

# ENTREPRENEURSHIP IN STATES

Fostering a  
Startup-Friendly  
Economy



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# FOREWORD

When we talk about entrepreneurial ecosystems, there’s an equation that comes to mind:  
 $3 + 997 = 1,000$ .

Each month, three out of every 1,000 people in the United States will start a new business. Those three people are the entrepreneurs in your community working to take charge of their own economic futures. These entrepreneurs are vital to your community’s entrepreneurial ecosystem. However, the ecosystem also couldn’t exist without the other 997 people who aren’t starting businesses – but who can boost businesses in ways that really matter.

The 997 are the mentors, advisors, friends, support organizations, customers, experts, investors, policymakers, and others who play important roles in growing the local and state entrepreneurial ecosystems.

Real leadership comes from the state level. States are incubators of innovation. And as a leader in your state, you are instrumental to the success of its ecosystem. You know that an entrepreneurship-centric approach to economic development is the way to a stronger economy. You can take action locally, and you can lend your voice nationally. At the state level, you and your fellow ecosystem builders can experiment with new ideas, establishing guiding principles and serving as an example for other states to follow.

Big companies often dominate the economic landscape. Case in point: Amazon HQ2. More than 200 cities competed to host Amazon’s HQ2 with its promise of 50,000 jobs. But rallying behind a single corporation left many cities with nothing to show for it. A lot of time and energy was wasted on trying to attract one big business. Those efforts could have instead been directed toward growing your own businesses right from where you are.

We don’t tend to think about the individual trying to build something that could become something big, yet so many big things start on the individual level. By empowering those on the ground through policy, setting an example for other states, championing entrepreneurs, and more, you can create equal opportunity and access for your community. This grassroots model allows for a more personal connection to entrepreneurs and a greater understanding of the obstacles they face in your ecosystem.

When the voices of entrepreneurs are heard and addressed, it leads to an economy that’s equipped to maximize. This unleashes people’s abilities to create their own economic futures, resulting in more jobs for everyone.

In your role as governor, you can invigorate your state’s economy by making entrepreneurship a priority. When the three and the 997 work together, the ecosystem thrives.

**Victor Hwang**, Vice President, Entrepreneurship  
 Ewing Marion Kauffman Foundation



# EXECUTIVE SUMMARY

States are increasingly devoting more attention to an important, if sometimes overlooked, tool for economic development: fostering entrepreneurship. Governors can help revitalize regional economies through strategies that allow entrepreneurs to bring products and services to market.

Entrepreneurship can help overcome economic challenges—from growing global competition to lagging rural areas—as well as vocational barriers. There is an opportunity to spark entrepreneurship in young adults who are disconnected from the workforce, in mid-career adults and retirees seeking new opportunities, and in parents who desire flexible employment options.

Governors can play essential roles by setting a vision and helping others understand the need for a long-term approach. Governors’ approaches to messaging include touting their states’ entrepreneurial attributes and championing entrepreneurs through social media. They also issue challenges, awards and proclamations, such as for their state’s Entrepreneurship Week.

Governors serve as the connective tissue for entrepreneurial venturing in their states. This includes, for example, attracting interest in angel networks and connecting with global businesses, industry and technology leaders, anchor institutions and community colleges, as well as taking advantage of international programs for promoting entrepreneurship. As the state leader and CEO, the governor is uniquely positioned to coordinate with stakeholders both across and beyond the state to elevate entrepreneurial opportunities and bring together public resources with private investment.

Other roles include providing the financial amenities that entrepreneurs need, such as government-supported small business loans and venture capital, making the state’s regulatory and tax environments competitive, and working to ensuring adequate broadband infrastructure.

Since entrepreneurship occurs in “ecosystems” — locations such as cities and regions with connected resources that help entrepreneurs navigate — it helps when governors coordinate and connect their state’s entrepreneurial ecosystems into a statewide “mega ecosystem” so that the networks can learn from each other. Exemplary strategies addressed in this report include:

- Capitalizing on current national initiatives such as the Rise of the Rest tour and Kauffman Foundation’s Zero Barriers movement;
- Taking the pulse of a state’s ecosystem;
- Establishing a long-term vision based on state assets;
- Providing financial amenities;
- Making a state’s regulatory environment competitive;

- Understanding the importance of broadband;
- Finding entrepreneurs in underserved communities;
- Supporting comprehensive rural programming;
- Using the governor’s bully pulpit to praise the state’s ecosystem and entrepreneurs;
- Aligning diverse interests such as corporate, philanthropic, nonprofit and educational resources; and
- Catalyzing networking events in state and beyond the state, regionally and internationally.

Leadership on policy options makes a difference in prioritizing entrepreneurship as part a state’s economic agenda. A state can improve its overall chances of success by consciously involving underserved and rural communities through holistic statewide programming and by finding and helping entrepreneurs wherever they are.

A variety of states are putting entrepreneurship at the top of their economic agendas. State examples explored in the report include:

- Colorado’s multi-year data gathering;
- Montana’s leveraging its assets;
- Tennessee’s long-term approach;
- West Virginia’s Jobs Investment Trust program;
- Pennsylvania’s Business One-Stop Shop;
- New York’s state broadband initiative;
- Maryland’s Opportunity Zone strategy; and
- North Carolina’s approach to serving rural areas.



# INTRODUCTION

In the face of changing economic conditions and growing global competition, governors are taking a proactive role in creating a 21st-century economic agenda for their state and looking at entrepreneurship to revitalize their regional economies.

Why is this topic gaining attention and growing in importance? Data indicate that during every year since 1988, new businesses (firms less than five years old) created more net jobs than firms six years or older.<sup>1</sup> In other words, nearly all net new job creation comes from new and young businesses. Entrepreneurship has a great deal of potential to grow state economies. Given this potential, certain high-profile initiatives have recently been launched to promote entrepreneurship around the nation and the world:

- The Rise of the Rest tour is focused on bringing outside investment to mid-America and emerging startup regions other than California’s Silicon Valley, Boston and New York. The tour and its related fund, called Revolution, were both initiated by Steve Case, founder of America Online.<sup>2</sup>
- The National Urban League’s Entrepreneurship Center Program is focused on promoting inclusive entrepreneurship in urban and inner-city environments.<sup>3</sup>
- Endeavor Global, headquartered in New York City, and the virtual Global Entrepreneurship Network are both working to expand entrepreneurship globally.<sup>4,5</sup>
- The United States-based Ewing Marion Kauffman Foundation is focusing on several fronts: data collection and analysis, removing barriers to entering the market through the Zero Barriers movement, expanding state advocacy, providing grants to entrepreneurial support organizations (ESOs) and many related activities.<sup>6</sup>

However, the emergence of those and other initiatives is not just because of the importance of entrepreneurship for the economy. In spite of entrepreneurship’s potential, in actuality there has been a steady decline in the rates of new startups over several decades. This decline may come as a surprise to many, given the prominence of companies such as Google and Facebook that began as startups within the last generation. Nevertheless, the data show a long-term decline in the rate of new firm formation in every state since 1980, with a small uptick from 2014 to 2016 following the Great Recession.<sup>7</sup> This shift translates into reduced economic growth and fewer job opportunities over time.

While this long-term decline continues, three additional trends are changing the nature of entrepreneurship:<sup>8</sup>

- The U.S. population is becoming increasingly diverse, but the population of entrepreneurs is still primarily made up of white males. In fact, more than 80 percent of entrepreneurs are white, and almost 65 percent are male.<sup>9</sup> If minorities and women were initiating startups at the same rate as white men, there would be many more entrepreneurs in America today.<sup>10</sup>
- Silicon Valley, the Route 28 corridor and the Austin, Texas, region continue to be recognized as regional entrepreneurial hubs, but similar hubs are emerging in states besides California, Massachusetts and Texas. The newer hubs are located in mid-sized metropolitan areas, contributing to an urban-rural divide in entrepreneurship.
- When companies start up in this age of information technology (IT), they do not tend to hire as many workers as companies did before the advent of IT platforms. IT applications perform many tasks that humans did in the past, making it possible for startups to grow revenues but not as many new jobs.<sup>11</sup>

These issues related to demography, geography and technology may trend for decades.<sup>12</sup> Meanwhile, the current surge of interest in the possibilities of entrepreneurship in the center of the country is resulting in a commitment to long-term regional economic resiliency based on home-growing startups.

With this growing interest and momentum, the National Governors Association Center for Best Practices (NGA Center) hosted a roundtable in late 2017 that brought together national experts and thought leaders to address what governors can do to help foster entrepreneurship. Many of the concepts presented in this paper were discussed at that event, including roles governors can play and examples of well-functioning state initiatives. This paper builds on that discussion by exploring the nature of entrepreneurial ecosystems.<sup>13</sup>

## BACKGROUND

# Entrepreneurial Ecosystems

Regions and metropolitan areas have many characteristics that entrepreneurs would consider assets, including the people, local cultures that value entrepreneurship, policies and regulations supporting entrepreneurship, human capacity (for example, skills and mentors) and the availability of financial resources.

Entrepreneurial ecosystems within states are not one size fits all. They each have their unique characteristics and attributes. Their most basic elements are shown in the accompanying text box.

Many states have sites that serve as physical spaces for entrepreneurs, including incubators, accelerators, innovation hubs, co-working spaces, commercial kitchens, lab spaces, research parks or other labels. They are considered key assets in their localities because they accommodate the social networking of entrepreneurs and mentors. The spaces and networks are operated by ESOs — often private firms or nonprofits that provide the expertise and training for human capacity building. These support services help entrepreneurs survive the early period of failure to which so many startups are susceptible.

The social infrastructures based on the physical spaces tend to be unique, but some common characteristics can be identified across the social environments of entrepreneurs. Entrepreneurs have affinities for networking, personal connections and a culture of openness to new ideas. Lifestyle and quality of life are also important to them. The local atmosphere in entrepreneur-friendly environments can include restaurants

## ELEMENTS OF AN ENTREPRENEURIAL ECOSYSTEM

According to the Kauffman Foundation's Entrepreneurial Ecosystem Builder Playbook,<sup>14</sup> a thriving entrepreneurial ecosystem includes these key elements:

- Entrepreneurs who aspire to start and grow new businesses and the people who support them.
- Talent that can help companies grow.
- People and institutions with knowledge and resources to help entrepreneurs.
- Individuals and institutions that champion entrepreneurs and the ecosystem.
- Onramps (or access points) to the ecosystem so that anyone and everyone can participate.
- Intersections that facilitate the interaction of people, ideas and resources.
- Stories that people tell about themselves and their ecosystem.
- Culture that is rich in social capital — collaboration, cooperation, trust, reciprocity and a focus on the common good.

and night life as well as outdoor recreational opportunities and parks, which contribute to the overall ambience of the place. The quality of the local schools is important to knowledge-based entrepreneurs. Main street businesses such as coffee shops are among the linchpins that make communities attractive. All these intangible characteristics combine to create a culture that is attractive to businesses starting up and moving in.

Entrepreneurial ecosystems can be viewed as networks of peers, events and capital, including the social and intellectual capital gained through peer learning and mentors. The outputs of the networking tend to be reinvested, creating new talent, knowledge, capital and profits. The cycle of reinvestment generates amenities that build on the original investments, creating value for the region. Silicon Valley is the quintessential model for how this cycle of reinvestment plays out.<sup>15</sup> Patterns emerge and eventually lead to the formation of a value proposition for the locality – and for the entrepreneurial community itself, which often becomes self-supporting. There are smaller examples than Silicon Valley: In Mansfield, Ohio, a coffee shop that earns about \$1 million per year in revenue has added a bakery – another, separate small business – inside the coffee shop. Similarly, in Phoenix, Arizona, a bike shop now houses a coffee shop within its doors.

