



2019 STUDY OF THE CHALLENGES AND OPPORTUNITIES OF DEVELOPING SMALL BUSINESSES IN RURAL TEXAS



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2019

TEXAS OFFICE OF THE
GOVERNOR

SUBMITTED BY:



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INTRODUCTION

The Office of Small Business Assistance, Economic Development and Tourism in the Office of the Governor of the State of Texas contracted with Thomas P. Miller & Associates (“TPMA”) to conduct a Study of the Challenges and Opportunities of Developing Small Businesses in Rural Texas. The Office of Small Business Assistance serves as the principal focal point for Texas entrepreneurs and small business owners and provides information and assistance relating to establishing, operating, or expanding a business in the State. This Study was conducted pursuant to the Office of Economic Development and Tourism’s statutory responsibility to provide effective education, training, management, technical assistance; and information and assistance related to establishing, operating, or expanding small businesses. Additionally, the Office performs research, studies, and analyzes of matters affecting the interests of small and historically underutilized businesses.

The intent of the Study of the Challenges and Opportunities of Developing Small Businesses in Rural Texas was to provide the Office of Small Business Assistance with a greater understanding of the small business landscape in rural Texas. This Study includes statistical analysis; interview analysis; resources; and best practices for the entrepreneurs; small business owners and leaders; and local, regional, State, and Federal organizations that serve the small business community in the State of Texas.

This study was funded in full by a Federal grant from the U.S. Department of Labor.

EXECUTIVE SUMMARY

This report, created by Thomas P. Miller & Associates (TPMA), is intended to inform the Office of Small Business Assistance, Economic Development and Tourism in the Office of the Governor of the State of Texas of the challenges and opportunities of developing, running, or expanding a small business in rural Texas. The contents of the report include an analysis of survey, interview, statistical research and engagement, economic impact analysis, an analysis of best practices, and related appendices.

Business owners in rural Texas face many of the same challenges as small businesses everywhere. In the post-recession era, marked by increased use of automation, greater adoption of e-commerce, higher healthcare costs, and increased industry consolidation, conditions are as challenging as ever for small businesses. In addition, the rural small businesses we communicated with for this report explain that they face challenges specific to their rural contexts, including poor or non-existent broadband; difficulty accessing broader markets; difficulty accessing capital; and receiving support from service providers. It is common for small businesses in Texas to express that the best way government can support them is to limit regulation and taxation as much as possible.

Business & Resource Provider Survey Summary

By surveying business and resource providers, TPMA received input from 471 individuals. Business representatives chimed in from all corners of rural Texas including all 12 Texas Economic Regions as defined by the Texas Comptroller of Public Accounts (<https://comptroller.texas.gov/economy/economic-data/regions/>). Turnout was particularly strong in some of the less populated areas such as the Northwest, Southeast and High Plains areas. Respondents also come from a wide variety of industries, with particularly strong concentrations within Professional, Scientific & Technical Services; Construction; and Retail Trade. Resource providers surveyed include an array of public, non-profit and privately-operated entities that focus primarily on rural areas.

Issues small business representatives expressed the most concern over, and that state agencies may be able to assist with include: “Improving broadband internet access” (important to 86% of respondents); “Networking with peers and potential customers/clients” (87%); “Connecting with customer/clients in urban Texas cities” (75%); “Permitting, licensing, and legal advice” (77%); and “Obtaining funding” (63%). In open-ended responses, participants indicated strong needs for assistance with forms and policies; basic business education; finance and insurance questions; computers and IT training; marketing; and social media assistance. Despite these needs, the majority of respondents indicate little awareness of or participation with workforce and economic development providers. Of all respondents, 41% say they are not aware of any such services, and 64% indicate that they have never interacted with such groups. Those that have worked with such groups have most frequently worked with Small Business Development Centers (SBDC), Chambers of Commerce, and Community Colleges.

Related specifically to higher education, the plurality of respondents indicate that either there are no providers in their region (6%) or that these institutions are not providing adequate training for their industries (43%). Fields requiring the most training include Managers, Office &

Administrative Support Workers, and Computer/IT Workers. Other non-technical skills were emphasized as well including work ethic, workplace conduct, and communication.

Most rural small businesses have never attempted to receive outside funding. However, for those that want it, accessing funding is a major challenge. Of those surveyed, 37% have attempted to receive funding, and yet just 24% have received it. Most of those looking for and receiving funding are going to banks and lending institutions. Other popular sources of funding include the federal government, and friends and family. Sources that are more common in Texas's urban areas (including angel investors, private equity and venture capital) are virtually non-existent for rural small business owners.

More respondents feel there is good availability of commercial real estate than those who think otherwise. A considerable number of respondents do not feel that commercial and industrial space is affordable (34%). It is worth noting in conjunction with this point, however, that 17% of survey respondents operate small businesses either out of their home or at a shared working space.

Resource providers who responded to the survey raise many of the same concerns as small business representatives themselves, though resource providers emphasized workforce challenges and access to capital to a higher degree. Also, resource providers note that "aging/inadequate infrastructure" are also a major issue for rural economic development.

Statistical Analysis

As part of this study, TPMA completed a statistical analysis of rural Texas businesses.¹ Overall, rural small businesses make up 24% of all employing businesses within the state of Texas and provide 12% of all Texas jobs. In 2015, this meant that 1.2 million people across the state were employed by a small business in a rural area, and this number is growing. Small businesses in rural Texas employ more people than large businesses in rural Texas, and these two numbers are diverging. While employment in rural large businesses declined from 2015 to 2016, rural small businesses contributed 7% of all Texas job growth. These contributions have helped rural Texas keep pace with the rest of Texas's declining unemployment figures—rural unemployment has decreased from 6.6% in 2013 to 4.3% in 2017. In addition, urban businesses are slightly more volatile in employment than those in rural areas. While more businesses in urban areas of the state are starting and growing than in rural areas, more urban businesses are declining and closing than those in rural areas. The result of these factors is that more rural businesses have stagnant employment figures—neither growing nor declining in annual employment figures.

In terms of business sectors, Accommodation and Food Services is the most common category for rural Texas small businesses. Rural small businesses in this sector employ 214,000 people across the state. Other common sectors are Retail Trade, Health Care, and Social Assistance. Despite the prevalence of these sectors throughout the state, Texas also boasts of considerable

¹ This analysis drew upon data sources such as the U.S. Census Bureau, The Bureau of Labor Statistics, and Economic Modeling Specialists International (Emsi). Full citations are available in the main body of the report.

industry diversity in its rural areas. In the West Region, the Mining, Quarrying, and Oil and Gas Extraction sector employs the most people of any rural small business sector.

Lastly, TPMA completed an economic impact assessment of the contributions rural businesses make to the state. In addition to directly contributing 12% of all Texas jobs, rural small businesses indirectly contribute an additional 17% of jobs to the state, bringing their total impact to nearly 3 million jobs. These businesses are also responsible for \$148 billion in earnings, \$444 billion in economic output, and \$253 billion in gross domestic product. For each of these categories, rural small businesses contribute more than 20% of the state's total activity.

Small Business and Resource Provider Interview Summary

TPMA conducted in-person interviews with small businesses in rural communities and phone interviews with resource providers to better understand issues and opportunities in a rural context. Small business interviews occurred in each of the 12 Economic Regions of Texas with a group of leaders representing diverse businesses. The following summary catalogues topics of importance emphasized by small business leaders and resource providers.

Small Business Culture in Rural Texas

The small business culture in rural Texas is one that champions independence. Respondents were proud of operating in small towns or rural communities and explained that operating in rural Texas facilitated the opportunities for strong local business networks and customer loyalty. Further, almost all respondents explained that their market reach was limited to their local or regional communities. However, a few respondents explained that they had previously exported their goods/services into other regional markets in Texas or even outside the state. Respondents explained that constriction of business expansion is due mostly to workforce shortages, rather than other factors.

Government

The responses regarding government differed between small business leaders and resource providers. Most small business leaders responded that they rarely or never asked for support from local, regional, state, or federal entities. Their preference was for limited government interaction, less regulations, and reduced tax burden—particularly regarding property taxes. Resource providers mostly indicated better infrastructure, particularly broadband, would enhance the ability for small businesses in rural Texas to compete.

The small business leaders who did have government interaction on specific issues or opportunities were mostly satisfied with their municipal or county governmental agencies. Though there were several one-time issues identified on the state-level, those who mentioned these issues indicated the State was responsive, including the Office of the Governor. Clearer guidelines or better resources on the state-level for compliance were requested. Finally, several respondents explained some federal policies have constricted their business. Specific issues cited were regulations on coal and the Affordable Care Act.

Workforce Limitations

Workforce was a big issue for many small businesses interviewed and resource providers echoed these concerns. Several important workforce limitations for small businesses in rural Texas

include a lack of access to broadband and other technology, which would enable better workforce training and/or community and technical college education. One of the biggest issues expressed by interviewees is that small businesses are losing skilled workforce to higher-paying opportunities in the oil industry, particularly during oil boom periods.

Entrepreneurism

Surprisingly, very few small business leaders responded to questions about the needs of start-up businesses. It is unclear why, but possibilities could include a lack of need coupled with lack of awareness of entrepreneurial resources, lack of access to the resources, and the independent spirit previously discussed. Conversely, resource providers were much more vocal on the topic. Resource providers explained that access to capital, broadband infrastructure, and enhanced business acumen were very important to expand opportunities for small businesses in rural Texas.

