POLICYMakers And StAkeholders,

Entrepreneurship and innovation are necessary for economic growth. Arkansas has been steadily increasing in startup activity over the last several years, with the SBA reporting over 2,100 new startups that emerged in Arkansas during the last quarter of 2018. Despite this growth, Arkansas is chronically behind in capital investment and is held back by antiquated economic policies that have become additional barriers for entrepreneurs to overcome.

Startup Junkie Consulting was founded over a decade ago in NWA with the mission to empower entrepreneurs, innovators, and makers. We have since expanded our services to Central Arkansas through the Conductor team. During this time we have worked with thousands of entrepreneurs and have raised multiple funds for investment in early-stage companies. Based on our learnings in the field and filtered through the lens of the Ewing Marion Kauffman Foundation’s America’s New Business Plan and the the Small Business Majority’s policy agenda, we have identified key policy recommendations that will specifically and strategically increase entrepreneurial endeavors in the state. While all of the points are important, there are two concepts that we believe are of the utmost priority for Arkansas:

Concept 1: SEC Accredited Investor Recommended Changes - Completely eliminate the accreditation rules that today require investors in private companies to either have an income of $200,000 per year in two subsequent years or a net worth greater than $1,000,000 not including a primary residence. This restriction originated in the early 1970s and stems from Depression-era thinking that we need the government to protect us from how we invest our own money, especially in private companies. By eliminating the SEC Accreditation Rules, a more inclusive and broader set of early-stage investors will be available to help grow great small businesses and startups in our local communities.

Concept 2: Opportunity Zone Recommended Changes - Expand the tax benefit to include a dollar-for-dollar federal tax offset to ordinary income coupled with an elimination of the accredited investor rules described in Concept 1. Currently, Opportunity Zones have restricted the tax advantage to a complicated benefit tied to capital gains, ensuring only the very wealthy with privileged exposure, and legal and accounting support can participate.

Enclosed are additional recommendations to increase investment opportunities and entrepreneurial activities in localities and the state. By creating policies that support talent development, foster an innovative culture, facilitate community engagement, and increase access to capital, Arkansas will be a much stronger competitor on the global economic stage.

Respectfully,

Jeff Amerine, Founder and Managing Director, Startup Junkie Consulting
Brett Amerine, Managing Director, Startup Junkie Consulting
Jeff Standridge, Ed.D., Managing Director, Conductor
Based upon more than a decade of experience supporting innovation in Arkansas and working with thousands of entrepreneurs, the Startup Junkie and Conductor teams have created a Four Pillar framework for building a vibrant and thriving entrepreneurial ecosystem. We believe by fostering activity that supports talent creation, an entrepreneurial culture, community engagement, and access to capital, Arkansans will be better equipped to start and grow companies that will positively impact the economic landscape of our state.
Talent
Foster pro-entrepreneur workforce education and training programs

1. Ensure the SBA’s highly effective Regional Innovation Cluster (RIC) program is a permanent part of the budget in the same way as the funding for the SBA’s SBDC program. In addition, ensure at least two active RIC programs per state.

2. Develop grants for minority serving entrepreneurial support organizations with a focus on facilitated learning through connections and peer support in entrepreneurial ecosystems.

3. Fund programs to equip makerspace and STEAM based programming in classrooms.

4. Ensure local entities work closely with employers, especially new businesses, on alignment of curriculum to workforce needs in order to ensure equity of access to employer-based learning opportunities.

5. Prioritize entrepreneurial skill-building, access to networks, and new business creation as key components of workforce training programs.
6. Significantly expand the number of entrepreneur support organizations (ESOs) that receive workforce training funding.

7. Include entrepreneurship and applicable information and tools in workforce training programs to help tens of thousands of young Americans start their own businesses.

8. Increase funding for training, coaching and incubation programs for micro-entrepreneurs.

9. Support workforce development initiatives by expanding access to shared workspaces, accelerators and incubators that provide the physical and operational infrastructure for entrepreneurs to start and grow new businesses.

