
Virginia Small Business Commission
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Introduction

Good Afternoon Delegate Lopez and Members of the Virginia Small Business Commission. First and foremost, thank you for having me here today. My name is Awesta Sarkash and I am the Government Affairs Director for Small Business Majority, a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to advocate for public policy solutions and deliver resources to entrepreneurs that promote equitable small business growth. In Virginia alone, we have a footprint of nearly 3,000 small businesses and we recently launched our Virginia Small Business Council comprised of 10 small business owners ranging from self-employed entrepreneurs to small manufacturers and contractors. Our deep connections with the small business community along with our scientific research enable us to educate the public about key issues impacting America's entrepreneurs, with a special focus on advancing the smallest businesses and those facing systemic inequalities.

State of small business

Across the state and the country, we've seen plunging revenues to shuttered storefronts as a result of the COVID-19 public health crisis, which has driven too many small businesses to the brink of collapse.

We're now only a few months away from being two years into this pandemic, and we continue to hear stories and see data from business owners across the country illuminating the dire reality of what they are facing. In September, our research found that nearly [1 in 5 small businesses](#) were facing a potential closure in the next six months. Without additional funding or market changes, [27% of businesses](#) reported not surviving the next few months. This is why policymakers must understand their needs and enact policies to bolster Main Street's recovery and long-term success.

Small Business Majority has developed a list of key policy recommendations that would support small businesses during and after the pandemic called the "Roadmap to Recovery." It represents bold action that's needed to ensure that small businesses can recover and be better positioned to withstand the next crisis. Today, I'll be spending time discussing some of those recommendations that are most relevant and timely.

Investing in physical and human infrastructure

As we've seen over the past 20 months, federal legislation has the potential to greatly benefit small businesses, which is why we've continued to advocate for investments in physical infrastructure, paid family leave, childcare and expansions to key SBA programs.

I want to underscore how the physical infrastructure investments benefit small businesses first. The recently-enacted Bipartisan Infrastructure Investment and Jobs Act allocates:

- \$550 billion in new spending over five years including:
 - \$65B for broadband, including grants to states for broadband development (including in rural and tribal communities). This is particularly vital for businesses in Virginia because a report in 2019 found rural businesses are concerned about the lack of broadband or other infrastructure in their area.

- \$46B for resiliency to protect against droughts, floods and wildfires, which as we know for small businesses, particularly near the coast, will be vital.
- It's also worth noting that no less than 10% of the amounts allocated to the highway infrastructure will go to small businesses owned or controlled by socially and economically disadvantaged individuals.
- [Our recent survey](#) found broad support among small businesses for key provisions in the Infrastructure Investment and Jobs Act, including 79% support for improving the nation's physical infrastructure and 76% support for expanding and enhancing the nation's broadband infrastructure.

Our research has similarly found strong support for measures in the Build Back Better plan because it invests in healthcare, childcare and paid family and medical leave, issues that are particularly challenging for small businesses that are struggling to compete for workers. For instance, 73% of small businesses support providing access to medical leave and 67% support access to parental leave. We also know that the legislation would extend federal subsidies to make healthcare more affordable, which [71%](#) of Virginians support.

Fund innovative access to capital, monitor existing relief programs and lending capacity, and provide immediate grant funding

Small business owners, particularly people of color and women, face significant hurdles accessing capital from traditional banking institutions. The current Build Back Better plan indicates that the U.S. Senate Committee on Small Business & Entrepreneurship will receive \$5 billion to fund legislation focused on investments for access to credit and markets. This allocation is too low to adequately address the serious circumstances many small businesses still face. We must ensure greater access to responsible capital for entrepreneurs by enacting the following in Virginia :

- Rebuild VA Grant/targeted grants: Our recommendation asserts that if the new funding allocation for the REBUILD! VA Grant from this summer is expended before new applications can be considered, we urge Governor-Elect Youngkin to utilize dollars from the reserve fund to reopen the program for new applicants. In doing so, the smallest businesses, especially women- and minority-owned businesses, should be prioritized. Many small businesses, particularly those owned by women and people of color, reported being underfunded by federal programs in 2020 and 2021, which means they are relying on the state to act as a lifeline to stay afloat.
- State Small Business Credit Initiative: It's imperative that relevant state agencies are engaging stakeholders for feedback in applying for the State Small Business Credit Initiative (SSBCI). This program had enormous success previously, which is why its reauthorization is critical to the long-term needs of Virginia's small businesses. The state must apply for as much funding they can absorb to address the lending needs of under-resourced communities in the state.

In terms of national policies...