SURVEY RESULTS ANALYSIS

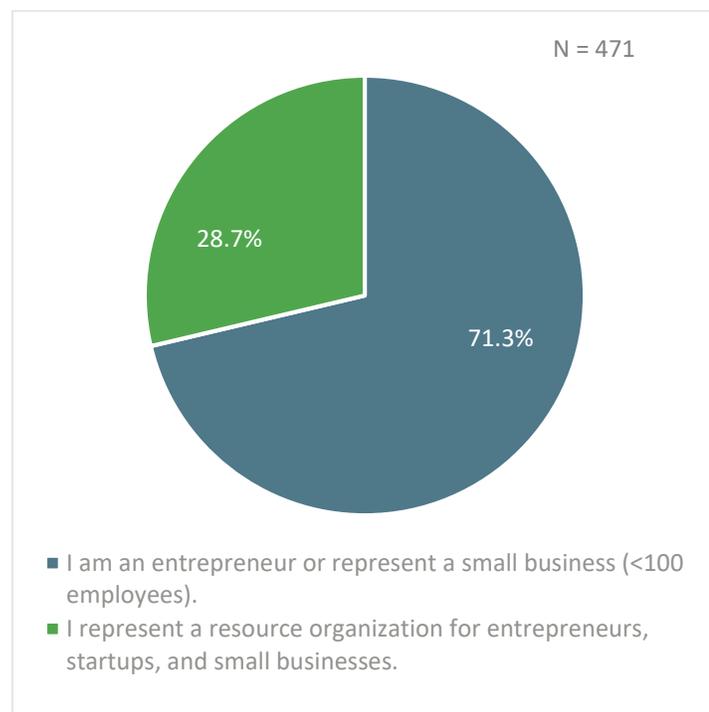
Survey Overview

TPMA fielded a survey within the state of Texas between November 8 and November 20 of 2018. TPMA designed a single survey instrument which applied to both small businesses and resource providing organizations, with an initial filtering question that directed respondents down either of these two paths. In the fall of 2018, TPMA's staff designed the survey questions with input from the Texas Governor's Office.

The average time for users to complete the questionnaire was 7 minutes, and 63% of those who opened the survey link fully completed it. The survey garnered a gross total of 722 responses. A total of 76 responses were excluded because the respondent was neither a small business representative nor a resource providing organization. Of small business representatives, 157 responses were excluded because respondents did not provide a location, the location was in an urban area, or the location was outside the state of Texas. Following these adjustments, TPMA was left with a sample of 336 valid business representative responses. Among resource providers who responded, just 18 were excluded after respondents indicated that they do not serve a rural area, leaving a total of 135 valid responses. In total, 251 of the collected responses were disregarded for one of the reasons listed above, leaving a sample of 471 respondents.

For each question of the survey a graphic is displayed that contains the percentage of responses along with an "N," which represents the count of survey respondents who answered and did not skip the given question. To keep this section brief and impactful, just the charts associated with each survey question are displayed in the body of this report. Detailed data tables for each question are contained in Appendix A: Detailed Survey Responses. Lastly, in the body of this report, some of the questions have been truncated to make for a more readable narrative. For readers who desire to see the original questions in context, a final version of the survey is included in Appendix B: Survey Questionnaire.

Figure 1. Category of Respondents



Small Business Survey Analysis

Following the initial questions, the survey splits into a series of questions directed either toward small business representatives or resource providers. This section summarizes and analyzes responses by small business representatives.

The order of presenting the survey output is based on TPMA's rating of each economic and social issue's importance according to the survey respondent.² Issues are presented in the following order: General Information about Businesses; Rating Critical Issues; Availability & Use of Services; Availability & Use of Funding; and Commercial Real Estate.

General Information about Businesses

As indicated in Figure 2, small business survey respondents are well distributed across the state.³ There are notable clusters of responses on the outskirts of major cities, for example, the areas to the northwest of Austin and San Antonio (such as Boerne and Burnet) were particularly responsive. The ZIP codes analyzed in this analysis include areas designated as rural and those designated as "partially rural." Rural areas compose 51.2% of all responses and partially rural areas compose the remaining 48.8%. As shown in Figure 3, analyzed according to Texas Comptroller Economic Regions, input was received from each of the 12 regions. Metroplex, Alamo, and Capital were the highest. Perhaps more notable, however, is that several of the rural Economic Regions, namely, Northwest, Southeast, and High Plains provided greater than 5% of the survey sample, despite each having a population of less than one million in 2017.

In terms of industry, survey respondents are from a wide array of industries (see Figure 4). The industry options provided correspond with the sector level (2-digit) North American Industrial Classification (NAICS) system. At least one response is provided from each of the 21 industry sectors. The most common sectors include Professional, Scientific, & Technical Service, which accounted for 12.9% of responses; Construction (12.6%); and Retail Trade (8.4%).

The overwhelming majority of respondents expect moderate employment growth over the next three years—58.7% selected "0% to 10% employment growth" (see Figure 5). Nearly another quarter anticipated above average growth, while 8.7% anticipate very strong growth of 26% or greater. Conversely, just 6.2% project employment loss.

As demonstrated in Figure 6, businesses in rural areas are highly likely to own their own space. Nearly half of all respondents indicate that they operate out of a building the business owns. Another third of respondents either rent part of all of a building. About a sixth of businesses surveyed claim to neither own nor lease any real estate (15.5%) and a very small amount operate out of a co-working place (0.9%).

² TPMA's interpretation is primarily based on the two rating and Likert scale questions, namely, Questions 17 and 18.

³ Each dot represents one individual survey respondent, whose location has been randomized within the boundaries of their zip code. Some dots appear within urban areas because the respondent's zip code includes both urban and rural places.

Figure 2: Location of Respondents⁴

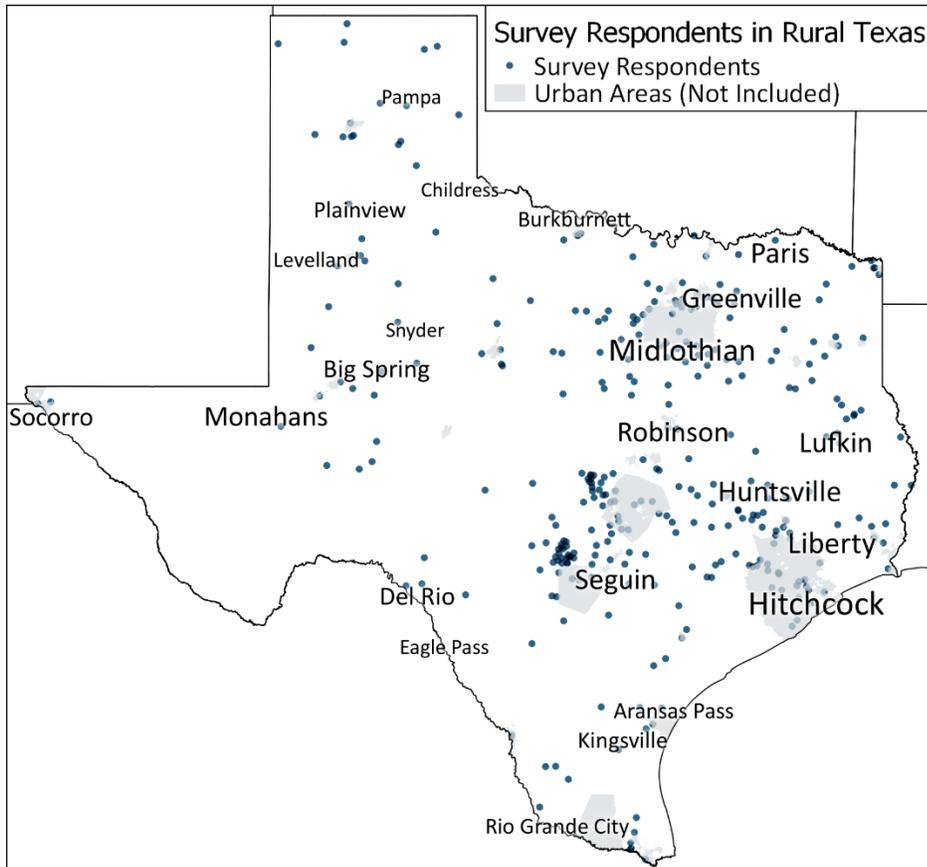
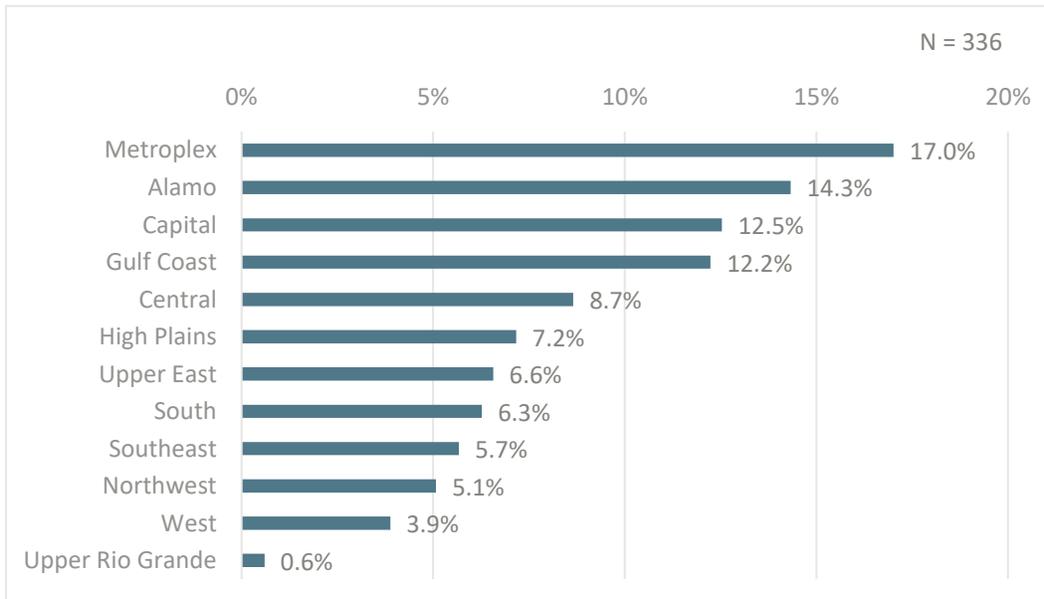