10. Increase investments in federally-funded programs to include credit-building programs and products that educate business owners on how to strengthen their credit.

11. Conduct regular reviews of state and local business licensing requirements and update outdated regulations since many immigrants and people of color start their businesses from their homes.
1. Ensure programs that support rural entrepreneurs maintain full funding. For example, the 2018 Farm Bill provided funding for the Department of Agriculture’s Rural Development programs, including the Rural Microentrepreneur Assistance Program, Rural Business Development Grants, and the Intermediary Relending Program.

2. Permit entrepreneurs to make “reach-back” contributions to their retirement accounts for a limited number of years, and to have the tax deferral apply to the current tax year in which those payments are made.

3. Implement policies at the national and state level that would help more working parents afford child care, understanding this is essential to retaining a skilled workforce.

4. Reform and expand the limits on the provisions of Health Savings Accounts and Flexible Spending Accounts.

5. Allow the self-employed to fully deduct the cost of their health insurance premiums.
6. Provide tax incentives to new businesses to offset health care costs.

7. Defer student loan payments for Americans who take the risk to start businesses.

8. Provide entrepreneurs who maintain residence in the state an exclusion from state income tax equal to the amount of student loan payments made in a year up to a capped amount.

9. Promote U.S. Small Business Administration (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.

10. Increase the cap on the SBA guarantee to Small Business Investment Companies (SBICs) to $250 million to facilitate more financing opportunities for entrepreneurs.

11. Support SBA programs that provide resources and training for small businesses to improve cybersecurity.
1. Create a single list of all requirements to start any business and easy-to-read guides that walk entrepreneurs through the permitting process. These should be translated into multiple languages and posted in public offices and in an easy-to-find location online.

2. Require coordination across agencies to simplify all federal, state, and local procedures, forms, licenses, and permits required to start a business.

3. Create federal and state incentives for local authorities to reduce barriers to starting businesses, even down to the smallest fees and forms.

4. Ease and streamline Minority and Women-Owned Business Enterprise Certification to increase participation and reduce additional barriers placed on entrepreneurs of color.

5. Require an Entrepreneurship Impact Statement (EIS) for all new laws, regulations, and rules developed that affect businesses less than 5 years old.
6. Establish a startup visa that authorizes foreign entrepreneurs to start businesses in the United States.

7. Reduce vendor requirements for participation in government procurement to allow more minority owned businesses to bid on government contracts.

8. Restrict the use of noncompetes through outright bans or by shortening the maximum duration of these contracts and narrowing the scope of industries and jobs for which noncompetes may be used.

9. Streamline licensing requirements. States can develop regional or interstate compacts to ensure occupational licenses are transferable to or recognized by neighboring states, just like a driver’s license. Federal preemption would accomplish a similar purpose.

10. Support expansion of the H-1B visa program to allow more visas for skilled workers.

11. Implementation of a Microenterprise Home Kitchens permit for home food preparation and sales, specifically targeted to support entrepreneurs with limited resources.
1. Completely eliminate the SEC accreditation rules that today require investors in private companies to either have an income of $200,000 per year in two subsequent years or a net worth greater than $1,000,000 not including a primary residence.

2. Expand the Opportunity Zone tax benefit to include a dollar-for-dollar federal tax offset to ordinary income. Currently, Opportunity Zones have restricted the tax advantage to a complicated benefit tied to capital gains, ensuring only the very wealthy with privileged exposure and legal and accounting support can participate.

3. Require state retirement plans to carve out 5% of alternative asset class investments to be dedicated to “in-state” ventures, with 10% allocated to minority owned enterprises.

4. SBA should encourage Small Business Investment Corp. programs to increase diversity of board members and educate people of color to become fund managers.

5. Replace the 2017 tax bill’s pass-through component with a provision allowing small businesses to deduct their first $50,000 in business income, whether they file their tax returns as a pass-through entity or as a C-Corporation. This approach will provide income tax benefits to most small enterprises and businesses owned by people of color.
6. Increase liquidity for microloan intermediaries that provide technical assistance support to underserved and minority-owned businesses.

