



SMALL BUSINESS
MAY 14 | 11:00 AM - NOON



Audience Questions

Access to Capital

Q: Many of our small businesses have reopened, but a few have said they only expect to be open a few months because the economic hit has been too deep to recover from. Loans only add to their debt that is quickly mounting. Are these kinds of small business perspectives being considered as you look at support?

A(1): Absolutely. Remember that many of these "loans" can be either fully or partially forgivable, so the support that we are providing is guiding entrepreneurs on how to use the funds, how to document the expenses, and then to ask for forgiveness. In addition, there are other programs that are actually grants and not loans, so we are also guiding entrepreneurs about where and how to apply.

A(2): It is true that debt is an imperfect solution for a moment like this. Not a happy answer, but the truth is that there will be some shared pain required at this moment. All options for businesses are not equal, of course, so there should be a hierarchy of how businesses approach the options. The Paycheck Protection Program (PPP) is basically a grant, whereas other programs are clearly debt that will need to be repaid.

A(3): Most definitely. We recommend that businesses pursue a blended approach when possible, including looking at available grants, forgivable loans, and flexible disaster loans as well as working with existing creditors, landlords, and partners to reduce costs.

Q: Establishing the entrepreneurial mindset must start early and not wait until high school. How can we encourage funders to invest early for fundamental change?

A(1): I think anyone that cares about this needs to push this idea with anyone that can make a difference. Local schools, government officials, etc.

A(2): A number of studies have shown how cultivating entrepreneurship early on leads to more engaged students and a range of improved outcomes. We should look at how we can demonstrate this more widely in North Carolina and build increasing support for entrepreneurship education throughout K-12.

Support

Q: How do we connect all these resources to have a statewide ecosystem? Eastern North Carolina, particularly east of I-95, is typically not top of mind to assist with building our ecosystem.

A (1): Many of the statewide efforts and organizations have this in mind and are connecting with each other to bring resources to those areas.

A(2): There are strong parts of the ecosystem in Eastern North Carolina. The Small Business and Technology Development Center (SBTDC) and Small Business Center (SBC) networks for example.

A(3): Our state is well-positioned to convene a more networked approach to small business support across rural North Carolina. Our state is blessed with many excellent Community Development Financial Institutions (CDFIs) that could be better networked and supported. Also, NC IDEA Foundation's statewide entrepreneurial ecosystem builders conference should be continued.

Q: Many new immigrant Latinos have a natural entrepreneurial spirit. What resources are available to mono-lingual Spanish speakers navigating the US system when establishing their businesses?

A(1): Organizations such as Prospera are a good start: www.ProsperaUSA.org.

A(2): Thread Capital is also happy to assist Spanish-speaking entrepreneurs.

A(3): Statewide, Prospera, Thread Capital, and Carolina Small Business Development Fund are all great resources. Mountain BizWorks offers its programs in Spanish to aspiring Latinx entrepreneurs in Western North Carolina and has partnerships that can address more legal questions. Our Spanish language COVID-19 page is at: <https://www.mountainbizworks.org/coronavirus/espanol/>

Q: Is there any concern in rural areas for more of a black market coming out of the COVID crisis? In other words, what mechanisms are in place to assist small business owners in avoided predatory lending practices?

A(1): A few of the ecosystem organizations, such as Thread Capital, the Rural Center, Prospera, and a few other financial institutions are spending resources to bring training and other resources to raise awareness about this issue, especially to minority groups who are usually the most affected by this issue.

A(2): We have seen these things emerge in the aftermath of previous disasters and are likely to see it in this case too. However, many of these lenders are also likely to be taking large loan losses at this moment and may be less able to continue to lend. The best solution here continues to be required transparency in pricing for small business lenders--and that will require a legislative fix.

A(3): There's definitely a risk of this which is why it's so important for resources like North Carolina Rapid Recovery, SBA's PPP program and others to be widely accessible throughout the state.

Q: What are some resources presently available to municipalities to help them address access to capital, technical support and a growing small business ecosystem?

A(1): Again, some organizations such as Prospera, are designing programming and bringing it to targeted areas of needs. For example, Prospera has activated training and consulting sessions in specific targeted municipalities in Lee, Catawba, Burke, and Caldwell counties.

A(2): The NC Rural Center has worked with a variety of municipalities in the past to support entrepreneurship initiatives. They will continue to be a resource.

A(3): If they haven't already, we encourage municipalities to engage with their local CDFI and entrepreneurial ecosystem. Cities and towns are well-positioned to be strategic partners to help unlock more entrepreneurial potential in their communities.

Economic Development

Q: Jonathan, will you expand on how you suggest using state incentive dollars for new North Carolina businesses instead of competition on out-of-state companies coming from outside into North Carolina? Would you use all state incentive dollars to fund startup businesses? Tell us more about your idea and how you would suggest implementing it.

A: We strongly believe there must be a balanced approach to incentivizing out-of-state AND new small business startups. By no means are we proposing a divestment in current incentive programs; we do, however, think there has been an underinvestment in small businesses and entrepreneurs. The four pillars of the Kauffman Foundation's America's New Business Plan--opportunity, funding, knowledge, and support--are a way to frame the needs of entrepreneurs and small businesses in a more comprehensive way. We acknowledge that most of the infrastructure to provide the necessary solutions already exist, including a strong network of Community Development Financial Institutions (CDFIs) and community banks in the state. The key is investing more flexible, patient capital through those existing partnerships.

Policy

Q: What top 2-3 specific policy changes would you as panelists implement now in North Carolina to help small biz if you could?

A(1):

- Require clear pricing disclosures on small business loan products to protect borrowers.
- Provide funding that enables a robust market of small business lending options by banks, credit unions, and CDFIs.
- Implement an advertising/education program (that starts as young as elementary school) that promotes North Carolina as the best place for anyone (regardless of their socioeconomic status) to start and grow a business.

A(2): CDFIs are one of the state's best kept secrets. It's time to take a look at how the state can better partner with these institutions to expand capital access and technical assistance in underserved communities. Also, we need a new framework for rural economic development that puts entrepreneurship at the center rather than recruitment. Recruitment is still vital but it should be built on a local first strategy rather than the reverse. Broadband connectivity also needs to be more universally accessible.