Figure 3: Survey Responses by Texas Economic Regions



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Figure 4: Main Industry of Survey Respondents

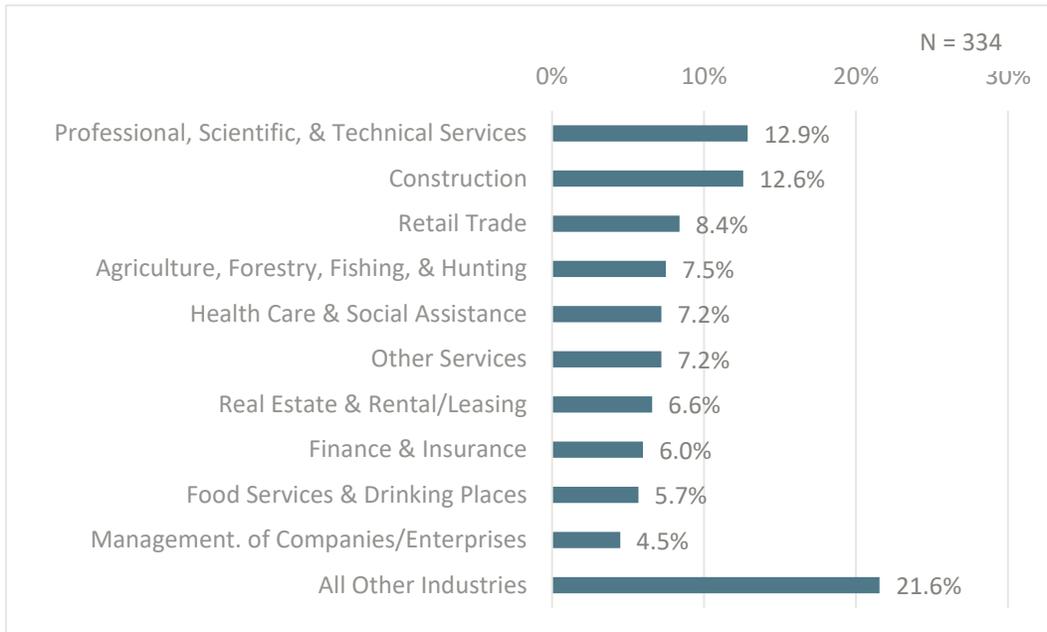


Figure 5: Respondents' Anticipated Level of Employment Growth Over the Next 3 Years

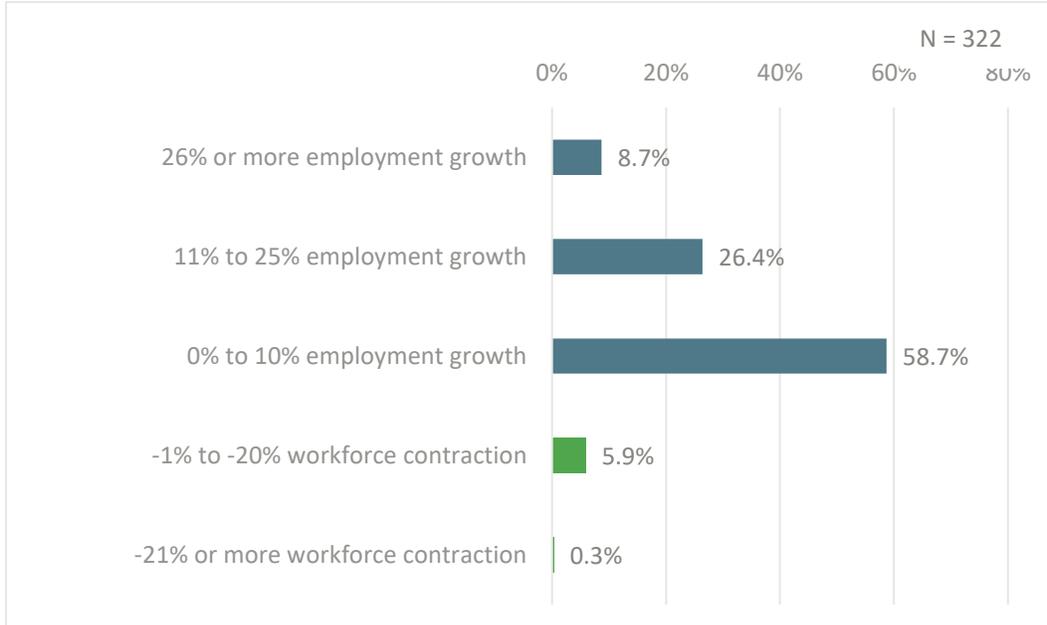
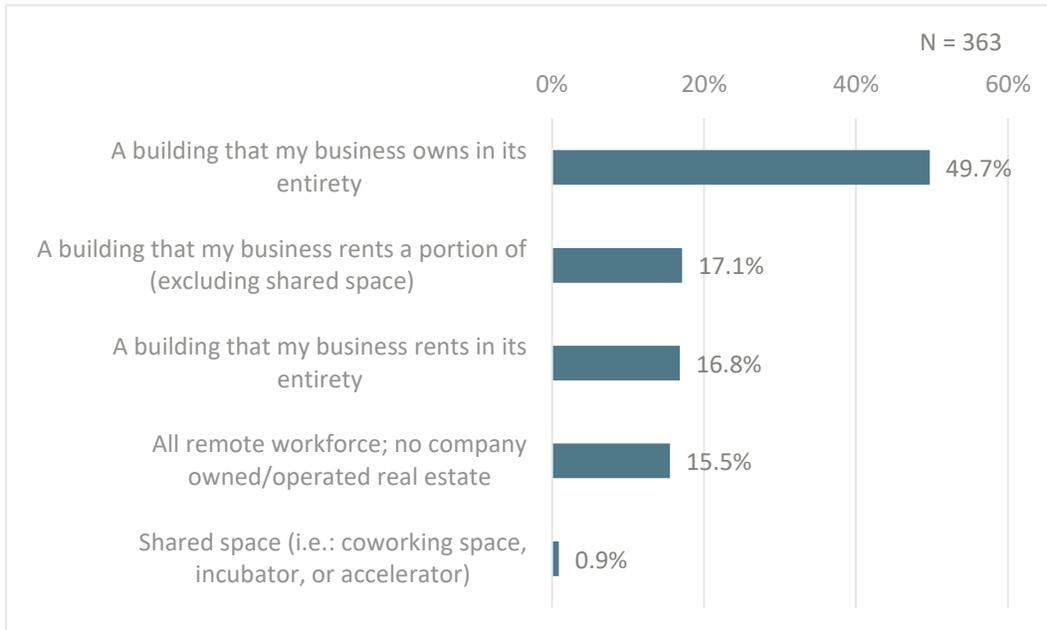


Figure 6: Respondents' Primary Business Location



Rating Critical Issues

Respondents were asked several questions about identifying the most important issues to the success of their businesses. Both questions provided an array of fixed responses with options to select from “Highly Significant/Very Important” to “Completely Insignificant/Unimportant.” In Figures 7 and 8, the responses are displayed according to those with the highest average response rate in terms of importance.⁵ Respondents were also allowed to provide additional feedback on the challenges and opportunities of starting and growing a small business in rural Texas.

Results indicate that small businesses in Texas are more concerned with their own business performance and profitability than they are with external issues. Closely following such concerns, however, respondents indicate taxes and regulation have a significant impact on their businesses. The single most significant infrastructure related issue is broadband, which rated highly in both Critical Issues questions. Considering the attention that workforce issues receive nationally, it is remarkable that none of the workforce-related options ranked in the top five in significance for small businesses. Still, workforce clearly is important for such businesses, evidenced by the fact that more than 40% of respondents mention that skills/capabilities, cost, and quantity of the workforce are highly significant to their businesses. But, the order of priority in responses indicates businesses are more concerned with broadband than they are with workforce-related issues. Another theme apparent in the Critical Issues questions is that rural business representatives are eager for more opportunities for networking and connecting with both peers and customers both in their areas and in the urban areas of Texas.

The first Critical Issues question is designed to elicit information about general business issues, whether or not economic development groups have solutions and programs to assist with such needs. As shown in Figure 7, the most significant business issue is Profitability, which 88.1% of respondents rated as significant (either Highly Significant or Significant). Rounding out the top five responses are “General market conditions/the economy” (89.0%); “Effect of taxes on my business” (84.3%); “Utilities/Broadband” (77.6%); and “State and local government regulations” (79.6%). Issues of the least significance included “Immigration issues” (31.6%); “Effect of tariffs on my business” (32.6%), and “Access to equity partners/organizations” (28.5%).

