REGARDING THE ESTABLISHMENT OF A 5% TO START ACT FOR A RIGHT TO START

BACKGROUND

New businesses and entrepreneurs create and drive almost all net new jobs in our economy. However, our system makes it hard for them to start and grow. When entrepreneurs were asked if government favors them or big business, 81% respond that big businesses are favored over them. In fact, 69% of entrepreneurs say government doesn’t care about them and 41% of Americans would start their dream business in six months if they could. However, only 2% do.

America is in a startup slump. Since the 1970s, our country’s rate of entrepreneurship and new business formation has fallen by nearly half. These are the people who create the most jobs and raise GDP, leading to higher incomes, stronger communities, lower inequity, and less poverty.

In 2021, three CSG South state legislatures, Missouri, Florida and Oklahoma, filed and/or advanced various types of pro-entrepreneur and growth legislation to support everyone’s right to start. Specific to this policy position paper and adopting, the major focus is on 5% to Start Act - SB 1838 sponsored by Senator Adam Pugh in the Oklahoma State Senate. The premise of the 5% to Start Act is for a state to allocate 5% of current government contracts to businesses under five years of age. This will change the trajectory of so many young and small businesses throughout a community and state. One government contract can transform a young businesses trajectory and lead to things like a bank loan, new customers or partners, and further legitimacy to grow faster and create more jobs. This 5% will have a minimal impact on big businesses and have a huge effect on young and small businesses.

States can adopt a requirement for 5% of state government contracts be awarded to companies under five years old or they can ramp up to this and encourage setting a state goal of 5%. Additionally, states can look to Missouri Right to Start Act – HB 1590 and implement, add or begin with a data tracking component of state government contracts to see just how many are going to companies under a certain age. This legislation has passed the Missouri House and Senate.

The 5% to Start Act helps all different types of young businesses from kitchen tables to main streets to office settings. With company examples as far apart as tech / software development to landscapers / lawn companies, government contracts awarded to young and small businesses change communities, livelihoods, and often, lead to better efficiency and outcomes.

Coming out of Covid-19, now is the time for states to realize what young and new companies will do for their economy, attractiveness, and overall business climate. Adopting 5% to Start will create a domino effect of success throughout the country and benefit every state and their local economies.

RECOMMENDATIONS

The Council of State Governments Southern Office supports and encourages the creation of 5% to Start Acts throughout our region and country. Legislators can look towards the model legislation in Oklahoma on 5% to Start and pieces of the Missouri Right to Start Act that address tracking of data on government contracts and young companies. With young and new companies under five years of age creating the most net new jobs in our economy, it’s important for our member states to encourage and adopt policy that alleviates barriers for them. The 5% to Start Act is integral to doing this now and should be put forth throughout the Council of State Governments Southern Office member states.
The Council of State Governments Southern Office requests that a copy of this policy position be forwarded to its member states' governors, lieutenant governors, and legislative presiding officers.