

## The agenda for Virginia's entrepreneurs: 2023 Legislative Session

Virginia is home to more than 795,000 small businesses, employing 1.6 million people and accounting for 99.5% of all businesses in Virginia. Small Business Majority has created a comprehensive state policy agenda to ensure small business ownership and entrepreneurship are at the center of a robust, equitable, and competitive economy for the Commonwealth. It is critical that state lawmakers enact both short and long term policies to empower entrepreneurs by guaranteeing that they have access to responsible capital, affordable, quality healthcare and essential benefits to help support and grow Virginia's small business ecosystem. To achieve these goals, policymakers should consider the following policy proposals.

### Equitable access to capital

- Promote responsible lending practices by lenders and brokers as set forth in the [Small Business Borrowers' Bill of Rights](#). In 2022, Virginia passed legislation that attempted to ensure small businesses were protected through disclosure of financing costs. Unfortunately, the final version removed annual percentage rate (APR) disclosures on small business loans. Without APR disclosures, small businesses cannot accurately compare financial products.
- Ensure that the Virginia Small Business Financing Authority and the Virginia Innovation Partnership Corporation are engaging key stakeholders to disburse funding from the State Small Business Credit Initiative (SSBCI), particularly to reach underserved communities in the state.
- Enact policies that strengthen and expand community bank lending, which are a crucial resource for small businesses to thrive and grow. Nationally, community banks receive the [highest rate of satisfaction](#) from small businesses in comparison to large banks or online lenders. Although trusted and supported by small businesses, community banks have been declining in number. We recommend strengthening community banks by fighting bank consolidations in the state. Additionally, the Virginia Association of Community Banks could benefit from a reinvestment fund. Large banks and philanthropic lenders receive a credit for investing into a community bank fund, which could be structured to deliver tranches of capital to rural and low-middle income areas of the state.
- Establish a state bank, like the [Bank of North Dakota](#), that can provide low-interest loans for small businesses. This would help spur economic growth and lead to thriving community banks with higher lending totals.

### Expand access to essential benefits to improve employee retention

- Continue the progress made during the 2021 legislative session to restrict short-term, limited duration health insurance plans by limiting their timeframe 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 they are not required to cover essential health benefits like prescription coverage or mental health treatment and can come with hefty deductibles.
- Properly regulate association health plans (AHPs). These plans could encourage younger, healthier individuals to purchase inadequate health coverage, thus increasing costs for most of the small group market. We recommend 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 economic crisis.

- 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 would 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](#).
- Pass legislation that would ensure that sole proprietors and microbusinesses (10 employees or less) can participate in the VirginiaSaves program. Currently, businesses with 25 employees or more are eligible to participate in the program. With nearly [20%](#) of all Virginian businesses employing 20 or fewer employees, small businesses want to offer essential benefits to their employees because it helps them attract and retain their workforce and compete with larger businesses for talent.
- 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. The legislation passed in the 2022 session aims to expand access to paid leave by offering the benefit to employers through private insurers, which is an ineffective and expensive model that will not serve the purpose of paid leave. Since the bill was enacted, [no one in the Commonwealth has gained coverage](#).
- Implement policies at the state level that would help more working parents afford childcare, as this is essential to retaining a skilled workforce. For example, some states have considered making the existing Child and Dependent Care Expenses tax credit refundable so low- and moderate-income working families can benefit from a tax refund that will help defray the rising costs of childcare.
- Ensure the State Corporation Commission's rollout of the [Commonwealth Health Reinsurance Program](#) can help uphold the ACA's principles, meet its estimated analysis of reducing premiums by 15.6%, and not destabilize the insurance markets.

### Support measures that would allow small businesses to compete fairly

- Ensure strong funding and allocation for Small Business Development Centers, Women's Business Centers, Minority Business Development Centers and other business resource centers to deal with the influx of small business owners in need of guidance and support.
- Conduct regular reviews of state and local business licensing requirements, which would allow entrepreneurs the flexibility to maintain operations. For example:
  - [A California law](#) legalizes the sale of home-cooked meals, with appropriate health and safety standards and revenue limitations.
  - [A Missouri law](#) updates regulations around home hair braiding businesses.
- 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 for entrepreneurs that are just starting their businesses and for those in low-margin industries.