In less healthy ecosystems, the entrepreneurial communities are fragmented rather than networked. State-level economic development organizations (EDOs) can help link entrepreneurs by, for example, subsidizing their participation in a peer group to make it affordable or by providing technology to connect entrepreneurs where peers do not exist.<sup>16</sup> States can also offer supportive regulations for startups working to help each other succeed. Entrepreneurial communities linked at the state level can form a larger, stronger network together.<sup>17</sup> Peer learning and peer support networks among entrepreneurs can be powerful – and successful, according to an entrepreneurial coach with 1 Million Cups who organizes volunteer “compass groups” of entrepreneurs who “navigate” themselves.<sup>18</sup>

An important issue for the success of state entrepreneurship initiatives is determining how the state EDO can best function together with regional and local ESOs to support the entrepreneurial communities in the state. Successful entrepreneurial communities tend to have cultures that allow for the easy creation and existence of public-private partnerships (PPPs), so it is in a state’s interest to reach out to the private and nonprofit ESOs that operate entrepreneurial spaces and networks. Lack of a public-private culture can be an impediment to entrepreneurship and so must be addressed. PPPs work to combine the ESO cultures of innovation, experimentation and risk taking with the operational efficiencies and similar types of advantages that EDOs bring to the table.

## Taking the Pulse of a State's Entrepreneurial Ecosystem

How can a governor learn about his or her state's entrepreneurs, communities of entrepreneurs and their ecosystems? To keep entrepreneurs in state, it is important for governors to listen to local entrepreneurs about not only their traditional needs, such as access to talent and capital, but also their needs for other support, such as networking opportunities.

One method of seeking input from the state's entrepreneurial community is to follow Illinois Gov. Bruce Rauner's example and conduct a local business roundtable. Early in 2018, Gov. Rauner moderated an entrepreneur roundtable discussion coordinated by the Greater Peoria Economic Development Council and hosted by the Peoria NEXT Innovation Center at Bradley University. Conducting the event on campus provided visibility for the university's assistance to the state's entrepreneurs. At the event, the governor sat down with resident entrepreneurs to hear about their experiences, their businesses and their ideas about what the state could do to create a better environment for their endeavors.<sup>19</sup> The governor spoke of several initiatives he was considering pursuing, including regulatory relief and the possibility of the state matching outside grants to startups. He left with ideas to pursue, including connecting the entrepreneurial community in Chicago to the community in Peoria and other parts of the state. It is important to emphasize that a roundtable for entrepreneurs is not necessarily the same as a small business roundtable; when the goal is to support entrepreneurs starting and growing new and young businesses, governors must talk to new and young (in terms of business age) entrepreneurs.

Another approach for becoming familiar with the state's entrepreneurs and their issues is to appoint an advisory group to gain insights. In Nevada, Lt. Gov. Mark Hutchison chaired an Entrepreneurship Task Force charged with addressing the needs of the state's startup and small business community.<sup>20</sup> The task force, which was a public-private group representing each key region of the state, met quarterly for a year to draft a master plan for entrepreneurial development in the state. The plan considered how to increase collaboration among the state's entrepreneurial communities and raised the idea for an Entrepreneurial Summit to share best practices. It also identified possible legislative options.

When assessing the needs of entrepreneurs, another step involves quantifying the state's entrepreneurial ecosystem and amenities. Because of the public-private nature of entrepreneurship, a complete assessment involves measuring not just the public components, such as EDOs, but also the quasi-public and private aspects — the entire entrepreneurial ecosystem.

In Colorado, Gov. Jon Hickenlooper has been cultivating an entrepreneurial environment ever since he started the state’s first brew pub after being laid off as a geologist, decades ago. Early on, his new business catalyzed the rebirth of lower downtown Denver. As governor, he worked to make Colorado a transparent environment for other entrepreneurs to take risks and succeed. Now the state’s decision making on policies related to entrepreneurship is increasingly based in data and accountability. The text box below describes the purpose of Colorado’s annual survey and what it has been used for most recently.

The Colorado example illustrates the value of aggregating and applying data to inform investments in supporting entrepreneurs. Colorado is not alone in doing so, however; governors and their advisers in other states are tapping into a range of tools to access and track data about their states.

Those sources of assistance include:

- The U.S. Census Bureau, in collaboration with the National Science Foundation’s National Center for Science and Engineering Statistics has started collecting data for a new survey called the Annual Business Survey, which will provide statistics on minority-owned businesses and measure other business and business owner characteristics (for example, firms, receipts, payroll, employment) by demographic characteristics such as gender, race, ethnicity and veteran status.<sup>21,22,23</sup>
- The U.S. Bureau of Labor Statistics tracks the age of businesses, comparing cohorts of new business establishments “born” in the same year and their employment rates.<sup>24</sup>
- The Indiana Business Research Center at Indiana University has been gathering and interpreting economic data for many decades about regional ecosystems and how they scale. The center provides this information to businesses, governments and nonprofit organizations (NPOs) not only in Indiana but also throughout the nation, including the U.S. Economic Development Administration (EDA).<sup>25</sup>

There are also tools to assist a state in gathering its own data. For example, a tool for identifying existing resources and assets is available through SourceLink.<sup>26</sup> As another example, the Rainforest Scorecard is a tool for conducting a cultural assessment of an entrepreneurial ecosystem and its component organizations, particularly their innovation potential.<sup>27</sup>

Armed with knowledge about their entrepreneurial ecosystems, governors and states can integrate this data with additional necessary information about their state assets and other characteristics to formulate a long-term vision for entrepreneurship.

## COLORADO DATA GATHERING USHERS IN NEW STATE INITIATIVE

The state of Colorado's economic development function is handled by the governor's Office of Economic Development and International Trade (OEDIT), although the data activities that OEDIT is now pursuing actually began as a pilot project in the state's budget office. These activities now include an annual survey of entrepreneurs and a related survey of rural areas. OEDIT's hope is that the successful outcomes of these data activities will become institutionalized and passed on from administration to administration so that the state is poised over time to aggregate data that may originate in separate offices.

A traditional state economic development function involves the creation of a state dashboard based on economic indicators such as the state's industry sectors. The state of Colorado has been supplementing this traditional data function with an additional angle. Through trial and error with its survey over several years, the state has learned how to quantify several important aspects of the state's regional entrepreneurial ecosystems.

In an effort to keep their resident entrepreneurs in the state rather than losing them to other states, Colorado's annual survey of entrepreneurs and startups asks how the state is doing. The objective is to measure how satisfied entrepreneurs are with the support they are receiving from their state and local government. It is an exercise in measuring what entrepreneurial success can be attributed to, where the entrepreneurs are viewed as customers being served by their communities and gaining benefits from operating in those localities. Analyzing the value of a particular community through the perspective of its entrepreneurs enables the state to determine how entrepreneurs decide whether it is "worth it" to start a business in their community. The entrepreneurial communities and their ecosystems are measured year by year, so the trends and changes can be tracked over time. The annual survey responses help the communities understand how their value propositions change from year to year.

The Colorado survey attempts to gain entrepreneurs' perspectives on the benefits they gain from these aspects of the state's regional ecosystems:

- The existing entrepreneurial network, including its peers, leaders and events — sometimes referred to collectively as the ecosystem's "brand."
- The community's quality of life and vibrancy, walkability, gathering spots, urban feel (or the feel of rural main streets), outdoor options, time required to get around and cost of living.
- Availability of talent.
- Access to capital.
- Predictability of the tax climate and related policies.

Having the entrepreneurs' perspectives of those factors will show the value they attach to them in their communities and their loyalty to their locality. The resulting data help local leaders understand their community's value proposition. That value proposition can drive stay-or-go decisions for entrepreneurs. The survey findings empower decision makers to maximize the community's value by focusing scarce resources on the greatest opportunities for improvement. This approach helps foster loyalty and engagement, which in turn generates growth and development and creates even more value for the region — the cycle of reinvestment in action.

Based on the survey findings, it turns out that in Colorado, the local atmosphere and existence of startup networks in the state are more important benefits to entrepreneurs than access to capital. In terms of reputation, a supportive business community and cohesive image are more important than the actual number of business successes and exits. A cohesive image relates to the perception of the outside world as to whether local leaders cooperate and collaborate effectively. Based on the survey findings, Denver, Boulder and Fort Collins are three metropolitan areas with reputations for having entrepreneurial communities and cultures that are comfortable with public-private ways of doing business. The survey also showed that after overcoming some challenges, the city of Grand Junction has a new attitude and is attracting new individuals to its entrepreneurial community. That new attitude is now becoming "engrained in the city's DNA." Largely based on the survey results, a new Startup Colorado initiative will soon be implemented, with \$500,000 to \$700,000 in state support providing seed funding for startup networks in locations around the state.



# ANNUAL STARTUP SURVEY | 2017

## BENEFITS

IMPACT WEIGHT

32%



—



9%



40%



19%



100%

## COSTS

IMPACT WEIGHT

32%



32%



36%



100%

## REPUTATION

IMPACT WEIGHT

17%



11%



14%



58%



100%

## DEFINITIONS

### NETWORKS

knowledge and experience of other entrepreneurs and connections with mentors, leaders, investors, and talent via groups and events

### LOCAL ATMOSPHERE

recreation opportunities, outdoor environment, a culture of openness to new ideas, restaurants, nightlife, lifestyle options, and the quality of the broader community (such as schools, parks, etc.)

### COHESIVE IMAGE

the perception of the outside world with regard to cohesion and cooperation among community members and your community's reputation for being a place where people collaborate effectively

