

## Small Business Majority state policy recommendations

Small Business Majority has created a comprehensive state policy agenda to ensure entrepreneurship is at the center of a thriving and inclusive economy.

### Access to capital

- Enact policies to strengthen and expand community bank lending, which provides more than half of all small business lending. Smart initiatives include the following:
  - Encourage 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. For example, Massachusetts launched the Small Business Banking Partnership in 2011, which moves at least \$100 million in state deposits to community banks in an effort to increase lending to small business and create jobs.
- 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 0.64% and create 2,500 jobs.
- Significantly expand state small business technical assistance programs. For example, California included in its 2018-19 budget [\\$23 million](#) for small business technical assistance centers across the state, which is roughly a \$20 million increase from the previous year.
- Promote responsible lending practices by lenders and brokers as set forth in the [Small Business Borrowers' Bill of Rights](#).<sup>1</sup> 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.
  - Pass 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.

### Healthcare

- 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.

<sup>1</sup><http://www.borrowersbillofrights.org/>

<sup>4</sup>Truth-in-Lending Law is a Big Win for California's Small Business, 2018, <http://smallbusinessmajority.org/press-release/truth-in-lending-law-big-win-california-s-small-businesses>

- 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 that states highly regulate AHPs by preventing self-employed individuals from accessing the small group marketplace for the purpose of joining an association health plan, as was done last year in California with [SB 1375](#). This will allow states to maintain a healthy risk pool and a stable, competitive individual market that helps keep premiums low.
- 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 Maryland, New Jersey, Maine and others have been approved to implement their own reinsurance programs to protect their states' marketplaces.
- Enact individual mandates 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.
- For those states that haven't expanded Medicaid—close the coverage gap by expanding Medicaid, a program that has provided coverage to 14 million more Americans under the ACA, including nearly two million small business employees who gained coverage under Medicaid expansion. Roughly [616,000 small business employees](#) could gain coverage if all remaining states expanded Medicaid.
- Provide additional coverage options for consumers by allowing them to buy in to state Medicaid programs.
- 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.
- Address the rising costs of prescription drugs, as these costs are [hurting small business owners' bottom lines](#).
  - In the absence of federal policies, states can consider their own proposals to increase transparency for consumers. For example, California passed a [law in 2016](#) that requires pharmaceutical companies to notify insurers at least 60 days before the price of a drug is expected to increase by at least 16%.

## **A skilled small business workforce**

- Encourage states to pass insurance programs to expand access to paid family and medical leave. Such programs are operating successfully in California, New Jersey and Rhode Island, and others such as Washington and Washington, D.C. are implementing measures that were previously passed.
- 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, California introduced legislation last year that would make 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.
- Expand internship and mentoring programs to create career paths for youth, and to ensure access to skilled, entry-level workers for small businesses.
- Implement studies that ensure Workforce Innovation & Opportunity Act (WIOA) programs are meeting small business and worker needs.

- 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.

## 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.
- Support easy-to-implement mechanisms for the self-employed to access paid family and medical leave and retirement benefits.
- 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.
- Facilitate access to equity financing to small businesses within new Opportunity Zones investments. While investments in Opportunity Zones hold the potential to benefit small businesses, especially those in underserved communities, they must be implemented responsibly. 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.

## Retirement and other portable benefits

- 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.
- Promote government and other programs to educate small businesses about paid family and medical leave insurance programs in California, New Jersey, Rhode Island, Washington state and Washington, DC.
- Support continued legislative efforts in other states such as Colorado and Connecticut to establish paid family and medical leave insurance programs.
- Adopt policies to make workers compensation and unemployment insurance available to non-traditional workers and reform requirements that penalize non-traditional work. For example, New York state has established a “Black Car Fund” to provide benefits to car service drivers. Other

states such as New Jersey and Washington are considering even broader benefits solutions for independent workers. Other ideas and proposals include the following:

- Allow independent contractors with steady earnings to opt into state UI plans.
- Update eligibility criteria that often discourages or penalizes non-traditional workers, such as allowing recipients to seek part-time work and encouraging recipient training for non-traditional opportunities.
- Allow for a job-seekers allowance for low and middle-income independent contractors.

## Infrastructure and economic development

- Enact legislation, particularly at the state level, to counteract the FCC’s repeal of net neutrality, such as recent legislation enacted in states such as [California](#), Oregon and Washington. 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, states 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.

## Taxes

- Expand state Earned Income Tax Credit (EITC) programs to increase small business employees’ incomes, and allow self-employed entrepreneurs to claim the credit. For example, California [recently raised](#) EITC income eligibility limits so that more workers living at or near poverty levels can receive the credit.
- 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.