



Federal Policy Recommendations for Resilient Local Economies

October 1, 2020

The Local Business Institute was invited to submit Local Policy Recommendations to the Federal Government. This document was submitted to both Presidential Candidates and in no way construes campaigning.

We are honored to be asked and have convened a group of local business leaders to explore Federal policies that would help build resilient local economies and thriving local businesses.

Submitted by the
Local Business Institute

Rebecca Melançon
Director of Policy & Research
rebecca@localbusinessinstitute.org



America's future lies in the foundation and success of local business. Small business provides 85 percent of all job growth and accounts for 98 percent of all business in the nation. Innovation, persistence and courage have always been hallmarks of the entrepreneurial spirit. These qualities are being stretched to their limits in the fight for survival at local businesses throughout the nation. With the right mix of policy, resources and education, we can have a profound impact on the resilience of local businesses.

Local business is a national issue. We believe the federal government should be focused on local business especially now—in a time of shutdowns and reduced operations due to the COVID-19 emergency—local business is diminishing across the nation. A wave of local business bankruptcies is inevitable. Solutions that help local business will help to lift all Americans. Local business includes small business, entrepreneurs, freelancers, minority owned, black owned, woman owned, veteran owned—all of the traditionally underutilized groups while including small businesses owned by hard-working Americans of all backgrounds, size and color. We also believe it is time to shift from a focus on small business to local business.

The Local Business Institute convened a group of local business owners to discuss ideas for redirecting economic development policies to small local business. Following are our recommendations.

Redefine Small Business

The federal government has generally defined a small business as businesses with fewer than 500 employees. There is a vast difference in needs between a 500-employee company and a 10 person shop. We recommend shifting the definition of a small business to under 100 employees.

Current tax laws, emergency funding and other federal programs use the term small business to include businesses with under 1,000 employees. This means that larger organizations with access to significant resources for securing support in other ways, are legally and swiftly able to swallow up much needed resources that are intended to support smaller employers.

Redirect Economic Development to Community Economic Development and Locally Owned Businesses

Most Economic Development programs are focused on bringing new jobs through big corporate growth. This has been the standard of economic success in our country for decades. These policies from federal to local have grown our economy but damaged our local economies. We need to redirect fifty percent of our economic development efforts to small, local businesses and redefine success to include resiliency and sustainability as well as growth. A healthy, thriving local business is worth more to our economy and communities than 100 jobs brought in by big business. Economic Development programs that retain local businesses will keep more money in the community while building a stronger, more organic ecosystem for citizens.

Not everyone with a local business should be, or wants to be, identified as "small". The word itself carries a connotation of lower value, which could not be further from the truth. Local business employs more people, generates more new jobs and the money spent with these businesses stays in the community, for the benefit of that local economy.

Address the Needs of Small, Local Business

• Access to better, more affordable health coverage for local business

Now more than ever, local business owners need good quality medical care. The Affordable Care Act has been a good start in terms of access and for covering pre-existing conditions. But the cost to cover a family, let alone employees, has skyrocketed. And the plans available are not the same kind that are available to big businesses. That is because smaller organizations don't have the same buying power. This may be as simple as encouraging cooperative buying or allowing trade associations to make big group plans available to member organizations. The status quo is not good enough.

• Business Investment Crisis Fund

The opportunity with regard to Federal Policy is to create an incentive for business owners to create a financial reserve for their business. Similar to how individuals have the ability to create a personal IRA to create a rainy day / retirement fund through small contributions made over time, business owners too should have a similar way to set aside funds in a pre-tax manner to create a Business Investment Crisis Fund to hold up to a maximum of one year's expenses. These funds would become an asset for the business to be accessed by Federal or State disaster designation, transferable with the sale of a business, and managed by existing financial institutions with guidance on acceptable risk levels of investments made within the accounts.

The Federal Government could under the guidance of the Small Business Administration provide a matching grant program for historically undercapitalized businesses within specific communities or based on business demographics (minority owned, veteran owned, non-profits, etc). By establishing a direct connection between business owners and the government through these funding instruments the government would also be able to inject relief stimulus directly into these accounts as needed during a crisis eliminating the need for the treasury department to outsource loan origination (PPP funds) to banks.

• Expand Resources to Directly Address Local Business

Many communities host a local SBDC office but the quality of these vary widely across the country and many are focused on starting businesses, not retaining and growing business. Some are totally focused on local preparation. Local business owners need growth advice, mentoring and coaching, market research and more. Increase and focus the activities at these centers to focus more on retaining and growing local businesses. Change these to Local Business development Centers (LBDC) to express this focus.

Encourage Community Investment

Federal investment policies can open the opportunity for citizens to invest in our local businesses. Local investing is another tool to build resilient, sustainable local economic ecosystems. Some communities are helping local businesses that are willing to sell equity in their companies through local investing platforms, including MainVest (outside Boston), LocalStake (Indiana), and Milk Money (Vermont). Investors can buy into local businesses for as little as \$100, based on business or expansion plans. These investments could receive tax incentives.

Also create new tax incentives for investments in the sustainability of local businesses by allowing landlords, banks and other lenders to utilize these tools for supporting and retaining local businesses. San Francisco has created a model program for Legacy Businesses that encourages landlords to retain existing locally owned businesses through tax incentives that help control rising rents. This could also be used during times of economic distress, such as a pandemic, to help retain existing businesses.



The Local Business Institute Policy Recommendation Group

John Antonelli, Antonelli's Cheese Shop
Wendi Caplan-Carroll, Sound Business LLC
Eric Groves, Alignable
Eileen Keller, Ideality.com
Sue Malone, Strategies for Small Business
Rebecca Melançon, Local Business Institute
Victoria Musa-Lyons, HR Matters Global
Julie Niehoff, Local Business Institute
Derek Peebles, AMIBA
Annie Powell, Skills After Service
Della Rucker, Econogy Talent Group
Anissa Starnes, IOM, Swingbridge Partners
Vicky Valdez, Local Business Institute
Chris Wyckoff, Consultant / Veterans Affairs