

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 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).

SUPPORT

the ability for all to take risks



The lack of access to health insurance is a serious inhibition to starting and growing a small business in North Carolina. We can spur our state's entrepreneurial energy by taking the lack of access to affordable healthcare out of the equation. Additionally, access to reliable and affordable high-speed broadband poses a great concern for small-business owners as they move to e-commerce to best adapt to the COVID-19 pandemic. North Carolina has made a good start in extending affordable broadband to rural communities, but as the data below suggests, we have so far yet to go to achieve parity. Without it, rural small businesses will be at a competitive disadvantage.

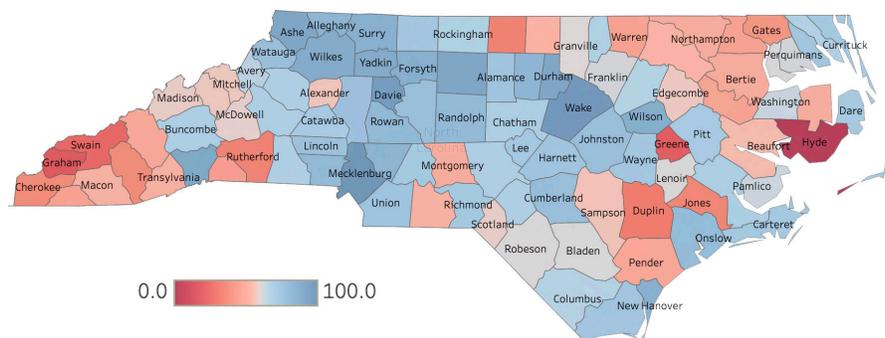
POLICY SOLUTIONS

- Address the health insurance coverage gap for our state's entrepreneurs, small-business owners, their employees, and families.
- Ensure the state's Unemployment Insurance System provides jobless workers with adequate benefits for the standard length of time so that they maintain spending locally and stay connected to the labor market.

- Establish a short-time compensation (i.e., work-sharing, shared-work) program to benefit small-business employers particularly in retail, food service, hospitality, and manufacturing industries so that they can maintain connections with a trained workforce in a downturn.
- Increase broadband adoption rates by establishing an incentive-based program to provide low-cost options for unserved and underserved small-business sectors.

FIGURE 5
BROADBAND AVAILABILITY AND QUALITY INDEX

Average Scores Based on Rural Center Classification:



OPPORTUNITY

an equitable, level playing field and less red tape



Rural entrepreneurs, women entrepreneurs, and entrepreneurs of color consistently encounter significant systemic challenges at both the startup and growth stages of their business development. Data from the most recent Census Bureau Annual Business Survey underscores the unbalanced distribution of business ownership. Solutions at any level must account for historical disparities faced by these small-business owners, and must directly target capital, technical assistance, and other resources to support these owners—directly and specifically. As show below, the NC COVID-19 Rapid Recovery Loan Program was one a few programs that sought to directly place capital into the hands of business owners of color during the pandemic.

POLICY SOLUTIONS

- Increase funding and coordination of technical assistance for rural communities by nurturing small-business development and downtown revitalization (i.e., Community Development Corporations).
- Ensure inclusivity of the state's growing Latino population by providing bilingual/bicultural technical services (English/Spanish) across the entrepreneurial ecosystem network (e.g., SBCs, SBTDCs, CDFIs, etc.).

- Support the State Historically Underutilized Business Office's (HUB) development of a robust, and scaled, buyer/contract diversity program for businesses owned by women and people of color.
- Expand the capacity, reach, and regional presence of the State Historically Underutilized Business Office to increase economic opportunities for historically underutilized businesses in state government contracting and procurement to foster greater growth and profitability.

FIGURE 6
BUSINESS DEMOGRAPHICS



*NC Data sourced from US Census Bureau 2017 Statistics of US Businesses for firms with classified data. Racial classifications are non-Hispanic.