The second Critical Issues question, interpreted in Figure 8, relates to topics that state and local economic development groups customarily address via business assistance programs (e.g.: infrastructure, buildings; funding, networking, etc.). Respondents identified the following issues as the most important (either Very Important or Somewhat Important): “Improving broadband internet access” (86.1%); Networking with peers and potential customers/clients” (88.6%); “Connecting with customer/clients in urban Texas cities” (75.4%); “Permitting, licensing, and legal advice” (76.7%); and “Obtaining funding” (63.1%). By far the least significant issue is “Selling internationally,” which was rated as important by just 17.2% of respondents.

⁵ For Figure 7, responses are coded as follows: Highly Significant = 5; Significant = 4; Neutral = 3; Insignificant = 2; Completely Insignificant = 1; Unsure = 0. For Figure 8, responses are coded as follows: Very Important = 4; Somewhat Important = 3; Somewhat Unimportant = 2; Not Important = 1; Unsure = 0.

Within the open-ended comments, respondents raised a number of issues, some of which closely correlate with the other two Critical Issues questions, and some were unique. To produce the Word Cloud in Figure 9, TPMA’s analysts coded responses according to a set of common themes. Terms larger in this image received more attention from respondents. The most common themes include access to capital and credit; lack of skilled workforce; lack of workforce work-ethic; over-regulation by state and federal authorities; and competition from larger businesses. In a handful of cases, respondents indicated that they felt a lack of support or attention from state and local agencies, despite efforts to connect with these entities.

Figure 7: Respondents’ Ratings of Most Significant Business Issues

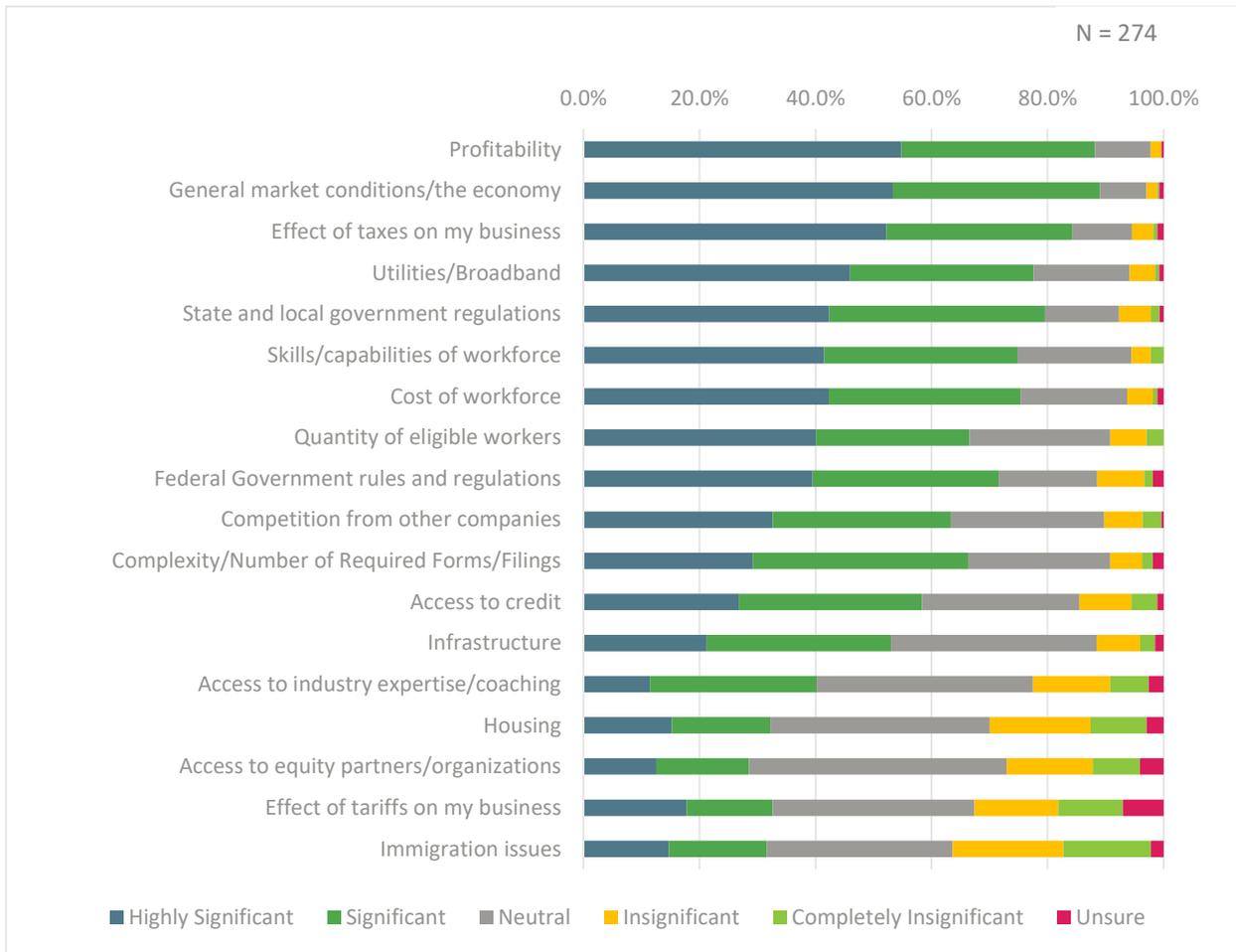


Figure 8: Respondents' Ratings of Most Significant Economic Development Issues

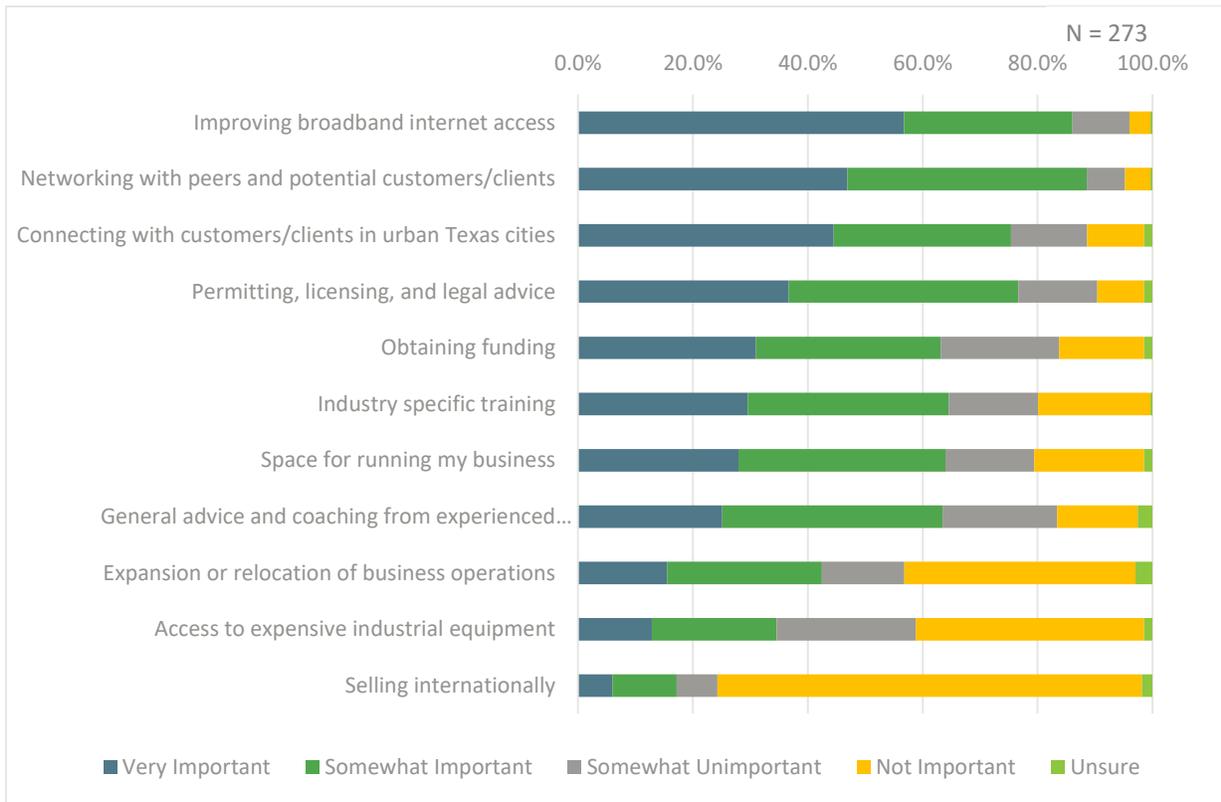


Figure 9: Respondents' Open-ended Feedback on Additional Business Issues



Availability & Use of Services

Questions related to the availability and use of services are focused on awareness and use of higher education partnerships, workforce development services, and resource providers. There is a clear concern from survey respondents that rural areas do not receive adequate workforce training or economic development attention. Of all respondents, 41.3% indicate that they are not aware of any workforce and/or business development related services available in their area (see Figure 11). Following this response, the most visible services available to respondents include Community Colleges; Small Business Development Centers (SBDCs); Chambers of Commerce, and Universities. Interestingly, just 16.7% of respondents are aware of a local or regional economic development office. Participation with resource providers follows similarly to awareness of those providers. The majority of respondents have not participated in or accessed any workforce development or business-related services (64.0%). The most frequently utilized resources include Small Business Development Centers (18.8%); Chambers of Commerce (16.8%); and Community Colleges (12.3%).