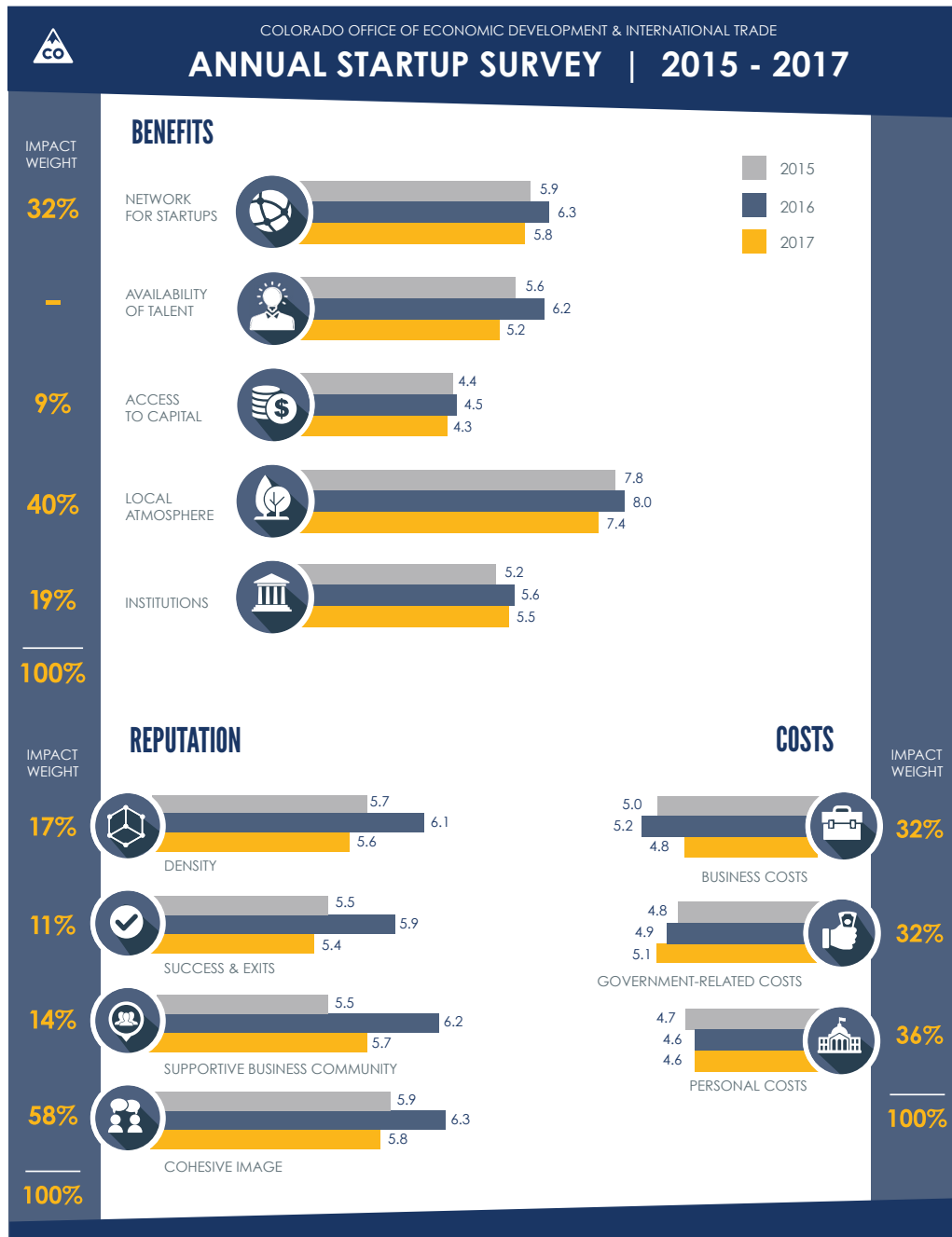
8

Good overall score

6.5

Colorado score





**Figure 1:** The Colorado Governor's Office of Economic Development and International Trade (OEDIT) has collected data on its entrepreneurial ecosystems each year since 2015. The first page of this graphic summarizes the data for 2017. The data indicate quantitatively: 1) the benefits that entrepreneurs perceive they are receiving for startup networks, availability of talent, access to capital, local atmosphere, and institutions; 2) the entrepreneurs' perception of the area's reputation in terms of density, success and exits, supportive business community, and cohesive image; and 3) entrepreneurs' perception of the costs involved in maintaining the benefits and reputation – business costs, government-related costs, and personal costs. The second page of the graphic compares the data for 2017 with the same data for 2016 and 2015. Definitions are provided for several of the terms used.

## Establishing a Long-Term Vision Based on State Assets

After developing consensus on entrepreneurial goals to be pursued, such as Nevada did with its Entrepreneurship Task Force, a governor can precipitate a vision for entrepreneurship based on the state's assets and other strengths. Entrepreneurial asset mapping is a traditional function for state economic development. Every state has certain core assets to build on, whether they are intangible qualities such as beautiful natural resources or more tangible physical infrastructure and institutions.

There are a variety of ways to analyze a state's assets that impact entrepreneurship, whether viewed from the state, regional or local level. One such process involves identifying strengths, weaknesses, opportunities and threats or challenges. There are also apps and tools for digitizing assets on maps, enabling an initiative's collaborators to visualize common areas for opportunities in regional business environments.<sup>28</sup> Whatever the process for inventorying assets, the assets should include all resources and funds anticipated to be available – federal, state, local, charitable and private. As an example, in a technology-based ecosystem, the patents available for licensing through the state's university system would be considered part of the asset base for a region's entrepreneurial ecosystem. A state's assets may form the basis for other state strategies as well (e.g., clusters, which can serve as breeding grounds for startups); however, such strategies are not synonymous with ecosystems as noted in the accompanying text box. Entrepreneurship as a policy area is still evolving, and many would say that it does not yet have a widely shared language which can be a deficit for policy development. Attention to terminology and definitions is useful in order for state entrepreneurship policies to evolve.

### ENTREPRENEURIAL ECOSYSTEMS, INNOVATION CLUSTERS

Although sometimes referred to interchangeably, entrepreneurial ecosystems are not the same as innovation clusters or hubs. Innovation clusters typically center on particular industry sectors. Cluster/sector strategies are not created by governors' actions alone, but governors and state activities are central to their formation, particularly when they take advantage of outside stakeholders such as industry leaders. For example, once a sector is identified as growing at an unusually fast rate, a state can support it by doubling down on the emerging cluster and its underlying sector with supportive university-based research and development or commercialization initiatives. For example, Kentucky is providing targeted sector support for a food-based cluster in Louisville.

Montana is an example of a state developing entrepreneurship strategies based on its intrinsic assets. As choosing a place first, rather than a job first becomes more common, Montana has leveraged its phenomenal outdoor recreation — along with other attributes and amenities such as its affordable cost of living and business-friendly tax environment — to grow and attract new businesses.<sup>29</sup> The non-monetary aspects of the state’s business ecosystem are important to Montana and have created an outstanding operating environment for early-stage companies. Montana’s citizens have long known that their state’s lifestyle is special — with commute times less than 16 minutes on average, stunning scenery, and quaint downtowns. Indeed, Montanans have ample opportunities to recreate in blue ribbon trout streams, golden plains, rugged mountains, or on world class ski slopes.

For these reasons, Montana is both proactively marketing and vigorously defending its extraordinary quality of life. Policies that seek to protect and enhance this way of life are consistently being advanced in a bipartisan manner in the state. Montanans have become increasingly bold and outspoken about issues such as public lands access, building standards, and environmental protection. “Outdoor recreation, especially on our public lands, is central to Montana’s economy and Montanans’ way of life,” said Gov. Steve Bullock. In announcing the state’s December 2018 Business of the Outdoors Summit, he said, “We’ll be bringing folks together from all across the state to identify opportunities to further invest in our outdoors in order to keep our economy thriving and keep Montana the best place to live, work, play and raise a family.”<sup>30</sup>

Quality of life not only keeps Montanans happy and healthy, it also keeps a steady flow of transplants moving to the state who, in turn, contribute to the vibrant entrepreneurial ecosystem. Startup employees are able to enjoy dramatically higher standards of living than they might elsewhere. To make the most of this, the state is supplementing the protection of its quality of life with a focus on ensuring strong connections within the startup community, and on making the state government easy to work with and accessible.

Largely as a result of the state’s focus on the overall business environment, Montana has consistently been ranked as having one of the highest rates of entrepreneurship per capita in the nation; from 2012 to 2016, the Kauffman Foundation ranked Montana as the number one state for entrepreneurial activity.<sup>31</sup> And Montana has one of the highest shares of business ownership in the nation.<sup>32</sup> In 2018, Montana entrepreneurs formed more than 2,940 new businesses.<sup>33</sup> Gov. Bullock has credited the state’s success to bipartisan efforts recognizing the importance of the state’s inherent assets to entrepreneurship and simultaneously recognizing the importance of entrepreneurship to the state’s economy. The state’s strategic focus is allowing businesses to grow despite national talent shortages, and Montana’s startups are leading the way in food products, biotech, software development, optics and photonics, and more.

The result of the asset identification process will not be a single magic-bullet intervention or entrepreneurship strategy that will achieve success for all the entrepreneurial communities in the state, given the differences in local assets and culture. Rather, each state will have its own set of assets to build on in designing place-based policies for entrepreneurship.

Nor will the result be a solution that can be bought or adapted off the shelf or applied quickly, given the place-based nature of entrepreneurship policies. Based on identifying assets to be used, the governor's office can facilitate discussions to develop a future-oriented vision for the state, given the long-term nature of implementing entrepreneurship policies. The vision should be flexible enough to allow adjustments to respond to the expected changes in regions over time — and given the cycle of reinvestment described earlier. Ideally, the result will be an integrated set of initiatives making up an overall state strategy.

Since coming to office in 2011, Tennessee Gov. Bill Haslam set out to make his state known as the most startup-friendly state in the nation. He took steps to achieve this long-term vision by empowering and funding the Launch Tennessee organization (known as LaunchTN) which has fostered collaborations from Memphis and Nashville to Chattanooga and Knoxville that benefit both rural and urban Tennesseans.

The accompanying text box provides further details of the connections addressing fragmentation within the state. It is easy for regions within a state to become fragmented and not have the opportunity to cooperate on entrepreneurial efforts. This challenge can be bridged through organizations and policies that purposefully address fragmentation and help connect a state's urban and rural areas through a statewide network.

## TENNESSEE'S LONG-TERM APPROACH TO ENTREPRENEURSHIP

In 2012, the Tennessee Department of Economic and Community Development (TNECD) provided the initial grant that launched a state-level public private partnership called Launch Tennessee to support the creation and growth of Tennessee early-stage startups. The commissioner of TNECD, who also chairs the LaunchTN board of directors, notes that LaunchTN is a critical component of the state's economic development strategy.

For the last six years, LaunchTN has developed and managed an assortment of entrepreneurial assets to increase innovation and long-term economic growth for the state. The organization offers access to expert mentors across a range of industries. LaunchTN also produces the annual 36|86 Entrepreneurship Festival, which brings together entrepreneurs with Fortune 500 decision-makers, industry leaders high-growth startup successes and investors and community developers. Since the formation of LaunchTN, the state:

- Built a collaborative statewide network of six entrepreneur centers, numerous network partners and mentors in diverse industries.
- Developed and funded programming across the state that offers knowledge and connections in industry sectors such as music, logistics, health care, advanced energy, three-dimensional printing and digital media.
- Established a Creative Communities program (now called Discover Entrepreneurship) for outreach to rural communities and underserved urban areas. LaunchTN awards approximately \$2.5 million annually to 25 partners across the state who are providing entrepreneurial programming in communities across Tennessee's 95 counties.
- Started the annual 36|86 Entrepreneurship Festival, now the largest entrepreneur and investor conference in the Southeast.
- Developed and implemented a new angel tax credit to spur more early stage

investment in the state. In the first year, 30 percent of the credits were provided to new angel investors.

- Designed and implemented a new Small Business Innovation Research (SBIR) Matching Grant program, which has awarded 24 grants and leveraged \$16.7 million in federal funding in the two years since inception.
- Launched a new Impact seed fund to provide crucial early-stage matching capital to companies with a double bottom line.
- Started a statewide venture challenge across the colleges and universities in Tennessee with the finalists pitching at 36|86 for more than \$50,000 in cash awards.
- Cultivated more than \$2 billion in investment in early stage Tennessee companies since 2012 with the annual average representing a 100 percent increase from 2012.
- Helped accelerator-assisted companies in the state raise \$415 million.
- Contributed to the creation of more than 2,200 jobs in the state.

LaunchTN is emphasizing community outreach to "innovation blind spots." In the most recent fiscal year, TNECD provided \$3.8 million to LaunchTN to support organizational needs and grants to various partners across the state. For example, LaunchTN provides Discover Entrepreneurship grants to connect rural and underserved populations through a network of local ESO partners around the state so that the communities can develop entrepreneurial programming, training, education and events customized for the unique local community.

To increase entrepreneurial activity and attract more capital regionally, LaunchTN recently began a partnership with Kentucky and Ohio. Similar types of collaborations between states could enable them to amplify each other's activities across the region while also bringing together leaders at all levels of government.

