, <https://smallbusinessmajority.org/press-release/scientific-opinion-poll-small-business-owners-say-drug-prices-are-impacting-their-bottom-lines>

³ Shriver Center on Poverty Law, *Healthcare Focus Group Findings Reveal Major Barriers to Obtaining Quality Healthcare*. December 10, 2021. Small Business Majority is also a member of the Illinois Protect Our Care Coalition, which is also advocating for this increase for FY2023.