

THE NEXT GENERATION ENTREPRENEUR CORPS ACT

Sen. Chris Coons, Sen. Tim Scott, Rep. Jason Crow, and Rep. Troy Balderson

BACKGROUND

- **COVID-19 recovery has decimated small businesses.** As of September, nearly one-fourth of all small businesses remained closed.¹ Between March and August, 163,735 U.S. businesses listed on Yelp closed permanently.² Entrepreneurship is key to replacing the businesses and jobs lost.
- **Entrepreneurs have limited access to capital and resources.** Even before COVID-19, 83% of all entrepreneurs did not have access to bank loans or venture capital, with nearly 65% of entrepreneurs relying on personal and family savings for startup capital.³ Minorities have been starting businesses at higher rates, but are challenged by a lack of access to capital, entrepreneurial training, and networks.⁴ Underrepresented entrepreneurs benefit greatly from upfront support to de-risk starting a business.
- **There is an entrepreneurship gap in low-income areas.** Low-income areas have proportionally fewer self-employed workers and small businesses. These areas—urban and rural—require intentional investment or will be left behind by the economic recovery.⁵
- **A proven model exists.** America has national fellowships to attract the next generation of talent to public schools, international development work, and public service. Now, with the devastation facing small business, rebuilding Main Street requires bold investment in entrepreneurs.

THE NEXT GENERATION ENTREPRENEUR CORPS

- **A national competition.** A selection panel of 12 leaders from the public and private sector would run a competitive process to select 320 entrepreneur fellows annually, from diverse backgrounds, to start both traditional and high growth-potential businesses in low-income census tracts.
- **Living expense and student loan support.** Fellows would receive a \$120,000 two-year stipend for living and basic startup expenses; healthcare; and interest-free federal student loan deferral for two years.
- **Advice and mentorship.** Fellows would receive an immersive business training, get matched with a local business mentor, be connected with local accelerators, and get support from a national advisory board of CEOs and Venture Capitalists.
- **Partnership with Small Business Administration's 8(a) Business Development Program.** The SBA's 8(a) program is a business assistance program for socially and economically disadvantaged business owners. The program helps these entrepreneurs gain access to government contracting. Fellows will be provided a fast track to apply for 8a certification, and fellows with 8(a) eligible businesses will be matched with mentors via the 8(a) Mentor Protégé program.
- **Access to capital.** Fellows would connect with SBA-backed lenders to receive fast-track access to credit. A new \$30 million fund would encourage private investment by providing leverage to investors who make an equity investment in a corps member's business.

*The Next Generation Entrepreneur Corps Act is endorsed by:
Center for American Entrepreneurship, the Greater Philadelphia Chamber, SCORE Foundation,
Prosperity Now, Young Invincibles, Network for Teaching Entrepreneurship,
Small Business for America's Future, Small Business Majority, BUILD.org, Engine,
Economic Innovation Group, and NextGen Chamber of Commerce*

¹ <https://www.weforum.org/agenda/2020/10/mapped-uneven-recovery-us-america-small-businesses-closure/>

² <https://www.yelpeconomiccoverage.com/business-closures-update-sep-2020.html>

³ <https://www.kauffman.org/wp-content/uploads/2019/12/capital-access-lab-exec-summary-FINAL.pdf>

⁴ <https://www.americanprogress.org/issues/economy/reports/2016/10/13/146019/a-progressive-agenda-for-inclusive-and-diverse-entrepreneurship/>

⁵ <https://www.sba.gov/sites/default/files/437-Entrepreneurship-in-Low-income-Areas.pdf>

Q&A ON THE NEXT GENERATION ENTREPRENEUR CORPS

What would the Entrepreneur Corps accomplish?

The Entrepreneur Corps would accomplish two main objectives: entrepreneurial inclusivity and increased entrepreneurship in distressed regions. The fellowship would provide much needed access to capital for entrepreneurs in underserved areas and entrepreneurs of color. Entrepreneurship has the potential to close the racial wealth divide. In 2004, families in which the head of the household was self-employed had a median net worth five times that of other households.⁶ The fellowship also requires the business to be located in a low-income census tract, incentivizing business starts in distressed areas and providing high quality jobs and investments in the community. Additionally, with increased business closures due to COVID-19, this fellowship will provide opportunity for new entrepreneurial ventures.

How can mentorship and start-up resources make a difference for an entrepreneur?

Without personal or friends and family capital, it is incredibly difficult to start a business. Ayla Bystrom-Williams is one of the founders of Honeymoon Brewery, which brews Hard Kombucha in Santa Fe, New Mexico. When she first started the venture, Ayla and her family did not have the money to contribute to her venture. She reached out to every small business resource in the state to gain mentorship, which she says has played the largest role in her business' success. She started seeking capital and technical assistance from local incubators and accelerators and pitching her plan at small business competitions. Ayla was accepted into a local accelerator that provided funding for three months. She was also able to win grants from pitch competitions to start her small business, which is now five years old.

