



## Use American Rescue Plan Act funds to promote entrepreneurship and business contracts for minorities and women

### Background

On August 24, 2021, accelerateSC issued its [“Final Report and Recommendations For Expenditure of Federal Funds”](#) that South Carolina will receive from the American Rescue Plan Act (ARPA). The Report made recommendations for how the state should use approximately \$2.5 billion to “have a long-term, positive impact on the citizens of South Carolina and continue the state’s economic resurgence in light of the negative effects of COVID-19”. All ARPA funds must be used for allowable expenses incurred by December 31, 2024.

The Report gave specific proposals to address issues that would have “generational, positive impact” on South Carolina. All the recommendations complied with the “permissible uses” of the ARPA funds. The report included specific dollar amounts for each recommendation.

The business section of the Report, “Business Grant Program/UI Trust Fund”, recommends that \$250 million “be set aside for later use to fund a small business grant program, or to replenish the UI (*unemployment insurance*) Trust Fund should circumstances dictate those expenditures.”

Other than tourism, the accelerateSC committee making recommendations did not have members representing small businesses. The committee membership represented the following industries:

- Banking
- Higher Education
- Multi-State Real Estate Development
- Multi-State Building Maintenance and Staffing
- Health Insurance Companies
- Tourism
- Pharmaceutical Manufacturing
- Telecommunications Service Providers
- Local School Districts
- Local Government

## **The Issue**

The recommendation by the accelerateSC committee to set aside \$250 million for future business needs, “Business Grant Program/UI Trust Fund”, gives the SC Legislature time to carefully plan how the funds can be used for “generational” impact.

The committee’s report was dismissive of using the ARPA funds for the growth of small businesses citing 6 pre-existing or planned federal programs “to help businesses as a result of the COVID-10 pandemic.” Consequently, the conclusion must be drawn that the \$250 million set aside will be largely used to, as stated, “replenish the UI Trust Fund should circumstances dictate those expenditures”.

While protecting existing businesses from increase UI costs due to COVID-19 is a valuable use of the ARPA funds, the General Assembly has already used \$920 million of federal CARES Act funding to replenish the UI Trust Fund and freeze business rates at 2020 levels.

## **Recommendations**

We recommend that the SRS & ARPA Appropriations Ad Hoc Committee address three critical areas addressing small business needs before finalizing its recommendations for this one-time money.

### **“Business Grants and UI Trust Fund”**

- Our underserved and rural communities are starving for entrepreneurship and small business growth. Minority and women-entrepreneurs are being held back by lack of capital (grants/loans) and insufficient training/technical assistance/business mentoring before and after having access to capital, if they receive it.
- While existing non-profits that serve small businesses are underfunded and resourced, giving them more funding is not sufficient to achieve generational impact.
- A statewide plan for efficiently, effectively, and proactively growing minority and women-owned businesses in our underserved and rural communities using systemwide information, problem-solving and professional guidance should be launched with some of the \$250 million set-aside funds and before the balance of the funds are distributed under a plan.
- A model for such an effort is a program in the Western part of the state of New York ([Open4](#)).
- Federal programs do not address this need.

### **Technical college/workforce training:**

- A real-world analysis of technical college training needs for workforce development should be completed utilizing some of the funding and prior to distribution of balance of the funds for workforce development. This analysis should address:
  - Capacity building - tech schools

- Workforce development plan of real needs in occupational trades:
  - Engineering
  - Survey
  - Drone
  - Manufacturing
  - Agriculture
- Measurable results for Technical College System training programs

**Ensuring minority and women-owned businesses benefit from ARPA**

- Specific goals should be established that will result in increased business opportunities for minority and women-owned firms to benefit from contracts with ARPA funded programs.

We would be happy to discuss these recommendations.

Sincerely,