## Providing Financial Amenities for Entrepreneurs

Access to capital for startups is a traditional and recurring theme. Entrepreneurs' call for financial amenities will invariably include a request for help with access to capital. The Kauffman Foundation has found that more than 80 percent of entrepreneurs are not served by venture capital (VC) or banks.<sup>34</sup> Capital is also not distributed evenly across the country. It is widely acknowledged that just three states receive 75 to 80 percent of private capital investments.<sup>35</sup> Also, capital is not distributed equitably across diverse communities of entrepreneurs. Having alternative sources of capital and new ways to deploy capital to entrepreneurs can be crucial for disadvantaged entrepreneurs in particular. According to the U.S. Census Bureau's annual survey of entrepreneurs, among firms that started with at least \$100,000 in capital, only 4 percent were Hispanic owned and 1 percent was black owned.<sup>36</sup>

Governors can help communities become hubs for private investment in many ways. Until recently, small businesses were serviced by the funds that went to states from the State Small Business Credit Initiative (SSBCI), a federal program from the U.S. Department of the Treasury that began after the Great Recession and ended in 2017.<sup>37</sup> Governors now have the opportunity to use the revenues from the revolving loans and seed capital funds that began under the SSBCI program.

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Furthermore, a number of best practices and model programs emanated from the SSBCI program and offer options for states continuing in this area.<sup>38</sup> Through the program, states set up quasi-public agencies such as economic and community development corporations, business financing authorities and housing authorities; states also contracted with private entities, including community development financial institutions, business development corporations and private VC funds.

A state program in West Virginia is among the exemplary state programs that emanated from SSBCI. Using a \$13.2 million allocation from the federal government through SSBCI, West Virginia operated three credit support programs and a VC program through the West Virginia Jobs Investment Trust Board (WVJIT), a state-sponsored nonprofit that has managed small evergreen funds in the state since 1992. Prior to the SSBCI, the state had invested \$19.2 million in early stage investments in 25 small businesses that resulted in \$350 million in private financing. With the \$13.2 million from the SSBCI, the state then put \$6.8 million into the VC program and \$6.4

million into a subordinated debt, collateral support and loan guarantee programs.<sup>39</sup> By using eight economic development agencies located throughout the state as its distribution network, the West Virginia Capital Access Program, WVCAP (which is how WVJIT marketed the state’s SSBCI program) helped ensure widespread use of SSBCI funds throughout the state, including in rural areas.

For the state’s SSBCI program, the governor’s office selected WVJIT to convene multiple public and private organizations to discuss strategies for deploying SSBCI capital before approving WVJIT’s plan to create the statewide WVCAP program. This included creation of a Seed Capital Co-Investment Fund (SCCF) alongside the state’s loan program. The SCCF provided seed and early-stage equity investments for technology entrepreneurs in a state where there are no active resident VC firms. From the beginning, the WVCAP required a critical underwriting review from the respective economic development agency on each deal and a vote by the WVJIT WVCAP Advisory Committee on the qualitative aspects of each deal. The WVCAP Advisory Committee was an Ad Hoc Committee of the WVJIT Board. The WVJIT Board consists of 13 members, including five ex officio and eight gubernatorial appointments, so it is classified as an investment fund managed by a state-sponsored nonprofit organization.

Following the end of the SSBCI program, the WVJIT transferred the rights to the SSBCI capital investments to regional nonprofit venture development organizations (VDOs). This policy was intended to help establish multiple small evergreen funds managed by regional partners who would reinvest returns on capital lent and invested back into the funds rather than distributing them. This model to transfer the financial interests in SSBCI investments to partnering organizations was unique and innovative. The WVJIT program managers confirmed that this decision helped support the creation of regional microfunds such as organized angel investor groups and regional VDOs actively sourcing investments and providing co-investment capital, particularly because the state did not previously have any such funds or groups. WVJIT leaders are hopeful that the SCCF results will ultimately encourage state legislators to revisit renewed funding for seed and early stage equity funds.

Another unique aspect to WVCAP was the statewide Operational Assistance Program. This program, funded by grants received from the state’s Department of Commerce and the Benedum Foundation, provided assistance to 30 companies on drafting business plans, updating financial models, implementing accounting systems and market research.

States have many financial options for helping entrepreneurs that may not necessarily require up-front outlays. To help supply needed skills for startups, the tax credits can be expanded to target small employers that offer apprenticeship programs or support emerging nonprofit training academies. When woven together, financial initiatives can form the framework for a package that comprises a state’s overall entrepreneurship capital strategy.

Take the angel fund supported by the Tennessee Department of Economic and Community Development, which launched in early 2017.<sup>40</sup> Investment tax credits can help a state expand its population of investors, so Tennessee passed an angel tax credit, with a maximum of \$50,000 available per investor.<sup>41</sup> The program applies a 33 percent credit to the tax liability of the angel investor, who invests a minimum of \$15,000 in early stage Tennessee companies that are eligible for the credit.<sup>42</sup> In 2017, the state allocated a maximum of \$3 million toward tax credits available to investors.

In addition to the above incentives, disadvantaged entrepreneurs are increasingly looking to alternative types of financial help, such as funding from family foundations – and governors can help by working to develop the connections that promote such linkages.<sup>43</sup> In addition, there are a variety of additional financial alternatives, such as state microloans for entrepreneurs in targeted sectors or state savings incentives programs for young entrepreneurs.<sup>44</sup> Another new form of financing is provided by Telluride Foundation’s Venture Accelerator Program which offers revenue-based financing for entrepreneurs that fills the gap between traditional debt and equity financing and is aligned with the growth and phases of each business.<sup>45</sup>

A long-term goal, however, would be for the state’s entrepreneurial communities and ecosystems to become so attractive that they become hubs for private investment. Once cities and smaller metropolitan areas outside Silicon Valley (and other, more traditional hubs) become new investment hubs, this will be a sign of success for entrepreneurship initiatives in this country.



# Making a State's Regulatory Environment Competitive

State regulatory environments and tax systems are commonly referenced aspects of state entrepreneurial ecosystems that can impede or support entrepreneurship. Lack of supportive regulations and overly complex tax systems are classic barriers that may prevent entrepreneurs from entering or staying in the marketplace.

The Kauffman Foundation's latest survey of the nation's entrepreneurs found that entrepreneurs are optimistic about their businesses and the potential for growth; despite this optimism, however, they noted that they struggle with the technical aspects of opening their businesses.<sup>46</sup> Entrepreneurs cited state governments as not supporting them as they seek to open or grow their businesses. They also noted that the government resources available to them are not necessarily those they need. Many entrepreneurs feel that established businesses are favored by states over startups.

**Regardless of the benefits of regulations, a situation may arise where the costs of regulations exceed the benefits, as layers of aggregated regulations build up and turn into barriers.**

It can be difficult for first-time business owners to navigate the potentially complex web of processes, requirements and resources needed to start and run a business. Entrepreneurs have passion, and that is what urges them to start a business; at some point, reality may strike when the business starts growing and then new issues are faced each day. Being pulled in many directions, entrepreneurs need support and resources that are tailored to their needs. Entrepreneurs say they want to comply, while admitting that they

do not know what they do not know; and having a resource as simple as a checklist of proper procedures would help. New entrepreneurs, in particular, often need help understanding what is required for worker compensation via payrolls, including unemployment insurance, as well as compliance on withholding for taxes at all levels of government – city, county, township, state and federal.<sup>47</sup> The processes need to be made as easy as possible, and first-time entrepreneurs say that a one-stop shop in each state would help because complicated requirements particularly affect them (versus serial entrepreneurs or main-street businesses).

As scholars of public administration note, there is a reason for regulations, the most obvious being to protect public health and safety. Experts on government regulatory environments say that it is possible through regulations to create conditions that actually promote entrepreneurship outcomes.<sup>48</sup> States have the opportunity

to support entrepreneurs by providing entrepreneur-friendly regulations and proactively offering clear guidance for business establishment, permitting, licensing and incorporation. This includes regulations that create a level playing field and facilitate fair competition so that, for example, government procurement does not favor established businesses over new ones. Simplifying tax codes and related payment systems so that they are easier to understand will not only relieve what many entrepreneurs feel is a burden on their small firms, but may also provide a more predictable tax climate so that they feel comfortable that there will not be major swings or uncertainties in policies.

Regardless of the benefits of regulations, a situation may arise where the costs of regulations exceed the benefits, as layers of aggregated regulations build up and turn into barriers. Incoming governors, for example, have sometimes found that it can take years to reboot the commissions and boards governing state licensing systems when those mechanisms are left unchecked over time. As a result, ineffective requirements can continue from administration to administration.

States develop reputations based on how easy it is to do business in them — on whether the business climate is favorable or unfavorable to startups and small businesses. States are working proactively to develop positive cultures that bridge more than one political administration. It is useful to begin by refocusing on the state’s current goals as a lens for viewing the larger question of regulations. If the goal is to have fewer regulations, then one solution may be simply to pass fewer laws — although this approach is not necessarily realistic.<sup>49</sup> In contrast, if a state’s goal is to spur rather than inhibit entrepreneurship, then there is a role to play in examining and eliminating business regulations that are burdensome, outdated or unnecessary. The following are some examples of state approaches:

- *Access help from external experts and technical assistance, including academic expertise.* In Missouri, the governor’s Innovation Task Force undertook a major review of the state of innovation and entrepreneurship in Missouri — including a review of the regulatory environment — with the assistance of university technical experts, who gathered empirical evidence through active citizen participation and in-depth discussions with focus groups. The state identified 33 ideas that it could pursue and subsequently worked to streamline its core regulatory processes.<sup>50</sup>
- *Establish a regulatory affairs-type office that performs cost-benefit analysis of proposed state-level regulations.* North Carolina and Pennsylvania are examples of states with new committees or offices for regulatory review that are examining how to help entrepreneurs and others by removing rules from the books.<sup>51</sup>

Aside from the approach taken, state policymakers can periodically reexamine their regulatory system in terms of the system’s overall coherency, transparency and need for changes to procedures that negatively affect new businesses — in addition

to revisiting the relevance of specific rules and requirements that may need to be consolidated or made more consistent. It may be helpful to begin by listing questions to address, such as:

- Does the state have a centralized point of entry for submitting business forms?
- Does the state have a checklist of available resources such as capital resources?
- What environmental requirements affect new startups and should be reviewed?

Pennsylvania Gov. Tom Wolf tasked his administration with coming together across agencies to simplify the process for entrepreneurs and, in 2018, launched the PA Business One-Stop Shop as the sole source for guiding entrepreneurs and small businesses through all stages of development, from planning and startup to operation and expansion.<sup>52</sup> The PA Business One-Stop Shop includes resources for planning a business, registration and permitting, hiring employees, receiving funding and technical assistance, and more.<sup>53</sup> It is intended to take the guesswork out of procedures for businesses and to serve as an equalizer for all those wanting to do business in the state.

Before the PA Business One-Stop Shop, entrepreneurs and small business owners were required to seek information from several agencies. Now, the information is consolidated into one website or questions can be directed to a single phone number for one-on-one customer service. Creation of the One-Stop Shop resulted from an interagency collaboration between the Pennsylvania departments of State, Labor and Industry, and Revenue and the Office of Administration. To identify the needs of the business community, Wolf administration officials held planning sessions and user testing with a variety of internal government and external stakeholders and partners. They sought input from a variety of business types and from communities and businesses dispersed across the state.