KNOWLEDGE

the know-how to start a business



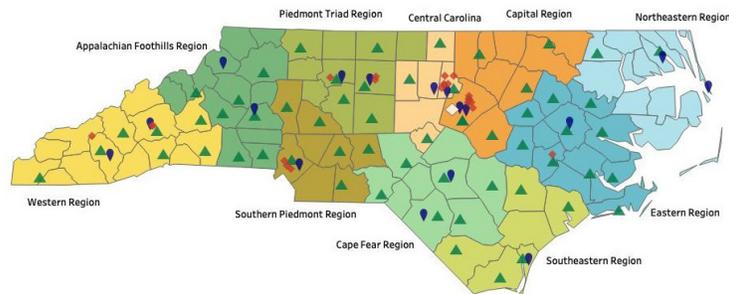
To close the learning gap for new and emerging entrepreneurs, programming must be established in the early academic years, as well as at the community college and collegiate levels. Young, rural, or economically marginalized entrepreneurs (or a combination of all three) can benefit from access to experienced mentors to help them shape their business models, test and probe strategies, and explore markets. As the map below suggests, North Carolina has a rich entrepreneurial ecosystem, but far more can be achieved through stronger coordination, marketing, and funding. Creating and scaling an emerging entrepreneur/mentor relationship “ecosystem” has heretofore not been easy, especially in rural areas. A model based on online mentoring—Accelerate Rural North Carolina—is emerging and should be watched and evaluated.

Technical assistance and resource development supports provided by our state’s network of Community Development Financial Institutions (CDFIs), small-business centers (SBCs), Business Link North Carolina (BLNC), and Small Business and Technology Development Centers (SBTDC), while present and critical, remain significantly under-resourced. This network also lacks consistent ways to coordinate services across the ecosystem, including having limited to nonexistent marketing budgets and capacities. Our state’s robust network of entrepreneurial support entities are an asset to be leveraged, adequately funded, and fully resourced to meet the evolving and growing needs of our state’s entrepreneurs and small-business owners. Additionally, entrepreneurs are routinely burdened with time-consuming state and federal regulatory requirements. This appears to be especially the case for a small business whose services overlap several different regulatory sectors.

FIGURE 7
NORTH CAROLINA SMALL BUSINESS RESOURCE PROVIDERS

- Institutions**
- ◇ Business Link North Carolina (1) - a statewide resource housed at EDPNC
 - ◆ Community Development Financial Institution* (22)
 - SBTDC Regional Office* (17)
 - ▲ Small Business Center* (58)
 - Small Business Technology and Development Center's Regions (10)

* SBTDC Regional Offices, SBC's and CDFI's serve multiple counties



POLICY SOLUTIONS

- Monitor the East Carolina University College of Business' Accelerate Rural North Carolina program for statewide replication potential as an online mentoring model for emerging entrepreneurs, which started as a local pilot and has now received additional funding for rollout throughout Eastern North Carolina.
- Establish and adequately fund a state Ombudsman Office and Regional Network in each Economic Development Partnership Region to serve as an intermediary, regulatory entity to proactively connect and troubleshoot with small businesses and support entities on compliance challenges to eliminate unnecessary and burdensome regulations, and advocate for improvements that make regulatory navigation easier.

- Expand the capacity and sustainability of the State Small Business Center Office and local network to increase the success and viability of North Carolina's small businesses in North Carolina by providing high quality, readily accessible assistance to prospective and existing small-business owners, to increase job creation and retention.
- Establish a well-advertised online, app-based, centralized resource portal to help small-business owners and support entities to navigate a wide array of public and private resources to better coordinate service delivery (i.e., KCSOURCELINK).
- Increase state funding for the Career and Technical Education program to support expansion of the entrepreneurship curriculum at area middle and high schools across the state, especially in rural areas (i.e., professional development to expand entrepreneurship content knowledge).