

The agenda for Virginia's entrepreneurs: 2022 Legislative Session

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 during and after the COVID-19 pandemic. It's critical that state lawmakers enact both short- and long-term policies to support and empower these entrepreneurs by guaranteeing that they have access to capital to maintain and their businesses and make them more resilient, affordable and quality healthcare and tools and benefits to sustain themselves now and in the future. To achieve these goals, policymakers should consider the following policy proposals.

COVID-19 Recovery

- If the new funding allocation for the REBUILD! VA Grant is expended before new applications can be considered, we urge Governor-Elect Youngkin to utilize dollars from the reserve fund to reopen the program for new applicants. In doing so, the smallest of businesses, particularly women- and minority-owned businesses, should be prioritized. Many small businesses, particularly those owned by women and people of color, reported being underfunded by federal programs in 2020 and 2021, which means they are depending on the state to act as a lifeline to stay afloat.
- Significantly expand small business assistance programs with state funding, as [some states](#) have done to ensure current and aspiring entrepreneurs have the resources they need to adapt their businesses in response to the pandemic.
- Ensure that relevant state agencies are engaging stakeholders for feedback in applying for the State Small Business Credit Initiative (SSBCI). This program had enormous success previously, which is why its reauthorization is critical to the long-term needs of Virginia's small businesses. The state must apply for as much funding as it can absorb in order to address the lending needs of under-resourced communities in the state. It's also critical that dollars are earmarked for technical assistance and outreach to small businesses.

Increase access to responsible small business lending

- Promote responsible lending practices by lenders and brokers as set forth in the [Small Business Borrowers' Bill of Rights](#). This is a major concern during the COVID-19 pandemic as small businesses struggle to stay afloat, particularly since the deadline to apply for PPP has expired. This means that many small businesses are desperate for cash and may be turning to online lenders that have hidden terms and unfair pricing.
- 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 a state bank that makes low-interest loans for infrastructure, agriculture, affordable housing, student loans and small businesses. This would spur economic growth and lead to thriving community banks with higher lending totals.

Expand healthcare access and affordability

- Continue the progress made during the regular 2021 legislative session to restrict short-term, limited duration insurance plans by limiting them further from six months to three months. 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.

- Continue to regulate association health plans (AHPs) in the light of 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, which is vitally important during this time.
- Support the creation of a Prescription Drug Affordability Board that would ensure a fair market for consumer costs for prescription medicines and medications. Following similar actions in states across the country like Colorado, this Board should review certain high-cost drugs to determine if the price increases are justified and seek to lower healthcare costs, particularly as these costs are [hurting small business owners' bottom lines](#).
- Ensure that state's 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.
- Provide additional coverage options for consumers by allowing them to buy in to the state's Medicaid program.

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 program 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. Small business owners and their employees would have fared better during the pandemic if a paid leave program was already in place.
- Pass legislation that would ensure microbusinesses (10 employees or less) can participate in the VirginiaSaves program. Currently, the program is only eligible for businesses that have 25 employees or more. With nearly [90%](#) of all businesses employing 20 or fewer employees, small businesses want to offer benefits to their employees because it helps them attract and retain their workforce and compete with larger businesses for talent.
- 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 entrepreneurship and the freelance economy

- Increase funding for small business development centers and other business resource centers to deal with the influx of small business owners in need of guidance and support. This will help businesses shift their models to adjust to the pandemic.
- Conduct regular reviews of state and local business licensing requirements, especially in light of the COVID-19 pandemic, which would allow entrepreneurs the flexibility to maintain operations. 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.
- 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 tax fairness and economic development

- 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.
- 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 for those in low-margin industries.