Two specific areas of state regulatory frameworks are highlighted because they warrant special attention:

- *Occupational licenses.* The number of occupations requiring a professional license has grown from about 1 in 20 to nearly 1 in 4 in recent years.<sup>54</sup> Occupational licensing can help protect consumer health and safety by requiring independent practitioners and employees to undergo training and education in their field and by barring bad actors from the marketplace. However, licensing regulations also pose barriers to entry for entrepreneurs. In addition, disparities in laws from state to state can create barriers for those seeking to relocate across state lines when their licenses are not portable.<sup>55</sup> Certain populations – such as military

spouses, immigrants, people with criminal records and unemployed and dislocated workers — are especially affected by these requirements.<sup>56</sup> For example, in some states, licensing laws may reduce the number of lower income entrepreneurs in fields such as construction.<sup>57</sup> To help promote entrepreneurship, states can work to harmonize their license requirements with adjacent states on a regional basis, or they can promote alternatives to licensing, such as certification or registration. For example, Arizona Gov. Doug Ducey issued an executive order to all state licensing boards mandating a full review of all existing licensing requirements in 2017, including a requirement that licensing boards provide economic justifications for any standard that is more burdensome than the national average and for any license that is not required by at least 25 other states.<sup>58</sup> The Arizona Legislature followed suit by passing the Right to Earn a Living Act, which bars licensing boards from writing regulations that restrict entry into a profession if a public health or safety benefit cannot be proven.<sup>59</sup> Another example of state reform comes from the Nebraska Legislature’s bill relating to professions and occupations, signed into law in 2018.<sup>60</sup>

- *Noncompete agreements.* The noncompete agreements that some companies require their employees to sign also restrict options for those who want to go out on their own as entrepreneurs. In particular, such agreements negatively affect those with lower education levels who may want to start a business. States have latitude in how they enforce these agreements, and strict enforcement can depress the rate of entrepreneurship.<sup>61</sup> States can help spur entrepreneurship by examining company agreements to see if narrowing the scope and duration of such agreements can perhaps mitigate their negative effects, and then working with companies to adjust their policies.<sup>62</sup> California has banned certain types of noncompete agreements and, although there may or may not be a direct correlation, that state has more entrepreneurs than most other states.<sup>63</sup>

It is within the governor’s power to coordinate with the other branches of state government to enact or enforce state statutes that can positively influence entrepreneurship. Entrepreneurs recommend that any regulatory revisions, state tools and tailored checklists be developed with input from their “user community.” Their attitude is that policymakers can better understand entrepreneurs’ needs when they hear from those entrepreneurs directly. Tying entrepreneurs to existing state advisory commissions represents an additional tactic for helping an entrepreneurial network.

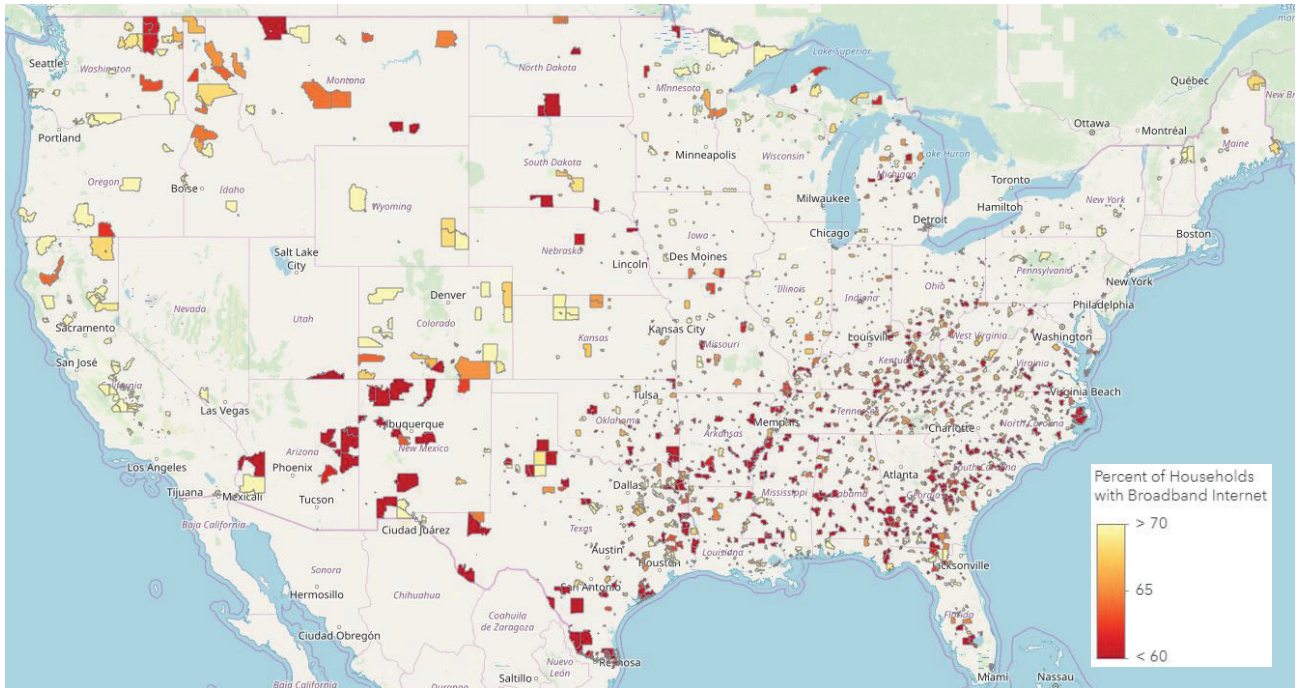
## Ensuring Adequate Broadband Infrastructure

Another barrier to entrepreneurship is lack of broadband. Lack of internet connection contributes to the fragmentation that already exists for many entrepreneurs. This situation can result in inner cities where telecommunication providers may not service certain neighborhoods and in rural areas where entrepreneurs are separated by long distances. For many in rural areas, broadband equates to physical connectivity and enables entrepreneurs to experience a support community virtually.

States are working to expand the broadband capacity necessary to connect entrepreneurs where they are. Several state examples illustrate the relationship between broadband access and economic growth through entrepreneurship:

- The North Carolina broadband plan states that broadband’s relationship to the economy is profound and that its impact on economic development strategies and programs is equally profound.<sup>64</sup> Accordingly, the state’s plan for its Broadband Infrastructure Office incorporates recommendations related to economic development, small business development and entrepreneurship development.<sup>65</sup> In North Carolina, companies with fewer than 50 employees represent 98 percent of all businesses, employ 45 percent of total business employment and generate almost 50 percent of the state’s gross domestic product.
- The New York state broadband initiative is arguably the largest and most ambitious state investment in broadband in the nation in terms of scale and scope. With legislative support, in 2015 New York Gov. Andrew Cuomo established the \$500 million New NY Broadband Program to expand broadband access.<sup>66</sup> The program provides state grant funding for projects that deliver high-speed internet access to unserved and underserved areas. The motivating factor for the state’s investment is to increase economic opportunities, including startup formation and development, and it has a goal of achieving statewide access by the end of 2018.
- A study of access to broadband in rural Georgia stated that entrepreneurs tend to launch businesses in states and communities that provide the most attractive business climate.<sup>67</sup> It noted that businesses in today’s economy no longer require only basic amenities such as power and sewer; they also demand the ability to transmit data and communications. The study’s purpose was to provide a rationale for the state investing in broadband.

In terms of entrepreneurs’ needs for connections to a wider community, broadband and other physical infrastructure help balance the equation in inner cities and rural areas. It is important to note, however, that broadband and infrastructure are necessary but not sufficient solutions for fostering entrepreneurship. They are support strategies that lay the groundwork for creating a good environment for economic growth strategies such as fostering entrepreneurship.



**Figure 2:** The new Opportunity Zones designated by governors based on the Tax Cuts and Jobs Act of 2017 offer incentives to private investors to invest in startups located in these underserved and disadvantaged areas (see next section). Communities with Opportunity Zones will want to explore funding options for implementing broadband for their businesses and residents in order to be attractive to incoming businesses as well as potential private investors. This map shows Opportunity Zones located in counties where less than 75 percent of households have a broadband internet subscription; as the zones get progressively darker and change from yellow to red, the more homes are without a broadband internet subscription. The map was developed with Esri’s GIS software using U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates and locational information from the U.S. Department of Treasury.

## Finding Entrepreneurs Where They Are

In terms of state policies for entrepreneurship, it is easy for blind spots to form around disadvantaged populations or regions within a state.<sup>68</sup> Underserved populations include people of color, women, veterans, people with disabilities and recently incarcerated individuals. For example, women are half as likely as men to start businesses, partly because of a lack of available mentors.<sup>69</sup> Immigrants are almost twice as likely to start businesses as native-born Americans, but they may have language barriers and are less likely to employ people as a result.<sup>70</sup> There is also a possibility to target untapped populations, such as youth who are disconnected as well as retirees eager for new pursuits. Older workers in their retirement years, for example, can bring to bear their unique knowledge and experience from their former industry. Young people can bring to the mix their energy and enthusiasm.

The Kauffman Foundation has calculated that if minorities started and owned businesses at the same rate as non-minorities, the United States would have more than 1 million additional employer businesses and approximately an extra 9.5 million jobs in the economy. Similarly, the persistent gender business gap costs the United States 1.7 million additional businesses when women do not start businesses at the same rate as men.<sup>71</sup> Additional research shows that access to education, capital and support services for all segments of the population and areas of the country will result in more widespread benefits overall.<sup>72</sup>

**Disadvantaged entrepreneurs in particular, who tend to be less mobile than other populations, require in-place capacity building.**

Governors are working to understand how current issues of equity and equality are playing out in the communities and regions of their states. Based on this knowledge, they can then recognize and address those underserved by entrepreneurship strategies. An optimal strategy is to find and help entrepreneurs wherever they are so that they form their businesses where they reside.

The case for inclusive entrepreneurship must be better understood and purposefully addressed at a conscious level according to Rich May, head of Innovation Village Districts, which is located in underserved areas of Baltimore, Maryland.<sup>73</sup> To make entrepreneurship work for disadvantaged areas, the state must commit to broaden entrepreneurial opportunity in a way that is representative of the core social values in those communities. An intentional, inclusive process must be in place before the desired outcomes will result. For positive changes to take place, government leaders

and stakeholders must work together as a “coalition of the willing” at the state and sub-state levels, and the resources that are applied must be statewide.

Disadvantaged entrepreneurs in particular, who tend to be less mobile than other populations, require in-place capacity building.<sup>74</sup> To reach underserved startups, state initiatives must go to where the target groups exist and work with business leaders, community leaders and other “ambassadors” residing there who understand the local culture and vernacular and can serve as mentors. It is important to know where the prospective entrepreneurs are willing to go for support to help address their challenges.

A variety of initiatives are currently focused on making entrepreneurship available to broader groups of people. There is great potential for introducing inclusive entrepreneurship through the new Opportunity Zones program created as part of the federal Tax Reform legislation enacted at the end of 2017 — and which is intended to infuse private capital into low-income communities.<sup>75</sup> Investments in a range of project types will qualify for the preferential treatment of Opportunity Zones, including startup ventures. By including entrepreneurs and small business owners in governors’ discussions about Opportunity Zones, governors can help ensure that their state’s startup community is considered equally with, for example, the state’s real estate developers, who may be more influential. Entrepreneurial thought leaders have noted that Opportunity Zone strategies with entrepreneurs at the center have the “potential to create the jobs, wage growth, and economic dynamism necessary to lift up distressed communities.”<sup>76</sup>

In Maryland, based on mapping the state’s investments, policymakers found that a variety of entrepreneurial amenities were missing in Baltimore, where three out of four residents are people of color in long under-invested communities. Maryland Gov. Larry Hogan has proposed a series of state initiatives to incentivize private investment in the 149 Opportunity Zones he designated for the state, 42 of which are in Baltimore City. The governor’s multi-year \$56.5 million package includes:

- \$3 million to establish Opportunity Works, a new workforce development job training program specifically for businesses located in opportunity zones;
- \$20 million for a Rental Housing Works program for the construction and renovation of affordable housing;
- \$8 million for a Neighborhood Business Works program for loans to small businesses in Opportunity Zones;
- \$3.5 million for a statewide Strategic Demolition Fund for site acquisition and demolition of derelict buildings and redevelopment in Opportunity Zones;



» Gov. Hogan has announced an additional investment of \$19 million in his Fiscal Year 2020 budget for Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise), Maryland’s ongoing initiative to revitalize Baltimore City by demolishing vacant and derelict buildings and replacing them with green space or redevelopment. The first installment of Project C.O.R.E. funding provided \$75 million and accomplished the clearance or demolition of 4,000 blighted properties.