- We continue to hear from small businesses that they did not get access to federal dollars under the Restaurant Revitalization Fund or RRF. That's why we call on Congress to appropriate emergency funding to replenish RRF to reach the more than [180,000 RRF applications](#) that remain unfunded.
- Last month, Senator Robert Menendez and Representative Nydia Velázquez introduced the Small Business Lending Disclosure Act of 2021. This would extend federal Truth in Lending Act disclosure requirements to small business credit products so that small businesses struggling with cash flow are not taken advantage of during this pandemic. It's important to note that states have already taken action on this (like in California and New York) to protect their small businesses from predatory practices.
- Maintain the recent expansion of funding for the CDFI Fund at \$3 billion. Virginia's CDFI community helps support lending to small businesses, but this and future allocations would ensure

they can expand capacity and make more smaller loans to microbusinesses, spurring entrepreneurship in the state.

- And finally at the national level, SBA should quadruple lending guarantees, specifically by raising the maximum guaranteed annual loan amounts and loan guarantee percentages. This would encourage lenders to underwrite more loans to under-resourced small businesses.

Essential benefits & quality jobs

To properly address the changing small business landscape, small businesses require greater investments and prioritization of benefits like healthcare, paid leave and childcare.

For starters, the Affordable Care Act (ACA) has significantly expanded access to quality affordable healthcare for small business owners, their employees and the self-employed. Still, more must be done to expand coverage and rein in costs so that small businesses and workers won't face exorbitant premiums and lackluster coverage during and after the pandemic. Robust measures should include:

- Extending provisions in the American Rescue Plan to make healthcare more affordable, specifically increasing premium assistance to those who are already eligible for premium tax credits and expanding subsidies to people making more than 400% of the federal poverty line.
- Address the rising costs of prescription drugs, as these costs are [hurting small business owners' bottom lines](#). Policy solutions should include allowing Medicare to negotiate prices directly with pharmaceutical companies.
- Additionally, Virginia should consider supporting the creation of a Prescription Drug Affordability Board with the authority to set up an upper payment limit (maximum) on consumer costs for prescription medicines and medications. Following similar actions in states across the country like Colorado, this Board should review certain high-cost drugs to determine if the price increases are justified and seek to lower healthcare costs, particularly for small business owners as these costs are hurting small business owners' bottom lines.

What's more, as we hope to emerge from the pandemic, we must swiftly address the needs of a changing, disparate workforce—both people employed by small businesses and individuals working as independent entrepreneurs. The pandemic has accelerated the trend toward a workforce that is increasingly operating independently, so we must ensure that self-employed entrepreneurs have access to benefits consistent with those in the W-2 workforce.

- Expand childcare programs in underserved communities via (1) support for owners and their workers to afford childcare and (2) financing and technical support for local childcare businesses.
- As I mentioned above, paid family leave is strongly supported among small businesses. That's why it's critical that we establish a national program that would provide partial wage replacement for small business employees and the self-employed to take leave to address serious health conditions for themselves and family members. In lieu of a national program, I urge the state to create a paid leave program as has been done in other states.
- Expand Virginia's retirement program to allow for small businesses with 5 employees or more instead of the current 25 employee threshold. This would ensure that the smallest businesses that struggle the most to access these types of benefits would be able to participate.

These types of investments help small businesses attract and retain a workforce and allow them to compete more fairly with larger businesses.

Robust funding for business support and additional financial measures, resources and policy solutions

Small business owners still need guidance and support, which is why we need robust funding for business assistance centers. This is particularly needed as many small business owners are taking on debt for the first time or are also being forced to rethink their entire business model.

- Provide more immediate funding and resources for business assistance providers.
- Ensure state funding (including federal aid to states) includes appropriations for small business technical assistance programs.

In Virginia...

- Our [survey](#) of our network from May found that 78% of small businesses that rent or own their business space say they are still struggling with their rent. What's more, 46% of businesses with under \$100,000 in revenue with commercial space are one or more months behind on their commercial rent or mortgage. An [Alignable poll](#) from August found that 31% of Virginia's small businesses reported not being able to pay their rent, a 6% increase from previous months. We recommend that state and local governments use stimulus aid or reserve dollars to create a commercial rent and mortgage relief grant administered to small businesses.
- Make the Earned Income Tax Credit (EITC) fully refundable to increase small business employees' incomes, and allow self-employed entrepreneurs to claim the credit. This will be of particular benefit to entrepreneurs as they're just starting their businesses and for those in low-margin industries.

Conclusion

It goes without saying that small businesses need comprehensive support in order to weather current and future disasters. These policies represent robust policy recommendations that help do just that. Thank you all for having me today and I look forward to answering any questions now or offline.