Related to higher education, a larger number of respondents stated that they disagree than agree with the statement “The higher education institutions in my region provide adequate training for my industry” by a score of 42.4% to 36.2% (See Figure 10).⁶ When asked to describe occupations with the greatest needs, respondents provide a wide variety of responses across 15 different categories. As shown in Figure 13, the most frequently selected options include Managers (40.7% of respondents); Office & Administrative Support Workers (30.4%); and Computer/IT Workers (38.4%). Transportation, Manufacturing, and Healthcare workers were the least frequently selected, but this is likely a function of the industry categories of small business primarily being in professional services, construction, retail, and agriculture. In open-ended responses, survey participants focused on the need for education in the skilled trades (e.g.: HVAC, Plumbing, Electrical, etc.). There is also a pervasive call for more general education and soft skills (e.g.: work ethic, communication, workplace conduct, etc.).

The second open-ended question in this set is focused not just on education but fields that resource providers could strengthen in general (see Figure 15). Many respondents provided similar input to the open-ended question about higher education. But, in this case, respondents also focused on many continuing education topics for small business operators and employees. Common responses include Finance/Insurance Education; Computers/IT Support; Business Education; Marketing, and Social Media assistance. Responses to this question also reinforced those displayed in Figure 9 with a call for greater assistance and support for small businesses in rural areas with issues like permitting, licensing and paperwork, as well as a regular call for less regulation, in general.

⁶ For the purposes of summarization Strongly Agree and Agree are added together, as are Strongly Disagree, and Disagree.

Figure 10: Level of Agreement with: “The higher education institutions in my region provide adequate training for my industry.”⁷

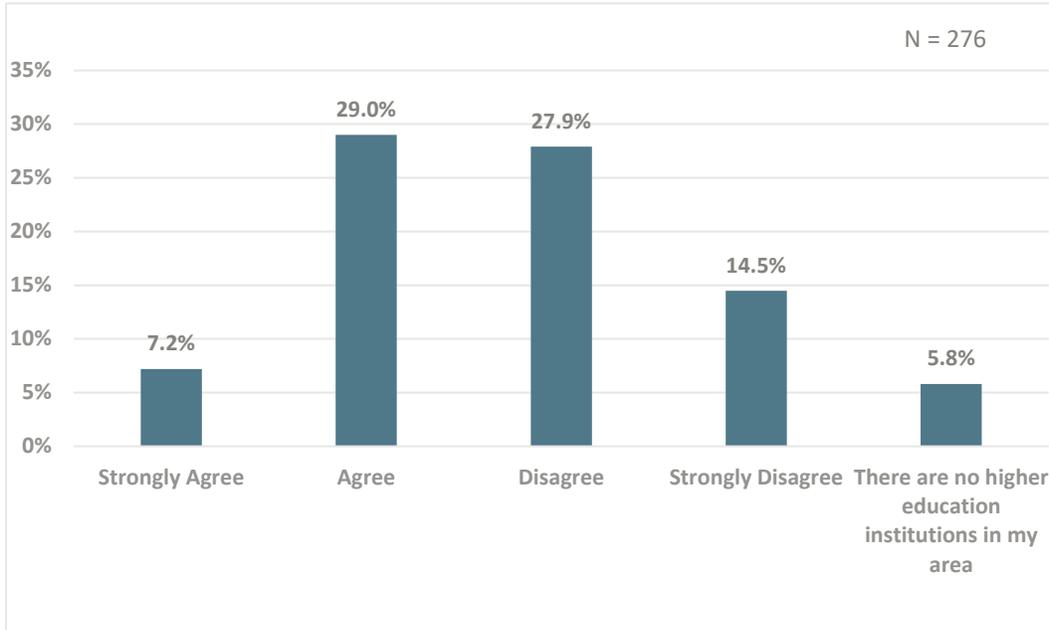
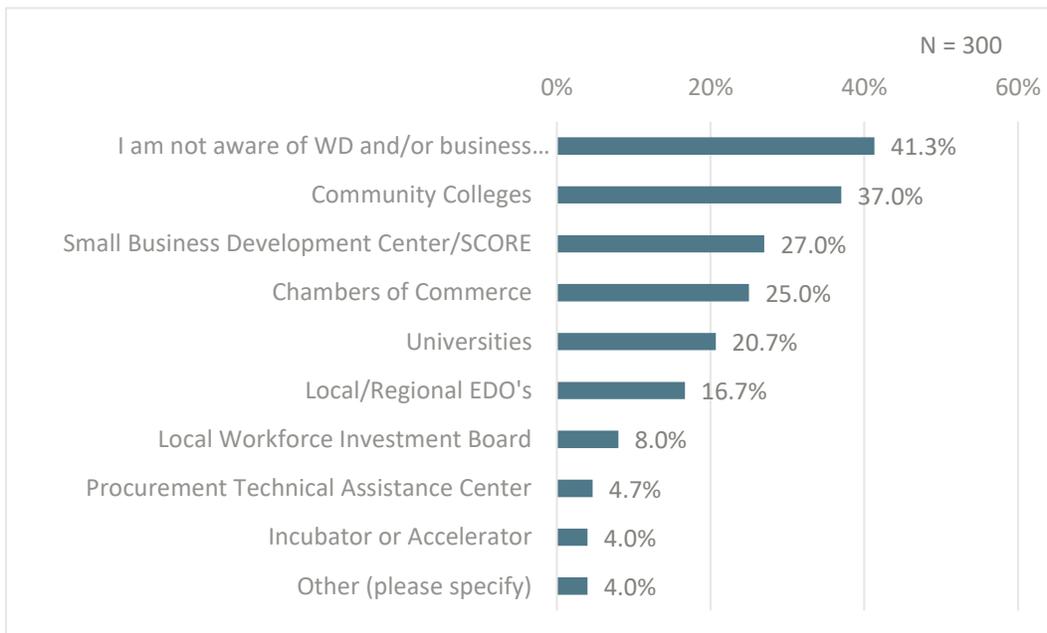


Figure 11: Awareness of Workforce Development or Business-Related Services (Select All that Apply):



⁷ Please note, for this and other Likert style questions respondents who answered “Unsure” are excluded from these charts. For this reason, the percentages listed in the figure do not total to 100%.

Figure 12: Participation in Workforce Development or Business-Related Services (Select All that Apply)

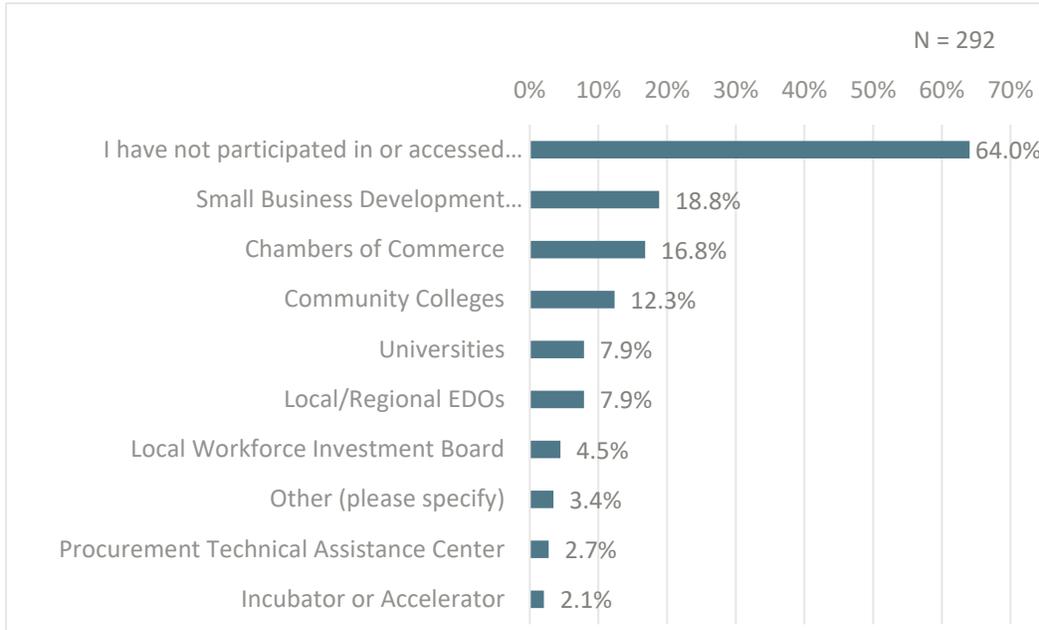
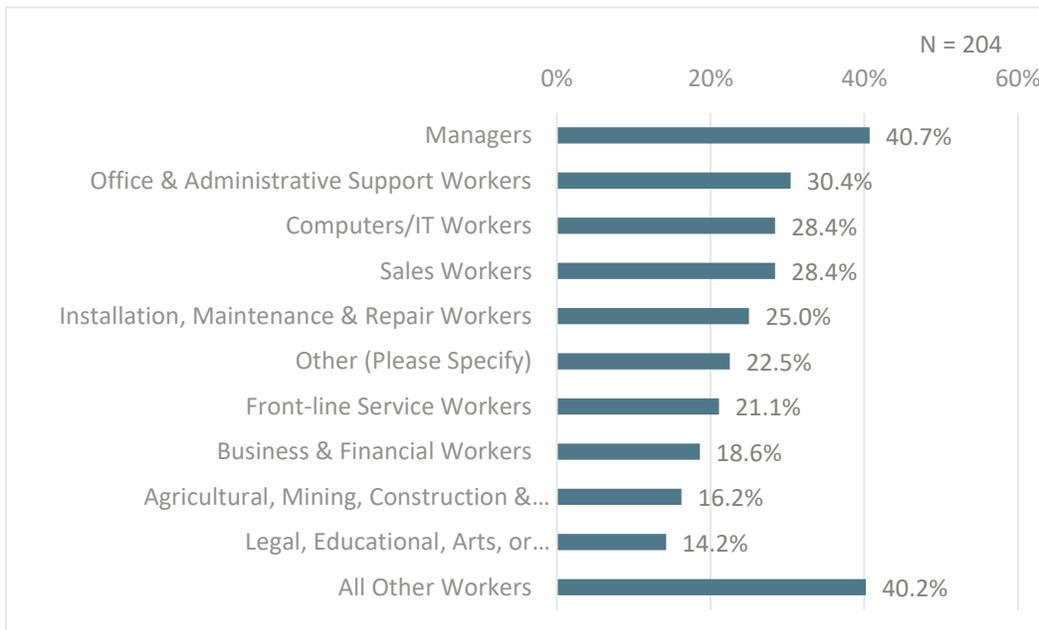