By expanding opportunities to entrepreneurs who may not have the capital nor expertise to start a business, the Next Generation Entrepreneur Corps would expand economic opportunity to all potential entrepreneurs who previously may have been left out. The fellowship would provide an all-encompassing opportunity of access to capital strategies and mentorship to help 320 entrepreneurs like Ayla annually to start and grow a successful business. This program would also set forth a framework to expand the program to more fellows for greater impact.

Would Entrepreneurship Corps members start “high-growth” or traditional businesses?

Both. Fellows would be able to start both businesses that exist to innovate and disrupt industries as well as traditional, or “mom and pop” enterprises. The bill provides a flexible system with access to capital strategies, mentor pools, private partnerships, and training for both traditional entrepreneurs and high-growth startup entrepreneurs. This system does not categorize a fellow into one or the other, giving them flexibility to adapt and grow.

How does the program equity fund work?

To encourage private investment in the fellows' businesses, the SBA will provide a loan with a 30-year term and prime interest rate to a private investor who wishes to make an equity investment in an a corps business. The loan may equal up to two-thirds of the equity investment the private investor makes. Qualified investors are those with \$250 million in assets or less. Payments on the SBA loan will be recycled into the equity fund, to be used for investing in other Entrepreneur Corps businesses.

What about business owners who lost their business due to COVID-19?

Individuals who lost their business due to COVID-19, changed their services or business model due to COVID-19, or are brand new entrepreneurs and do not have the resources to start a new venture would be eligible to apply. This bill aims to support a broad spectrum of entrepreneurs and to select fellows with varying levels of business experience.

Are there priority groups when the committee considers applicants?

⁶ https://assets.aspeninstitute.org/content/uploads/2017/01/Briding-the-Divide.pdf?_ga=2.22517554.863278431.1602775076-889396252.1602775076

Because the intent of the program is to elevate underrepresented entrepreneurs and to increase entrepreneurship in underserved areas, there are eight preference groups for the Selection Committee to consider: racial and ethnic minorities, women, veterans, individuals moving to a distressed area to start their business, individuals who demonstrate a connection to the locality where they propose to start a business, owners of small businesses that were closed due to COVID-19, individuals who have lived in a low-income census tract for at least 2 years, individuals who have taken non-traditional career pathways, and individuals whose businesses have potential for government contracting.

What if Entrepreneur Corps businesses fail?

Business failures are part of the success of the United States economy. Henry Ford failed twice before founding Ford Motor Company. Some fellows' businesses will inevitably close, providing valuable insights for their cohort and future fellows. However, by removing the current barriers to success, entrepreneurs' likelihood of getting off the ground greatly increases. The successful businesses will provide job opportunities and economic growth for their communities while those that fail will learn and acquire skills to enable future startups to succeed.

Will the fellowship allow the government to pick winners and losers?

This program aims to provide seed money and program supports to help traditionally disadvantaged entrepreneurs get off ground, but for a business to survive and be successful, the entrepreneur would have to prove the business's viability by raising capital and demonstrating profitability.

Are there restrictions on who is eligible and/or what businesses they can start?

Those who are deemed as able to start a new venture with their current resources will not be eligible to apply. Additionally, applicants who aim to open businesses that could harm the economic development of a community are not eligible.

How does the bill ensure competitiveness of the program?

To be selected, potential fellows must go through a rigorous application process. The applicant must demonstrate that he or she has primary decision making authority and present a professional and viable business plan which identifies: a) a market for the business's goods or services in the community, b) how the applicant plans to build their small business to employ local talent, and c) a long-term vision for growth. The fellowship offers a unique ecosystem of support, including a stipend comparable to what incubators offer and other supports such as healthcare and student loan deferrals to ensure entrepreneurs can concentrate solely on their businesses. The committee is also directed to place each fellow with a SCORE chapter; SCORE aims to foster small business communities through mentoring and education utilizing a network of volunteer, expert business mentors. Additionally, to publicize the program to promising potential applicants, the committee is directed to partner with K-20 entrepreneurial programs, community organizations, venture capital firms, CEOs, and private companies.

Does this program duplicate current efforts at the SBA?

There is no national program like the Next Generation Entrepreneur Corps, but the fellowship utilizes, bolsters, and works in tandem with existing entrepreneur supports such as the 8(a) Business Development Program, SCORE, SBA loan programs, and Small Business Development Centers.

How long will this program continue?

The program is authorized for six years, or five cohorts, and is estimated to cost about \$368 million over this period. The bill requires annual reporting to Congress on the success of the fellows' businesses, including an evaluation by revenues and jobs created and sustained, small business survival rates, capital raised, and other metrics determined appropriate by the committee. If deemed successful, the committee is also required to provide a report to Congress on recommendations to expand and make permanent the program. Fellows will also be required to submit a progress report to their mentors and the committee annually.

