Why it Matters
To avoid a prolonged recovery after the pandemic, states need to take steps that will generate economic activity and spur job growth. In the face of potentially drastic revenue shortfalls, states should prioritize an inclusive approach to economic development by making targeted investments in two key areas—infrastructure and small business. By targeting these investments to distressed communities and marginalized populations, states can build larger, stronger, and more resilient economies, broadening economic activity and opportunity.

Policymakers should focus on fixing crumbling infrastructure, such as roads, bridges, and water systems. But they also must provide equitable access to reliable high-speed internet service—the most critically needed infrastructure for the 21st-century economy. The lack of adequate infrastructure, both physical and digital, threatens to lock in structural inequalities and hamper long-term economic growth. But an inclusive approach to infrastructure investments can create new economic pathways for residents of underserved neighborhoods by generating new jobs on construction projects, which would in turn stimulate the broader economy and thereby foster even more job creation. Improvements in broadband access will expand options for new business ventures and remote work.

States should also create jobs by investing in small businesses, which form the backbone of regional economies and produce much-needed jobs for unemployed and underemployed workers. Small businesses historically have played critical roles in economic recovery efforts, but they have suffered substantial closures and job cuts during the pandemic. Minority-owned small businesses have been acutely vulnerable to the economic crisis caused by the pandemic, because they lack access to dedicated public investment and support services and face barriers to securing much-needed capital.

Current Challenges
• State investments in critical infrastructure are falling, threatening to reduce economic opportunities in communities where investment is already low.

• The top three sectors for small business employment—health care and social assistance, accommodation and food services, and retail trade—have been hit hard by the pandemic.

• Many states fail to accurately measure and support the growth and development of minority-owned small businesses, leaving many entrepreneurs without access to the services and capital needed for growth.
What’s Needed
Job-generating investments in infrastructure projects that generate new jobs. These investments should include broadband deployments, public health initiatives, transportation projects, and construction of affordable housing. States should also focus on supporting small businesses with investments that encourage entrepreneurship, foster innovation, and build resilience. These investments must direct public financing to distressed communities with strategies that provide family-supporting employment and skills-development opportunities.

What State Policymakers Can Do

**Foundational Steps**
- Establish clear and enforceable metrics to not only measure the growth and development of diverse small businesses, but also bolster them with targets for state-level procurements.
- Bridge the digital divide by developing a statewide plan to make broadband internet services affordable and accessible in rural and urban areas, especially distressed and underserved communities.

**Advanced Steps**
- Require all large-scale infrastructure projects to carry a community benefit agreement that includes provisions for local hiring, funding for job training, and supports for job placement.
- Make investments in research and technology to encourage, incubate, and accelerate the growth of entrepreneurs and small businesses, while bringing capital—in addition to low-cost loans—to these entrepreneurs to help rebuild and diversify economies. In particular, expand training for small business, increase access to loans and grants, and prioritize these businesses in government procurement processes with expanded set-asides specifically for minority-owned businesses.

**Transformational Steps**
- Establish regional partnerships with higher education institutions (with an emphasis on historically Black colleges and universities and minority-serving institutions) to provide incubation opportunities, counseling, and consulting services to spur entrepreneurship and small business development.
State and Local Spotlights

**BIGAustin**
Funded by the state of Texas, **BIGAustin** works to empower underserved Texans to develop their entrepreneurial skills and help small businesses thrive by providing education, counseling, and capital. In recent years, BIGAustin has aided the development of high-tech and entertainment businesses as the region adapts to the 21st-century economy.

**Connecting North Carolina**
An ambitious broadband initiative, **Connecting North Carolina** has a goal of providing affordable high-speed internet service to every North Carolina resident by June 2021. State officials believe that building this critical infrastructure will put North Carolina in a strong position to prepare its workforce for 21st-century jobs, increase the efficiency and effectiveness of small businesses, and enable new health care technologies and service models.

**California Rebuilding Fund**
In partnership with the California Infrastructure and Economic Development Bank, this organization aggregates funding from private, philanthropic, and public-sector sources to address the capital and advisory needs of California’s small businesses as they reopen and recover from the COVID-19 health and economic crises. According to its website, the program is “built to serve the smallest of small businesses that make up an essential part of the California economy, and [it] will focus on historically under-resourced communities.”

Featured JFF Resources

**Building Opportunity: How States Can Leverage Capital and Infrastructure Investments to Put Working Families on a Path to Good Jobs.**
In this report, JFF expert David Altstadt, in partnership with the Working Poor Families Project, outlines how states can use their capital and infrastructure investments to increase the skills of low-income working adults.

**Good Jobs in Rural America Are Changing, So Learning Must Change Too**
In this report, JFF expert Veronica Buckwalter explores the changing nature of work in rural areas and the investments needed to spur new forms of economic growth.