Figure 13: Occupations for which it is Difficult to Hire Skilled Workers (Select All That Apply)



Availability & Use of Funding

Questions in this section address issues related to availability and use of funding. TPMA cast a wide net on the topic of funding in not specifying whether funding refers to equity funding (such as venture capitalists or angel investors) or debt funding (such as banks and the SBA). In many cases, such issues are not understood in detail by rural business representatives, as they instead opt for general terms such as “capital.”

Responses to this set of questions point to a significant gap in funding opportunities for rural businesses across Texas. Those who have received funding have overwhelmingly received it from banks and lending institutions, while other vehicles for capital are few and far between. At the same time, a fairly large proportion of respondents indicate little knowledge of or interest in the topic.

When asked to indicate if their businesses need outside funding, a higher proportion agree than those who disagree, 40.5% compared to 30.2% (see Figure 16). However, it is noteworthy that a quarter of all respondents responded “neutral” to this question. As shown in Figure 17, when that question is pivoted to the topic of accessibility of funding, the balance of agreement is flipped—32.3% of respondents agree or strongly agree, whereas 27.3% disagree or strongly disagree. On this question, again, it is noteworthy that 22.9% of respondents are “unsure.”

The majority of companies surveyed have never attempted to receive outside funding. However, the proportion of those who have actually received outside funding is lower than the proportion of those who have sought it out. This indicates that many businesses have sought out funding and been unable to secure it. As shown in Figures 18 and 19, 37.4% of respondents have attempted to obtain outside funding, yet just 23.9% of respondents have received it. By far the primary source of funding is banks or lending institutions (92.1% of responses), distantly followed by federal government, and friends & family members (see Figure 21). When asked about attempted sources of funding, banks and lending institutions are again ranked first (see Figure 21). In looking at the difference in response rates for these two questions, the funding avenues that are less likely to be successful are apparent. The most notable differences between successful funding and attempted funding include individual investors; venture capital; and non-profit lenders. In comparison to TPMA’s 2017 report on “Entrepreneurial Ecosystems in Texas”⁸ which focused on start-up businesses across the state, it is clear that rural businesses have fewer options for funding than those in urban areas. TPMA’s study indicated that just 32.5% of startups had received funding from banks or lending institutions, whereas options such as friends and family members; and individual investors, were far more common. Lastly, considering the pervasiveness of capital investment activity in urban areas of Texas, it is noteworthy that a just combined 21.4% of respondents attempted to work with venture capital, private equity groups, or angel investors.⁹

⁸ Thomas P. Miller & Associates, “Entrepreneurial Ecosystems in Texas: Report & Recommendations” (December 29, 2017).

⁹ Please note, this value cannot be inferred from the information in this report because it duplicates the individual respondents who selected more than one of the listed options.

Figure 16: Level of Agreement with “My business needs outside financing.”

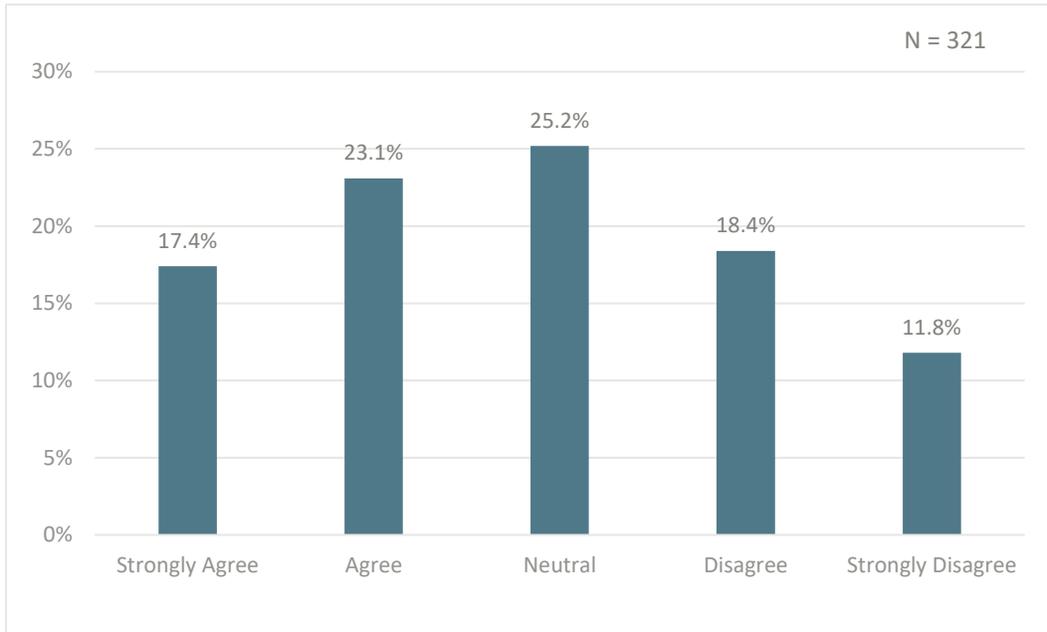


Figure 17: Level of Agreement with: “Outside funding is accessible to rural businesses in my region of Texas.”