SUPPORT FOR THE NEXT GEN. ENTREPRENEUR CORPS

“Entrepreneurship has always been a powerful driver of economic growth and job creation, and a bright pathway to opportunity, economic participation, and financial security for many Americans,” said **John Dearie, president of the Center for American Entrepreneurship**. “But, given the risks and requirements of launching a new business, other Americans—many women, people of color, and residents of low-income or distressed areas—encounter formidable barriers to the opportunities of entrepreneurship. This unfortunate reality has become all the more urgent given the economic impact of the Covid19 crisis. The *Next Generation Entrepreneurship Corps Act* will help change that. By way of the Act, 320 entrepreneur fellows will be selected each year from diverse backgrounds to launch new businesses in distressed areas across the country. Supported with startup capital, living expenses, training, and mentoring, these new entrepreneurs will have the chance to build the businesses, jobs, lives, communities, and the America of the future. The Center for American Entrepreneurship thanks Senator Chris Coons (D-DE) and Senator Tim Scott (R-SC) for their vision and leadership, and looks forward to working with them and their Congressional colleagues to see the Next Generation Entrepreneurship Corps Act swiftly enacted.”

"The *Next Generation Entrepreneurship Corps* will foster entrepreneurship in some of the most distressed communities across the country," said **John Lettieri, President and CEO of the Economic Innovation Group**. "EIG applauds Senators Coons and Scott for their bipartisan effort to establish this program for promising entrepreneurs that will provide a robust support network, mentorship, and financial assistance to new business owners who will play a critical role in the recovery of Main Streets everywhere."

“The effects of Covid-19 on the economy and communities that were already struggling because of decades of policies that led to economic marginalization before the pandemic will be long-lasting. The *Next Generation Entrepreneurship Corps Act* would make an important investment in this country's greatest asset: Its young people with bold visions for the future,” said **Kyle Southern, policy and advocacy director for higher education and workforce of Young Invincibles**. “By targeting investment in areas distressed even before Covid, this bill would infuse capital and build relationships where they are needed most to help promote a more equitable economic recovery. Young Invincibles thanks Senator Coons for leading the way on this important issue.”

"Small businesses help our communities' identity and play a vital role in strengthening our economy. However, investment in training, resources, and access to capital for prospective small business owners have long been lacking. As we look to recover from the COVID-19 economic crisis and enter a new phase of business ownership, it is more critical than ever that the gaps are filled and entrepreneurs receive the support they deserve. We applaud Senator Coons's foresight and leadership in developing an innovative program that will set the next generation of American small business owners on the path to success," said **John Arensmeyer, Founder and CEO of Small Business Majority**.

“This fellowship program will provide mentoring, entrepreneurial education, and access to capital for our nation’s most vulnerable entrepreneurs, particularly women and minority entrepreneurs, entrepreneurs from low-income areas, and entrepreneurs who were negatively impacted by the COVID-19 pandemic,” said **Betsy Dougert, Vice President of External Affairs for the SCORE Foundation**. “This bill is especially timely given the unprecedented negative impact of COVID-19 on the American small business community. Small businesses need help now, more than ever before. SCORE’s own data confirms this, with a 29% increase in services this year.”

“Prosperity Now is pleased to support the *Next Generation Entrepreneur Corps* bill, a bipartisan measure introduced to help develop the next generation of small business leaders and entrepreneurs in some of the most economically challenged regions of the United States. This is needed more than ever, as we face a new surge of COVID-19 cases and its economic fallout, which will continue to disproportionately impact

small business leaders of color and those serving low- and moderate-income communities,” said **Gary Cunningham, President & CEO, Prosperity Now**

“As one of the nation’s largest nonprofits focused on building the next generation of diverse entrepreneurs, we are all in on supporting the *Next Generation Entrepreneurship Corps Act*,” said **Dr. J.D. LaRock, President and CEO of the Network for Teaching Entrepreneurship (NFTE)**. “In a capitalist democracy such as ours, creating greater opportunity and equity means—by definition—promoting entrepreneurship. We applaud Sen. Coons and his Senate and House cosponsors for introducing this vital bill, and urge its passage.”

“The *Next Generation Entrepreneurship Corps* program will aid in the small business recovery of distressed regions. Similar to BUILD's impact on our future generation, Entrepreneurship will ignite the potential in these areas and give people hope and support to rebuild,” said **Ayele Shakur, BUILD.org CEO**.

“For too long, the entrepreneurial genius of many communities has been left untapped because of structural discrimination that makes starting a new business difficult, if not impossible,” said **Renee Johnson, Senior Advisor to Small Business for America’s Future**. “We’re excited to see this legislation invest in tackling these inequalities. When small businesses succeed, it creates a stronger economy for everyone.”

“Data proves that if given the opportunity, the vast number of Americans under 40 want to start businesses,” said **Aram Nadjarian, Chair of the NextGen Chamber of Commerce**. “But too often, they’re burdened by social and financial barriers, like student debt, that prevents them from moving forward -- with a particular impact on people of color, women, and other underserved groups. The *Next Generation Entrepreneur Corps* is an exciting step toward removing these barriers and creating a stronger and more inclusive economy.”