

## FUNDING

*equal access to the right kind of capital everywhere*



Equitable access to capital for all entrepreneurs and small-business owners remains a long-standing need, especially for business owners who are women, people of color, veterans, and differently abled individuals. The path to small-business ownership remains unsteady for thousands, as a result of limited to nonexistent personal capital, discriminatory lending practices, and subtle but persistent information barriers. In rural communities especially, the decline in the number of bank branches, and access to commercial loan officers knowledgeable of the local community's businesses, is a particular challenge. For communities with limited high-speed internet, access to online banking is problematic. The COVID-19 pandemic has been an acute crisis for North Carolina's small businesses. The Federal Cares Act Payroll Protection Program (PPP) loans have helped, but huge gaps have remained. However, great progress can be made through innovation and effective public-private collaboration. For example, the NC COVID-19 Rapid Recovery Loan Program, managed by the Rural Center and the Golden LEAF Foundation, in partnership with a network of Community Development Financial Institutions (CDFIs), illuminates both the terrific needs of our small businesses, and a remarkable, effective response to the pandemic's economic impact on small businesses across the state.

## POLICY SOLUTIONS

- Target subsidy to community banks, credit unions, Minority Depository Institutions (MDIs), and Community Development Financial Institutions (CDFIs), with a special focus on underserved and rural areas.
- Expand access to capital by acknowledging the need to subsidize the smallest loans. Target subsidy to community banks, credit unions, and CDFIs, with a special focus on underserved and rural areas.
- Appropriate \$5 million per year in recurring funding to strengthen and expand capacity of CDFIs across the state, which helps to ensure more State Historically Underutilized Business Office (HUB) and low-to-moderate income small-business owners can access capital at both the startup and growth phases.
- Encourage Congress to re-authorize and fund the State Small Business Credit Initiative (SSBCI) program to support a sustainable and resilient small-business sector. SSBCI was created through the Small Business Jobs Act of 2010 (the "Act") to strengthen state programs that support financing of small businesses by increasing the availability of credit for small businesses and to support jobs.
- Provide \$9 million in recurring funding to the One North Carolina Small Business (ONCSB) Program to spur additional small business formation and growth for rural businesses and increase the diversity of participation in small businesses.
- The Small Business Administration's definition of a small business (<500 employees) is inadequate for development purposes. North Carolina should establish a clear, consistent definition based on (1) a small business (e.g., <150 employees) and (2) a micro-business (e.g., <10 employees) to better target resources, including incentives, contracting with the government, and accessing general tools that can help them compete with larger corporations. A comprehensive definition should be based on business size, annual revenues, and industry profit margins.
- Ensure all state business incentive programs are accessible to, and have carve outs for, small and micro-businesses (as defined above) and historically underutilized businesses to assist entrepreneurship efforts and/or small business formation, especially in rural areas of the state (i.e., Job Development Investment Grant—JDIG).