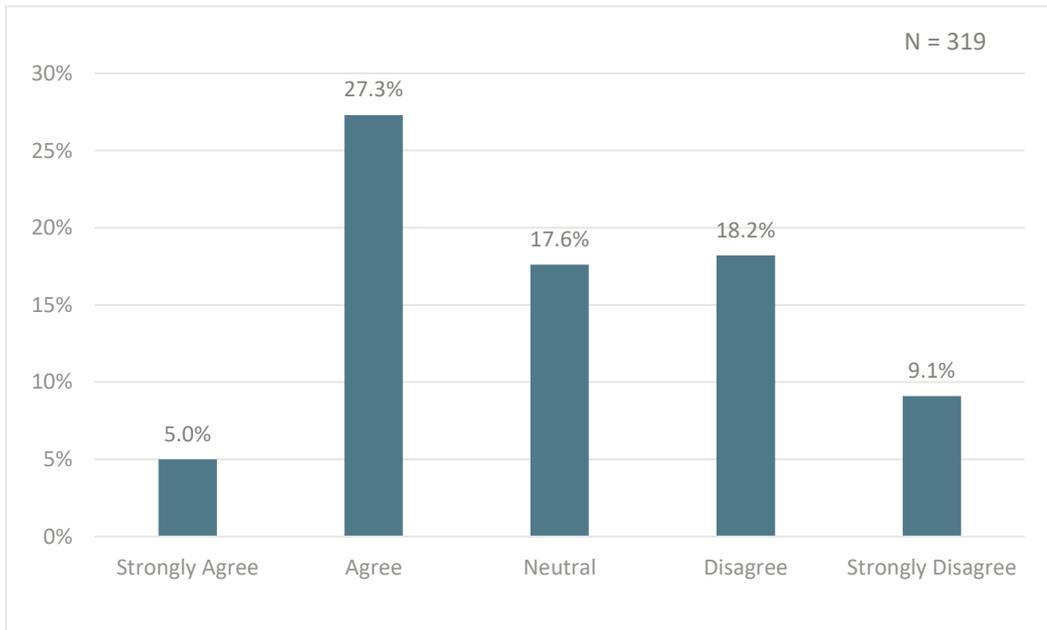


Figure 18: Respondents' Efforts to Receive Outside Funding

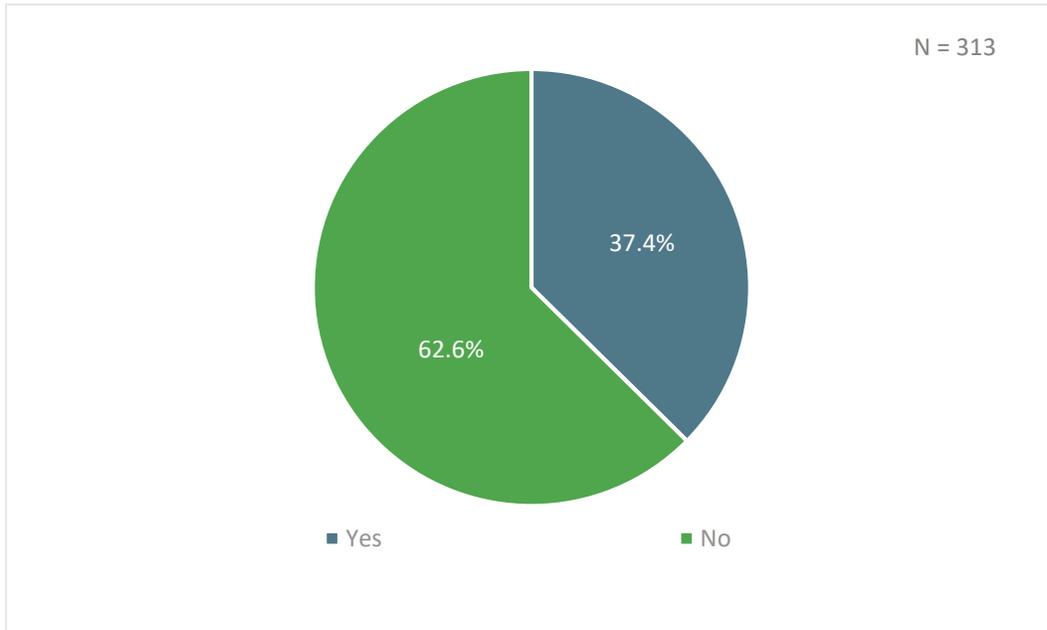


Figure 19: Respondents' Receipt of Outside Funding

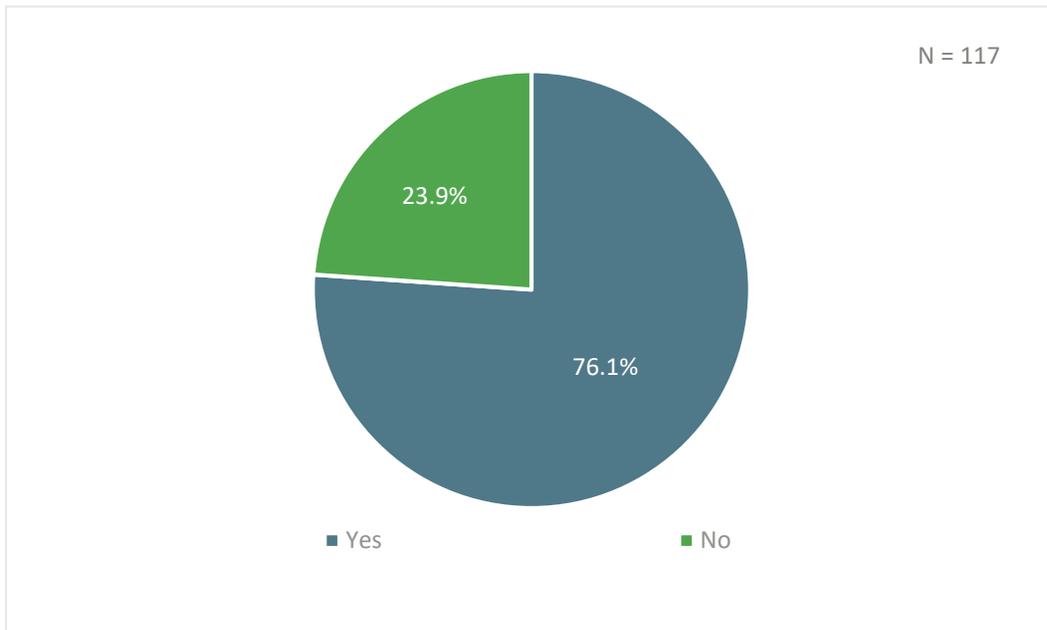


Figure 20: Respondents' Source of Funding

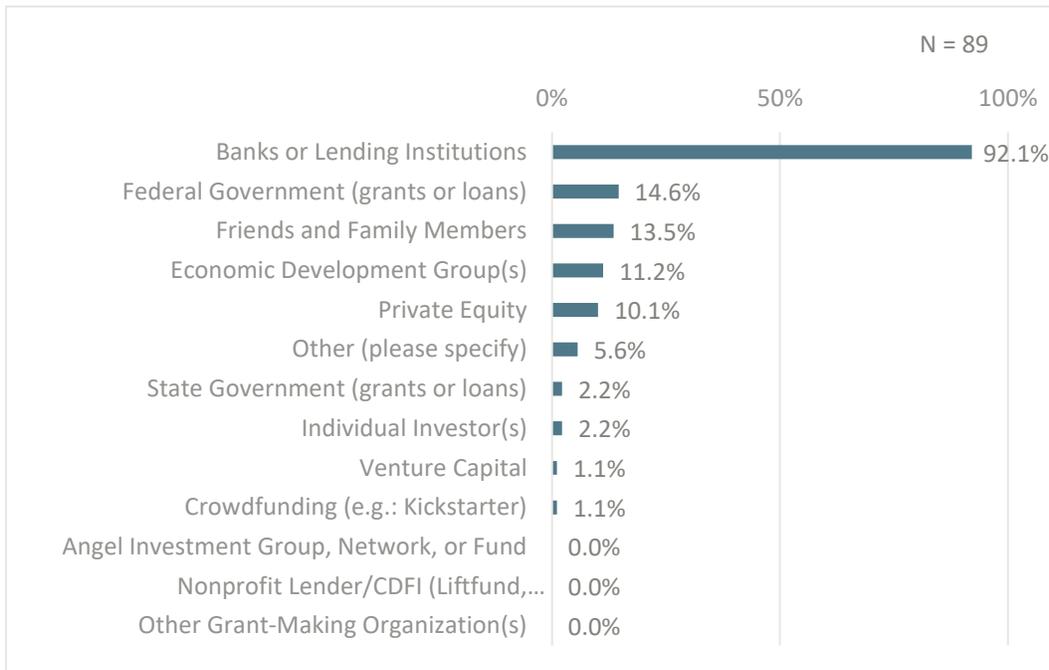
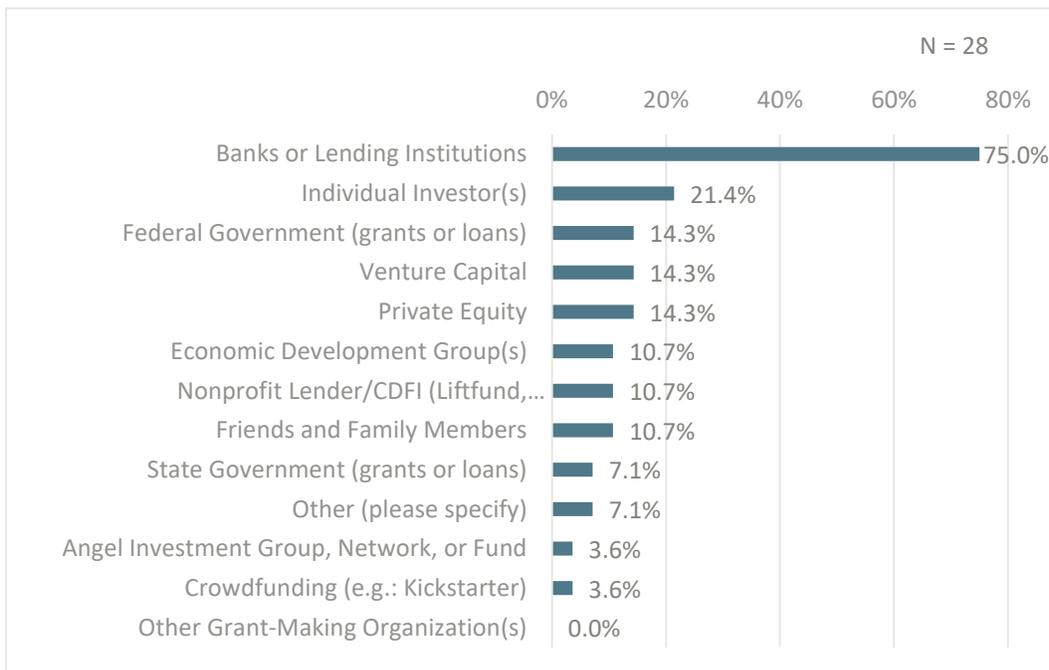


Figure 21: Respondents' Funding Sought but Not Received



Commercial Real Estate

The survey to rural small business representatives inquired about both the availability and cost of commercial and/or industrial space. Related to availability, nearly 50% of respondents indicate that adequate space is readily available (46.9%) while 28.3% disagree or strongly disagree (see Figure 22). Responses are less definitive related to cost of real estate, with 36.4% indicating they are able to afford available space, while 34.4% indicate that they disagree or strongly disagree (see Figure 23).

Though this issue is certainly significant to many businesses, it is worth pointing out that in comparison to other issues raised throughout this survey, real estate is of lower priority to most than broadband internet, workforce availability, and assistance growing and scaling businesses (see Figure 8 above).

Figure 22: Level of Agreement with: “Commercial or industrial space for my business is readily available.”