7. Increase funding for SBIR/STTR programs, and provide targeted assistance for research programs at Historically Black Colleges and Universities.

8. Increase funding and access to SBA’s 7(a), Express Loan, Community Advantage, and Microloan programs, including additional technical assistance dollars and dedicated outreach campaigns to rural and minority communities.

9. Instruct relevant departments and agencies to make concrete recommendations for how existing capital access programs can be improved to reflect the fact that the age of a business, not its size, is the key factor in job creation.

10. Establish policies that encourage venture capital investment for startup businesses to include rural cities and towns, instead of just metro areas.

11. Reduce SBA loan fees to 0% for the guaranteed portion of loans under $150,000 and 1% for loans between $150,000 and $700,000. The current fee structure unnecessarily adds extra costs for small business owners and dampens their ability to get credit.
CALL TO ACTION
MUNICIPAL AND STATE LEADERS

1. Use their State of the City, State of the State, and other public addresses to make increasing entrepreneurship a priority by highlighting the benefits to individuals, families, and the community.

2. Conduct focus groups and town hall meetings with entrepreneurs and communities of color to learn how to address barriers to starting and growing businesses.

3. Require a review of the impact of existing ordinances, licenses, permits, zoning requirements, and other regulations on the creation of new businesses, and work to eliminate or revise them as appropriate.

4. Charge economic development agencies with making the support of new, homegrown entrepreneurs and minority owned businesses a top priority, hire managers in city agencies who understand this priority, and invest in entrepreneurs instead of prioritizing business recruitment.

5. Play a leading role in supporting incubators, accelerators, and other entrepreneur support organizations through actions ranging from touting the vital role they play in local economic development to providing them with needed resources.

6. Examine how city contracting and procurement can support new businesses and be more entrepreneur-friendly, including among underserved areas and populations.

7. Develop and leverage a place-based identity or brand for locally made goods and services to support local makers and entrepreneurs.

8. Build ecosystems with strong networks of entrepreneurs, including leaders of color and entrepreneur support organizations, who can help entrepreneurs across the state navigate issues related to starting a business, accessing capital, and developing talent.
1. Use the State of the Union and other public addresses and events to highlight the importance of entrepreneurs to the American experiment and economy.

2. Ask the Congressional Research Service or Government Accountability Office to review the most significant federal regulations within select departments and agencies that affect the creation and growth of new businesses.

3. Add “entrepreneurship” to the House Small Business Committee name. The Senate Small Business Committee was established in 1940, but in 2001, the name was changed to the Senate Small Business and Entrepreneurship Committee. The House committee should do the same.

4. Request that the Small Business Administration (SBA) administrator examine ways the SBA can better support underserved entrepreneurs in starting new businesses, in addition to the role the agency plays in supporting established small businesses.

5. Create a House Entrepreneurship Caucus to complement the recently established bipartisan Senate Entrepreneurship Caucus.

6. Hold congressional hearings, including with entrepreneurs testifying, to guide the development and implementation of policies that reduce barriers to entrepreneurship.

7. Support federal data collection efforts to better understand entrepreneurship at a granular level in order to appropriately target national and local interventions that reduce barriers to new business creation, including a specific focus on communities of color. When able, make data public for use by state and local governments, entrepreneur support organizations, and researchers.

8. Development of a comprehensive action agenda to improve the economic environment in the U.S. for small business in the following months and years to come. Inherent to achieving this goal is the coordinated work of Congress through the Senate and House Small Business Committees, the administration through the U.S. Small Business Administration and the Office of Advocacy, and small-business advocacy groups.
These recommendations originated from the Ewing Marion Kauffman Foundation’s America’s New Business Plan and the Small Business Majority’s policy agenda. Some items have been updated to reflect the specific needs of Arkansas entrepreneurs.

For more information about the Kauffman’s America’s New Business Plan please visit https://www.startusupnow.org/

For more information about the Small Business Majority’s Policy Agenda please visit https://smallbusinessmajority.org/