- \$16 million to create the Maryland Technology Infrastructure Fund, to be overseen by Maryland’s independent Technology Development Corporation (TEDCO), which strategizes to attract private investment in firms operating in life sciences, cybersecurity and other technology sectors; and
- \$6 million in state tax credits and exemption from state property taxes and business fees for companies locating or expanding in Opportunity Zones.

In January 2019, Gov. Hogan signed an executive order creating the Maryland Opportunity Zone Leadership Task Force, which is chaired by Lt. Gov. Boyd Rutherford. The task force is hosting regional summits across the state to discuss possibilities for opportunity zones and developing a State Opportunity Plan in coordination with local governments to align opportunity zone goals with the state’s economic and cultural priorities. The governor also announced the launch of the Maryland Opportunity Zone Information Exchange, an online resource designed to attract capital projects and businesses.<sup>77</sup> The Exchange, developed by the Maryland Department of Housing and Community Development, will serve as a virtual meeting place for investors, fund managers, property developers, new or expanding businesses, and local stakeholders.

Another approach for addressing inclusivity is to insert an entrepreneurship element into the state’s poverty programs. For example, the Empire State Poverty Reduction Initiative is Gov. Cuomo’s \$25 million initiative to help 16 communities develop locally driven strategies to reduce poverty and increase economic opportunity. The governor recently announced five projects for Elmira, located in Chemung County in south-central New York. An \$800,000 award will help Elmira residents with job training and resources, promote business opportunities for entrepreneurs and enable greater access to affordable housing. The initiative includes a \$200,000 grant fund for entrepreneurs and small business owners to foster new business development in targeted neighborhoods of Elmira.

## Rural Entrepreneurial Communities

There are several challenges for states in funding or serving rural entrepreneurs. Rural communities may at first have limited capacity for helping entrepreneurs. They may not have an existing physical space where the existing social network of entrepreneurs can gather. They may lack locally-based entrepreneurial support organizations which can provide training, technical assistance and mentoring. If ESOs do exist, they may not be funded adequately.

There are a variety of approaches to state support and service provision for rural entrepreneurs and their ecosystems. Some states support and fund entrepreneurial hubs that are visible, accessible, physical buildings, serving as one-stop-shops for entrepreneurship and small business development. For ecosystem building, state EDOs may also fund ESOs that focus on capacity building; in those cases, the support may be based on “soft” infrastructure such as a network of mentors rather than physical infrastructure.

Other barriers to entering entrepreneurial careers in rural areas include limitations to banking services and — as in many other locations — limited access to skilled workers for growth and expansion. Rural communities can also be quite diverse in their ethnicities and races, as well as in their life experiences and values. Recognizing and embracing that diversity is essential for providing equitable balanced pathways to entrepreneurship in rural areas.

North Carolina has been focusing on entrepreneurship in a comprehensive way and that includes the state’s approach to serving the diversity in its rural areas. The state lost 8,000 manufacturing jobs over a recent 15-year period, so a large network of ESOs is now working to support entrepreneurial ventures across the state, from dislocated workers to microenterprises to mainstream entrepreneurs to second-stage-growth businesses.<sup>78</sup> The priority groups of potential entrepreneurs include veterans, women, young adults and immigrants — particularly the Hispanic community, which has grown rapidly and is not being well served. When it comes to entrepreneurship, North Carolina’s core philosophy is that there is “no wrong door” for accessing help and information. The state’s network of service providers includes the North Carolina Rural Center,<sup>79</sup> with its goal of increasing the number of startups in rural parts of the state by targeting business sectors experiencing barriers to entry, such as food-based businesses and other industries that would benefit rural areas.<sup>80</sup> In 2018, the Rural Center launched Thread Capital, a nonprofit lending subsidiary of the Center to promote more equitable economic mobility in all 100 North Carolina counties.<sup>81</sup>

In addition to capital, the North Carolina Rural Center’s support includes networking, coaching and navigating access to flexible training, tailored to reach entrepreneurs

wherever they are because rural areas are not all the same: Some rural areas are located near metropolitan areas, while others are in more isolated locations that have their own challenges. For example, the southeastern part of the state has experienced three 500-year storms in 19 years so, for that region, the Center has an additional focus on small business recovery following a natural disaster which requires a long-term commitment. Rural communities can be particularly resilient when their leadership embraces an entrepreneurial culture. This type of culture, in turn, is an essential foundation for the long-term viability of the rural ecosystem.

Career awareness and education programs can expose youth at an early age to a variety of pathways to careers, including the value of entrepreneurship. Such programs can spark thinking about options not previously considered and contribute to engaging disconnected youth, which – in rural areas – may help to address the “brain drain” and outmigration of the younger population.

In Nebraska, an Entrepreneurship Task Force brought together outside partners to focus on career opportunities across the state that are high income, high skill and high demand.<sup>82</sup> Beyond this statewide focus, in its rural areas, the state is also exploring the potential for young entrepreneurs to help small business owners who are faced with rural population decline. Rural business owners, educators, local high school students and community leaders are collaborating to develop solutions for the businesses. The initiative is being led by a Nebraska Extension entrepreneurship specialist who works in textiles, merchandising and fashion design. The students are participating in the initiative through school-based and 4-H Club programs. The initiative is supported by a federal grant to the University of Nebraska-Lincoln, a land-grant institution working to expand youth entrepreneurship in rural communities.<sup>83</sup>

State efforts to address rural entrepreneurship are wide ranging, and there appear to be a variety of models. The initiatives are holistic and comprehensive in that they involve a range of stakeholder types and target communities.

## The Governor's Message

One of the most important roles a governor can assume in terms of home-growing businesses in a state is that of messenger. The governor is positioned to be a major spokesperson for the state's entrepreneurial ecosystem and a champion of local entrepreneurs.

The governor can praise the state's comparative advantage for entrepreneurs and promote the amenities available through the state and the attributes of the state's ecosystem. Governors can directly influence the state's entrepreneurs to stay in the communities and hometowns that they love. This influence helps instill a culture that encourages and creates incentives for the resident entrepreneurs — no matter how rocky the journey.

The governor can also personally tout success stories of local entrepreneurs, particularly entrepreneurs who have pivoted and steered their strategies to overcome challenges. Governors can also serve as channels for the state's entrepreneurs to tell their own stories and educate others about entrepreneurship and its challenges and rewards. Cultivating "people power" is one of the most effective ways to ignite the entrepreneurial spirit.

There are many ways to do this kind of promotional messaging. Here are specific examples:

- In each of the eight years he was in office, Michigan Gov. Rick Snyder proclaimed Entrepreneurship Week, including specifically a Youth Entrepreneurship Week in 2014.<sup>84</sup>
- Nevada Gov. Brian Sandoval used social media and tweeted the following: "Nevada leads the nation in job creation. Congratulations to our small business community, vibrant entrepreneur ecosystem and traditional and emerging industries."<sup>85</sup>
- During a recent radio interview, Rhode Island Gov. Gina Raimondo promoted the attributes of her state's entrepreneurial ecosystem with the following comment: "We are nestled between New York and Boston, which means if you want to start a company, be part of the ecosystem of northeast talent, but if you can't afford the eye-popping prices of New York and Boston, you should come to Rhode Island!"<sup>86</sup>
- In March 2018, Iowa Gov. Kim Reynolds emphasized Iowa's positive climate for startups during a casual "fireside chat" with the Des Moines

entrepreneurial network at the weekly meeting of the local chapter of 1 Million Cups.<sup>87</sup> The state’s Science Center is the regular venue for the group, and the setting for this particular meeting with the governor was a coffee table, gas fireplace and armchairs.

- Each year of his tenure, Florida Gov. Rick Scott presented the Governor’s Young Entrepreneur Award.<sup>88</sup> In 2018, he presented it six times: One recent recipient was a U.S. Army combat veteran-turned-entrepreneur.<sup>89</sup> Another was a 21-year-old who founded a Tallahassee-based company that makes high-quality dog products.<sup>90</sup>

These types of messages can be repeated and ramped up to provide regular, highly visible support for entrepreneurs, their startups and the entrepreneurial environment. Adding the governor’s bully pulpit capability to the mix of public messaging amplifies the message.

Another way governors can amplify the message is by helping to brand entrepreneurship programs. For example, Kentucky Lt. Gov. Jenean Hampton was inspired in 2016 to initiate the Lt. Governor’s Entrepreneurship Challenge (LGEC), an entrepreneurship pitch competition for the state’s high school students.<sup>91</sup> Seeing the success of that program, Rhode Island Lt. Gov. Dan McKee started a similar LGEC sponsored by the Credit Unions of Rhode Island and other partners who also offer related postsecondary scholarships.

## Governors Are the Linchpins

An important role for governors, particularly in fostering technology-based entrepreneurship, can be described as providing the “connective tissue” to partner public sector resources with private sector investment and innovation.<sup>92</sup> This role helps scale up successful state strategies. Many public and private stakeholders are responsible for advocacy and stewardship of the state’s entrepreneurial ecosystem. The governor can approach other actors within regional economies to support the state’s entrepreneurial ecosystem. For example, governors can galvanize serial entrepreneurs who are repeatedly successful state residents as well as global corporations headquartered in the state.<sup>93</sup>

For the purpose of enlisting angel investors and mentors for a state’s entrepreneurs in a timely way, governors can request the service of founders who are bought out by larger entities. The governor can encourage repeat entrepreneurs to start and keep their new firms in state, but the timing of such requests is important; an opportunity may be lost if these firms are not approached at the time of a milestone event, such as selling a startup. Once a startup becomes a unicorn-level business — that is, a startup valued at more than \$1 billion — it is beneficial for that company to support further entrepreneurship within the entrepreneurship community.<sup>94</sup> The high-growth unicorn Salesforce doubled down on entrepreneurship in Indiana, which dramatically reduced the startup risk for other entrepreneurial efforts, particularly in the Indianapolis area. A governor’s influence can help in this regard.

Governors can take advantage of the resources of global businesses headquartered in the state — the governor’s own back yard — because it is in the interest of those corporations to support corporate venturing and innovation partnering. Approximately 5 percent of Fortune 500 corporations are located outside the country’s traditional business hubs, such as New York and Chicago. Eli Lilly in Indianapolis is an example of a company offering its corporate support for local economic development and entrepreneurship. Governors can encourage this kind of “good behavior” on the part of headquarter companies or global corporations with facilities based in state.

A governor can request the help of existing philanthropic and nonprofit organizations working across the state. Additional important actors the governor can approach on behalf of activities to promote entrepreneurship include utilities, banks, medical and academic facilities, and other anchor institutions. In addition to gaining their funding support and sponsorship, governors can work to match any philanthropic funding with outside sources such as federal and state funds.

A governor can enlist state officials to partner with outside entities, including

industry leaders, scientific researchers and technology stakeholders, to discover what is working around the state. The resulting ideas and recommendations can be integrated to tailor actions for the state and for private actors. Governors can implore the state’s university system and nurture private universities to serve as platforms for sponsoring networking events and coalescing potential commercialization partners. Linking technology-based partners may involve bringing together such diverse types of organizations as tech startups, medical facilities, incubators and smaller manufacturers. In addition to serving as platforms for events, universities can offer space, technology and know-how as a way to attract the attention of needed outside venture financing.<sup>95</sup>

In states that have federal resources such as national laboratories, the governor can put in place initiatives allowing small manufacturing businesses in the state to access the assets of those laboratories.<sup>96</sup> Thousands of patents from federal laboratories, universities and medical research hospitals engaging in federally funded research are available for licensing and commercialization by private sector entities.<sup>97</sup> Significant federal effort is already being devoted to providing multiple access points to federal laboratories because these laboratories have technology transfer and partnering offices; however, if an individual is unfamiliar with the system, it can be difficult to navigate. Governors and states can help entrepreneurs make the needed connections within the system. For this reason, governors and their advisers should be aware of what is available. As an example, federal facilities such as Oak Ridge National Laboratory in Tennessee operate accelerators in conjunction with their facilities and equipment that are available to selected entrepreneurs.

In terms of scaling up initiatives for providing entrepreneurial training and education, community colleges may still be an “unsung link” at the state level. In addition to their state university systems, states can work with their regional community colleges and vocational schools, where the faculty are geared more toward adult business owners than high school graduates. California, for example, has a Business and Entrepreneurship Center program through the state’s community colleges that assists small businesses and encourages youth entrepreneurship.<sup>98</sup>

## Catalyzing Networking Events In State and Beyond the State

Governors can take additional actions to bolster state entrepreneurship on an annual or regular basis. For example, they can sponsor gatherings of entrepreneurs for education and networking purposes. Specific examples include Colorado, which annually sponsors Startup Week in Denver, an event that attracts entrepreneurs from around the state. Similarly, Philadelphia, Pennsylvania, holds Philly Tech Week, an annual week-long celebration of technology and innovation throughout the greater Philadelphia region. The annual Innovate Montana Symposium gathers hundreds of startup businesses, cabinet level government officials, and some of the top business leaders in the state for two days of networking and education.<sup>99</sup> The state of Tennessee’s LaunchTN has taken a leading role in fostering collaborations across the Southeast region. Its 36|86 Festival attracts attendees from more than thirty states. Universities can serve as platforms for building these types of events and partnerships, but governors can serve as catalysts.

To curate such events, governors and their state can team with public and private stakeholders. These PPPs are opportunities to be entrepreneurial and can be entrepreneur led. Columbus and Cincinnati in Ohio’s Rust Belt and Phoenix, Arizona, in the Southwest are examples of regions that have learned to combine public and private resources for beneficial results during events focused on specific technology industries and sectors. From their vantage point in the intergovernmental system, governors and states can use federal funds and nonprofit dollars toward such events. They can also promote the gatherings and help attract NPOs such as UpGlobal, Startup Weekend or Kauffman Foundation’s 1 Million Cups and other far-reaching networks.

Scaling state initiatives also calls for a global perspective and potential connections with other nations’ governments. Breaking down barriers at the global level may involve working with other governments’ ministers, subnational leaders and heads of international entrepreneurship programs. For example, an initiative that is strengthening the transatlantic conversation of entrepreneurship is the German Marshall Fund (GMF) of the United States’ Young Transatlantic Innovation Leaders Initiative, which GMF implements for the U.S. Department of State.<sup>100</sup> Global Entrepreneurship Week (GEW) is a program of the Global Entrepreneurship Network to celebrate all that is being done around the world to showcase and educate entrepreneurs. Innovators and job creators were celebrated by more than 15,000 partnership organizations in more than 170 countries during GEW in late 2017. GEW’s thousands of events involved policymakers, ecosystem leaders, corporate chief executives, investors and other luminaries taking part in startup summits at the national level across the globe and touting the Zero Barriers movement, which is about how to start a business quickly and inexpensively.<sup>101</sup>



## CONCLUSION

# Entrepreneurship as the Number One Economic Agenda

This paper showed how governors can capture the timely imperative of entrepreneurial ecosystems and pilot or scale successful initiatives. Successfully home-growing startups has the power over time to create a cascading effect through state economies. Supporting entrepreneurship can not only serve as a catalyst for new economic opportunities but also enable a governor to help a wider array of demographic groups. Governors have the opportunity to bring together public and private organizations to spark entrepreneurial initiatives that can revitalize a region.

Entrepreneurship strategies are not something a state government can provide directly, like public schools or other services. A state government cannot guarantee, for example, that successful businesses will result from its policy efforts; rather, a state can only work to create an environment that will increase the chances of that taking place. However, governors and states can put into motion actions and initiatives that contribute to an ecosystem that fosters entrepreneurship. Governors are working to make regions and communities as attractive as possible so that entrepreneurs will want to settle there and private investors will want to invest there.

Fostering entrepreneurship and an entrepreneurial ecosystem requires a certain type of messaging to constituents. Part of the governor’s message is setting a vision and helping others understand the need for a long-term approach. The vision must be future oriented because entrepreneurship policies are, by nature, long term. The governor is well positioned to be a major spokesperson for the state’s entrepreneurial ecosystem as a whole, champion local entrepreneurs and celebrate their entrepreneurial successes. The journey that entrepreneurs go through is not for everyone, but governors can directly influence the state’s entrepreneurs to stay in the communities and hometowns they love. The governor’s message can publicize success stories to help instill a mindset that encourages and generates incentives for entrepreneurs. The governor can also proclaim his or her state’s comparative advantage for entrepreneurship, coordinating that message both within and beyond the state.

If focusing on entrepreneurship is a new strategy for a state, that state can approach it incrementally. This approach can be more cost-effective over time than starting out with a large-scale approach. State strategies for entrepreneurship are often made up of incremental, cumulative activities, particularly in rural areas, where small, incremental changes can have big impacts. A general rule of thumb is to start somewhere – even if it is small scale at the beginning – put metrics in place, and then ramp up to where the state is providing high-visibility support to improve the state’s results over time.

Entrepreneurship initiatives often necessitate combining inherently separate cultures, and it is possible for public sector officials to learn to understand their entrepreneurs’ culture and needs. In addition to taking the pulse of the entrepreneurial community, governors must know and use their state’s assets and comparative advantages to attract and retain entrepreneurs in the state. States do not have identical assets and resources, but every state has certain core assets to build on, whether they are intangible qualities such as natural beauty or social capital or more tangible physical infrastructure or the technology-based programs at the state university.<sup>102</sup> An important guideline for governors and state leaders is to listen to local entrepreneurs to understand their needs, such as access to mentors, networks, capital and skills. Mapping assets and collecting and interpreting data will contribute to a better understanding of what would contribute to the unique culture of the state’s existing ecosystem.

The assets and entrepreneurial environment in states and communities vary. There is no magic bullet, and policies for entrepreneurship are more complex than any one approach. What is needed is a broad, holistic, systems-type framework of related initiatives tied to the state vision and goals. Coordinated statewide initiatives can work to tie together otherwise separate place-based strategies. Governors and their state can play an essential role in connecting geographically distinct entrepreneurial ecosystems into a statewide mega ecosystem. One approach is for the state EDO to organize the ESOs within the state according to needs, finances, geography or some other set of categories and support them accordingly. This provides a platform for seeking their buy-in and consensus on additional strategies. A challenge can arise when state EDOs are not coordinating well with their on-the-ground ESOs. They are two different types of organizations. Getting them to function well together is important for state-level success. When state resources are involved, it is important to measure the results of the public portion of any investment.

A state’s financial infrastructure and related state financial programs directly affect the state’s success with entrepreneurship strategies. States across the country have been experimenting with a variety of models for providing access to capital. Based on those models, states have the capability to formulate a package of financial incentives for their entrepreneurs and small businesses. In addition, a state’s physical infrastructure includes internet connectivity; a lack of broadband has particular impacts for rural entrepreneurship. When physical connectivity and interpersonal networking are combined with mentorship and training, such solutions can lay the groundwork for a supportive environment. Further, a state’s regulatory system can directly affect entrepreneurs because state regulations can be major barriers to entrepreneurship if not reexamined regularly for their relevance. Governors can support entrepreneurial ecosystems through clear regulations and guidance on business establishment.

Advocating for entrepreneurship policies at the state level has been referred to as a relatively new activity compared with more traditional aspects of state economic development, but it is an increasingly important one.<sup>103</sup> Governors can engage state officials, industry leaders, experts and other stakeholders to discover what is working and develop actions and initiatives for their state. Who is responsible for stewardship of the state’s entrepreneurial ecosystem? This is not an either/or question. Advocacy should not necessarily be relegated to one organization or sector. Governors should try to enlist as many outside advocates as possible in both the public and private sectors. As noted, the issue is largely about how state leaders can help entrepreneurs stay in the communities they love.

A related question is how to sustain and scale these initiatives with limited public budgets. Governors can support entrepreneurial ecosystems by connecting public sector resources to private sector investment and innovation with other outside stakeholders. States can realize optimal collective impact when government resources at all levels are combined with the resources of charitable foundations and corporate sponsors and when public institutions’ goals are aligned with those of outside institutions such as anchor schools, health care facilities, utilities and banks.

State policymakers must understand how to approach entrepreneurship based on how the current issues of equity and equality play out in their local communities and rural areas. A governor can improve the state’s odds for success by consciously involving underserved and disadvantaged communities. These entrepreneurs must be found wherever they are and helped in place so that their generation of revenue can go hand-in-hand with feeding their passions.

Some might suggest that promoting entrepreneurship sets up a tension between more traditional state policies, such as recruiting larger companies, and home-growing smaller startups. Entrepreneurship policies have a relatively low political and financial cost and can actually be a cost-effective alternative to incentive-based competition.<sup>104</sup> To the extent possible, it is useful to optimize investments between the two strategies of corporate recruitment and small firm development.<sup>105</sup>

The time is right to infuse entrepreneurship into state economic development strategies. Such an approach will help supplement investments in the economic development projects that will be associated with state Opportunity Zones. Governors have the potential to set timely agendas to unleash entrepreneurial promise and potential across the country. Whether an entrepreneur has the idea and team to found a fast-growing globally traded “unicorn” company or be a main-street business, governors can work to create environments for both of these opportunities to unfold.



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<sup>55</sup> The National Academies of Science, Engineering, Medicine. (2017). Building America's skilled technical workforce. Retrieved from National Academies of Science, Engineering, Medicine website: <https://www.nap.edu/catalog/23472/building-americas-skilled-technical-workforce>; see also National Academies of Science, Engineering, Medicine Board on Science, Technology, and Economic Policy, Innovation Policy Forum. (2016, October 14). The labor market and human resource management implications of entrepreneurship. Retrieved from [http://sites.nationalacademies.org/PGA/step/PGA\\_174861](http://sites.nationalacademies.org/PGA/step/PGA_174861)

<sup>56</sup> NGA Center is currently working to address these problems with the National Conference of State Legislatures and Council of State Governments through a multiyear partnership grant from the U.S. Department of Labor to enhance the portability of state occupational licenses.

<sup>57</sup> Slivinski, S. (2015). Bootstraps tangled in red tape: How state occupational licensing hinders low-income entrepreneurship. Retrieved from [https://goldwaterinstitute.org/wp-content/uploads/cms\\_page\\_media/2015/4/15/OccLicensingKauffman.pdf](https://goldwaterinstitute.org/wp-content/uploads/cms_page_media/2015/4/15/OccLicensingKauffman.pdf)

<sup>58</sup> Office of the Governor Doug Ducey. (2017, March

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<sup>59</sup> S.B. 1437, 53rd Legis., 2017 Reg. Sess. (Ariz. 2017). Retrieved from <https://www.azleg.gov/legtext/53leg/1r/bills/sb1437p.pdf>

<sup>60</sup> Legislative Bill 299, 105th Legis., (Neb. Laws 2018, LB 299), operative July 1, 2019. Retrieved from <https://nebraskalegislature.gov/FloorDocs/105/PDF/Slip/LB299.pdf>

<sup>61</sup> The experience in Massachusetts and other states is described in Lee, T. B. (2018, August 21). Massachusetts gives workers new protections against noncompete clauses. *Ars Technica*. Retrieved from [https://arstechnica.com/tech-policy/2018/08/massachusetts-gives-workers-new-protections-against-noncompete-clauses/?amp=1&twitter\\_impression=true](https://arstechnica.com/tech-policy/2018/08/massachusetts-gives-workers-new-protections-against-noncompete-clauses/?amp=1&twitter_impression=true)

<sup>62</sup> Capozziello, C. (2016, June 29). To compete better, states are trying to curb noncompete pacts. *The New York Times*. Retrieved from <http://www.nytimes.com/2016/06/29/technology/to-compete-better-states-are-trying-to-curb-noncompete-pacts>

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<sup>64</sup> Broadband Infrastructure Office. (2017). Connecting North Carolina: State broadband plan. Retrieved from [https://www.ncbroadband.gov/wp-content/uploads/2017/02/NC-Broadband-Plan\\_2017\\_Online\\_FINAL\\_PNGs3www.pdf](https://www.ncbroadband.gov/wp-content/uploads/2017/02/NC-Broadband-Plan_2017_Online_FINAL_PNGs3www.pdf)

<sup>65</sup> North Carolina Department of Information Technology Broadband Infrastructure Office. (2017). Have you entered your speed information? Retrieved from <https://www.ncbroadband.gov>

<sup>66</sup> New York State Broadband Program Office. (n.d.). Announcing the New NY Broadband Program. Retrieved from <https://nysbroadband.ny.gov>

<sup>67</sup> Joint Study Committee on High Speed Broadband Communications Access for all Georgians. (2016). The final report of the Georgia House and Senate Study Committee on High Speed Broadband Communications Access for all Georgians. Retrieved from [http://www.house.ga.gov/Documents/CommitteeDocuments/2016/Joint\\_BroadbandAccess/SR\\_876\\_Final\\_Report.pdf](http://www.house.ga.gov/Documents/CommitteeDocuments/2016/Joint_BroadbandAccess/SR_876_Final_Report.pdf)

<sup>68</sup> Baird, R. (2017). *The innovation blind spot: Why we back the wrong ideas — and what to do about it*. Dallas, TX: BenBella Books.

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<sup>70</sup> Tamar Jacoby, Immigration reform starts with English-language learning, *Washington Examiner*, December 17, 2015: <https://www.washingtonexaminer.com/immigration-reform-starts-with-english-language-learning>; see also Stangler, D., & Wiens, J. (2015). The economic case for welcoming immigrant entrepreneurs. Retrieved from Ewing Marion Kauffman Foundation website: <https://www.>

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<sup>72</sup> Several studies, reports and data tools have shown that a business case can be made for more inclusive entrepreneurship. See for example (1) Samans, R., Blanke, J., Corrigan, G., & Drzeniek, M. (2015). Benchmarking inclusive growth and development: Discussion paper. Retrieved from [http://www3.weforum.org/docs/WEF\\_Inclusive\\_Growth\\_Development.pdf](http://www3.weforum.org/docs/WEF_Inclusive_Growth_Development.pdf); (2) Novara, M., Loury, A., & Khare, A. (2017). The cost of segregation: Lost income, lost lives, lost potential. Retrieved from <http://www.metroplanning.org/uploads/cms/documents/cost-of-segregation.pdf>; (3) Metropolitan Planning Council. (2018). Retrieved from <http://www.metroplanning.org/work/project/33>; (4) Bell, A. M., Chetty, R., Jaravel, X., Petkova, N., & Van Reenan, J. (2017). Who becomes an inventor in America? The importance of exposure to innovation (NBER Working Paper 24062). Retrieved from <https://scholar.harvard.edu/files/xavier/files/w24062.pdf>; (5) Treuhaf, S. (2016). All-in cities: Building an equitable economy from the ground up. Retrieved from <http://www.policylink.org/aic-building-an-equitable-economy-from-the-ground-up>; and (6) National Equity Atlas. (2018). Retrieved from <http://nationalequityatlas.org>

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<sup>74</sup> Initiative for a Competitive Inner City. (2016). Creating inclusive high-tech incubators and accelerators: Strategies to increase participation rates of women and minority entrepreneurs. Retrieved from [http://icic.org/wp-content/uploads/2016/05/ICIC\\_JPMC\\_Incubators\\_post.pdf](http://icic.org/wp-content/uploads/2016/05/ICIC_JPMC_Incubators_post.pdf)

<sup>75</sup> The Opportunity Zones program provides incentives for investors to reinvest unrealized capital gains into opportunity funds in exchange for temporary tax deferrals. H.R. 1, 115th Cong. (2017–2018). Retrieved from <https://www.congress.gov/bill/115th-congress/house-bill/1/text>, signed into law December 22, 2017.

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<sup>77</sup> Maryland Opportunity Zones: <https://dhcd.maryland.gov/Pages/OpportunityZones.aspx>

<sup>78</sup> In the 2002 Quarterly Census of Employment Wages (QCEW), North Carolina had 643,968 manufacturing jobs and, in the 2017 QCEW, the state had 467,441

manufacturing jobs.

<sup>79</sup> NC Rural Center. (2018). Retrieved from <http://www.ncruralcenter.org>

<sup>80</sup> The center has identified 10 strategies for the future of rural areas in the state.

<sup>81</sup> Thread Capital: [www.threadcap.org](http://www.threadcap.org)

<sup>82</sup> Nebraska Department of Education. (n.d.). NET Force. Retrieved from <https://www.education.ne.gov/entrep/net-force>

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<sup>85</sup> @GovSandoval. (2018, January 24). Nevada leads the nation in job creation. Congratulations to our small business community, vibrant entrepreneur ecosystem & traditional and emerging industries. This is what a strong, diversified recovery looks like. #AllINV @DiversifyNevada @LVGEA @EDAWNreno [Twitter post]. Retrieved from <https://twitter.com/GovSandoval/status/956378438939508736>

<sup>86</sup> Interview on Freakonomics Radio, January 10, 2018.

<sup>87</sup> Hayden, K. (2018, March 14). Gov. Kim Reynolds to 1 Million Cups: “Build on positives” and STEM education for workforce. Retrieved from <https://innovationia.com/2018/03/14/gov-kim-reynolds-to-1-million-cups-build-on-positives-and-stem-education-for-workforce>

<sup>88</sup> The award, sponsored by Comcast, recognizes Florida students, graduates and young entrepreneurs under 35 years of age who are excelling in the workplace and creating innovative ideas in Florida. Co-establishing a governor’s or lieutenant governor’s program in partnership with a state or local corporate sponsor helps establish an initiative as an annual tradition to take place each year regardless of political party or partisanship; see Hire Florida Grads. (2016). Retrieved from [www.HireFloridaGrads.com](http://www.HireFloridaGrads.com)

<sup>89</sup> Office of the Florida Governor Rick Scott. (2018, June 14). Governor Scott recognizes Alex Hill with Governor’s Young Entrepreneur Award [Press release]. Retrieved from <http://www.floridajobs.org/news-center/DEO-Press/deo-press-2018/june-2018/2018/06/14/governor-scott-recognizes-alex-hill-with-governors-young-entrepreneur-award>

<sup>90</sup> Office of the Florida Governor Rick Scott. (2018, January 18). Governor Scott recognizes Sean Zargari with Governor’s Young Entrepreneur Award [Press release]. Retrieved from <https://www.flgov.com/2018/01/18/governor-scott-recognizes-sean-zargari-with-governors-young-entrepreneur-award/>

<sup>91</sup> The main difference between this program and real life is that the student teams do not have to officially register their “pitched” businesses with the secretary of state’s office to compete in the program. (Doing so could carry tax implications.)



<sup>92</sup> In addition to public-private connections, other useful connections involve providing connective tissue among siloed industry sectors, from which additional interdisciplinary innovation grows.

<sup>93</sup> The concept of serial entrepreneurs fueling innovation ecosystems is discussed in a study from after the Great Recession: Feldman, M. P., & Zoller, T. (2012). Dealmakers in place: Social capital connections in regional entrepreneurial economies. *Regional Studies*, 46(1), 23–37.

<sup>94</sup> The term “unicorn” is used because they are statistically rare and mythical; as an example of a Montana unicorn, RightNow Technologies (now Oracle) was founded in Montana and is one of the state’s largest employers.

<sup>95</sup> The Engine. (2018). Retrieved from <https://www.engine.xyz>; Matheson, R. (2016, October 26). MIT launches new venture for world-changing entrepreneurs. MIT News. Retrieved from <http://news.mit.edu/mit-announces-the-engine-for-entrepreneurs-1026>

<sup>96</sup> The U.S. Department of Energy (DOE) now has a Small Business Vouchers program that supports small firms working with DOE national laboratories: Small Business Vouchers, U.S. Department of Energy. (n.d.). Retrieved from <https://www.sbv.org>. Prior to this, the Tennessee Department of Economic and Community Development provided vouchers to Tennessee small businesses working with Oak Ridge National Laboratory in that state. Governors can work to ensure matching or supplemental vouchers for their state’s small companies collaborating with or receiving technical assistance from university research institutes and federal laboratories.

<sup>97</sup> National Academies of Sciences, Engineering, Medicine. (2017). Returns to federal investments in the innovation system: Proceedings of a workshop—In brief. Retrieved from National Academies of Sciences, Engineering, Medicine website: <https://www.nap.edu/catalog/24905/returns-to-federal-investments-in-the-innovation-system-proceedings-of>

<sup>98</sup> California Community Colleges Doing What Matters. (2018). California interactive resource map. Retrieved from [http://www.ccewd.net/initiative\\_business\\_entrepreneurship.cfm](http://www.ccewd.net/initiative_business_entrepreneurship.cfm).

<sup>99</sup> Innovate Montana Symposium 2018: <https://innovatemontanasymposium.lpages.co/ims2018/>

<sup>100</sup> The German Marshall Fund of the United States. (n.d.). YTIL fellowship. Retrieved from <http://www.gmfus.org/ytili-fellowship>

<sup>101</sup> Ewing Marion Kauffman Foundation. (2018). Zero barriers. Retrieved from <http://www.kauffman.org/what-we-do/entrepreneurship/zero-barriers>

<sup>102</sup> Association of Public Land-Grant Universities. (n.d.). Technology Transfer Evolution Working Group. Retrieved from [www.aplu.org/techtransferevolution](http://www.aplu.org/techtransferevolution)

<sup>103</sup> The Kauffman Foundation has recently announced support for advocacy organizations in six states to help the policymakers in those states understand both the potential and the barriers to entrepreneurship in their states. Tennessee is one of the states building a Kauffman Foundation-supported advocacy network through Launch Tennessee. “Giving Entrepreneurs a Voice in State Policy,” Kauffman Currents, Ideas at Work, January 11, 2018. Ewing Marion Kauffman Foundation. (2018). Giving entrepreneurs a voice in state policy. Retrieved from <https://www.kauffman.org/currents/2018/01/giving-entrepreneurs-a-voice-in-state-policy>

<sup>104</sup> This is a finding from other NGA projects and studies in the past; see Psilos, P., Crawford, S., Harpel, E., & Leiken, S. (2004). A governor’s guide to strengthening state entrepreneurship policy. Retrieved from SSRN website: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1260423](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1260423)

<sup>105</sup> For example, an unintended consequence of offering tax credits to recruit large firms is that money may not be available to invest in parks and other ecosystem amenities that tax revenues are required to cover.



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