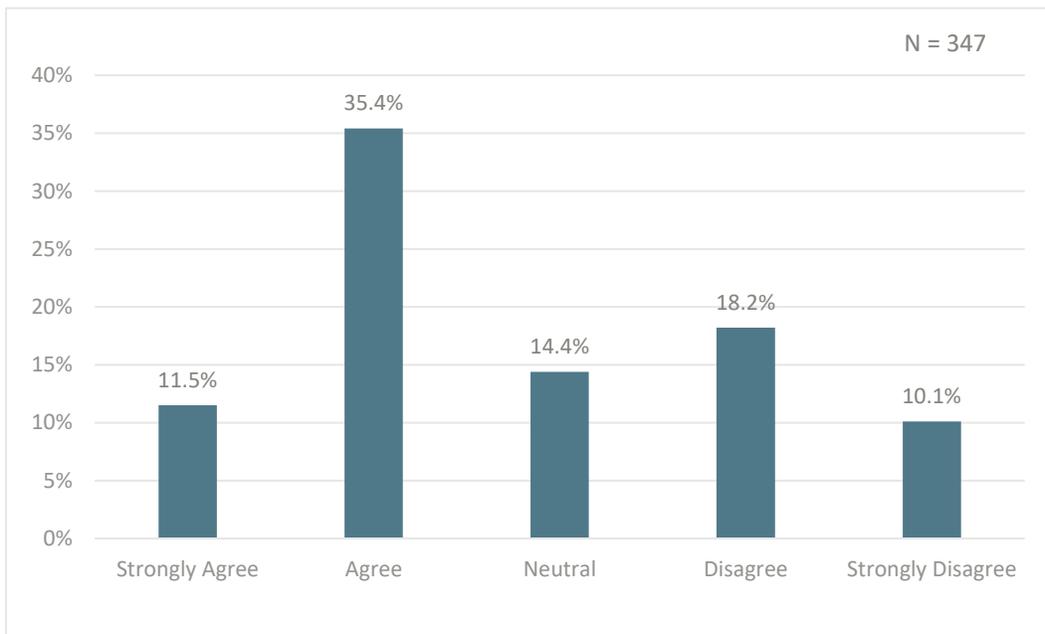
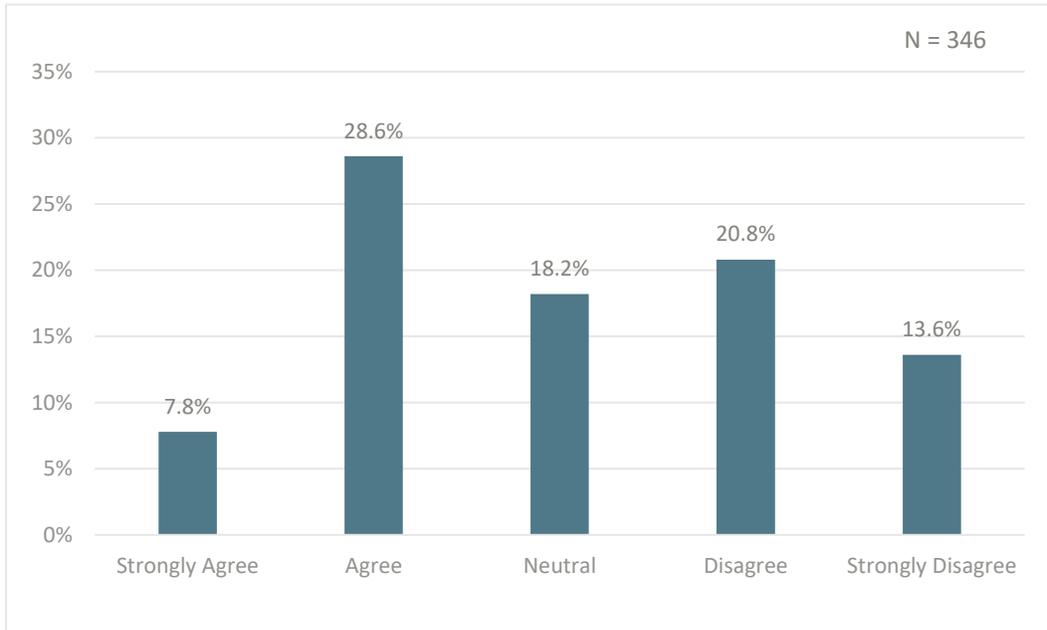


Figure 23: Level of Agreement with: “I am able to afford available commercial or industrial space that is adequate for my business.”



Resource Providers Survey Analysis

As previously explained, the survey separately addresses small business representatives and resource providers. This section summarizes and analyzes responses by resource providers who focus on partly or entirely on serving rural areas. Like the small businesses survey, the order of information presented in this section is not the same as the original survey but has been reordered according to level of significance for this analysis. The two groups of questions analyzed include General Resource Provider Information and Rating Critical Issues.

General Information about Resource Providers

Of resource provider respondents to the survey 46.4% are publicly funded; 40.0% are non-profits; and 13.6% are privately operated (see Figure 24). As shown in Figure 26, most resource providers (57.3%) spend the majority of their time servicing rural clients but all of them also offer services to urban clients. The most common services offered by respondents include economic development; business coaching; and networking (58.6%, 36.0% and 32.4%, respectively), see Figure 25.

Figure 24: Category of Respondents

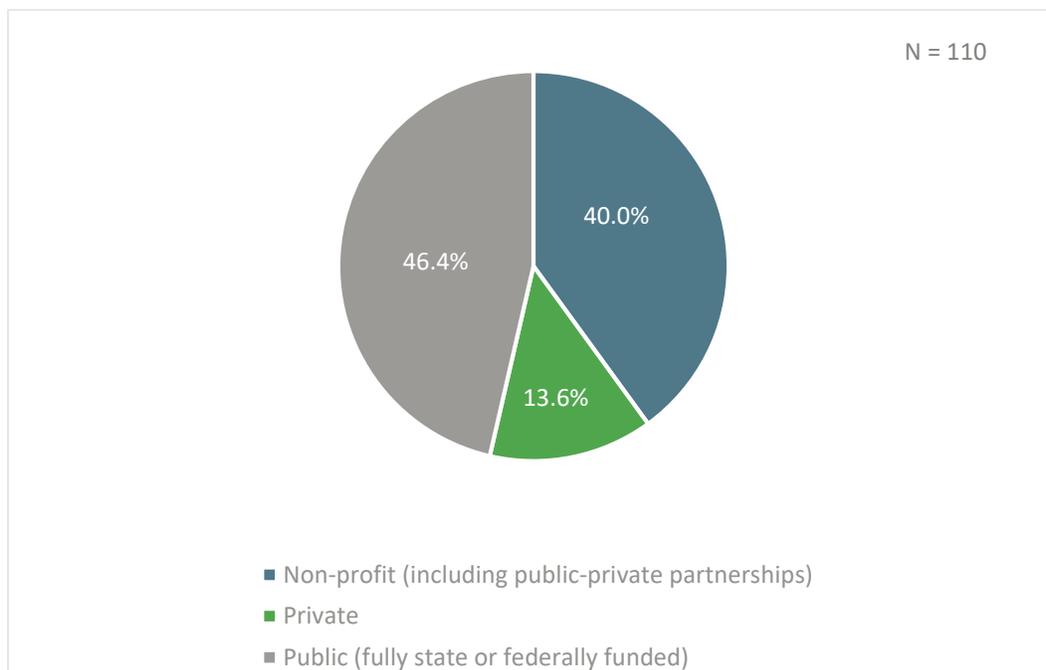


Figure 25: Respondents' Methods for Assisting Small Businesses (Select All that Apply):

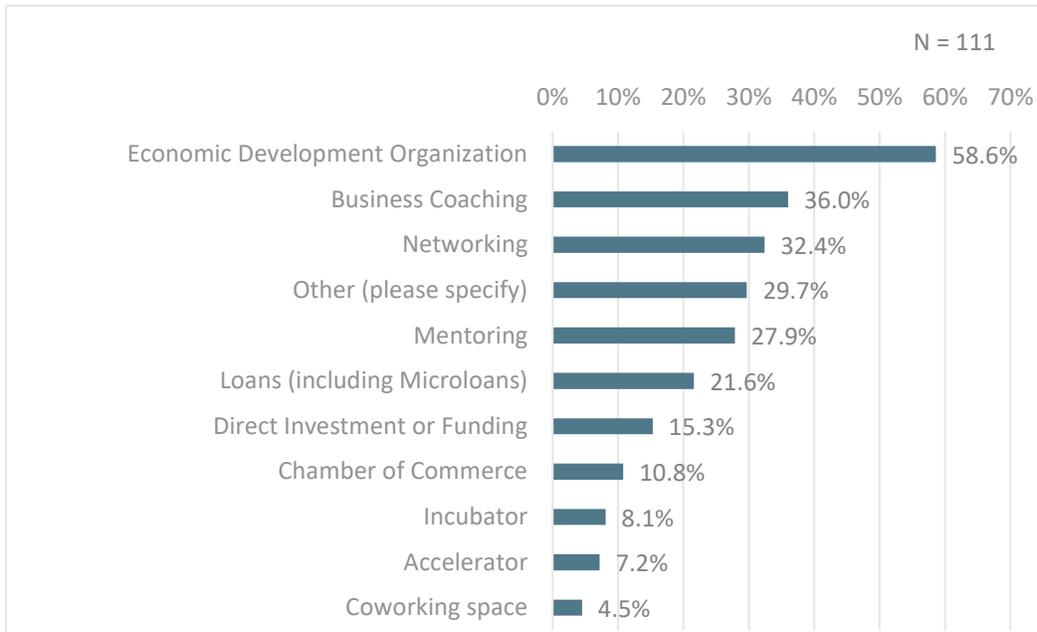
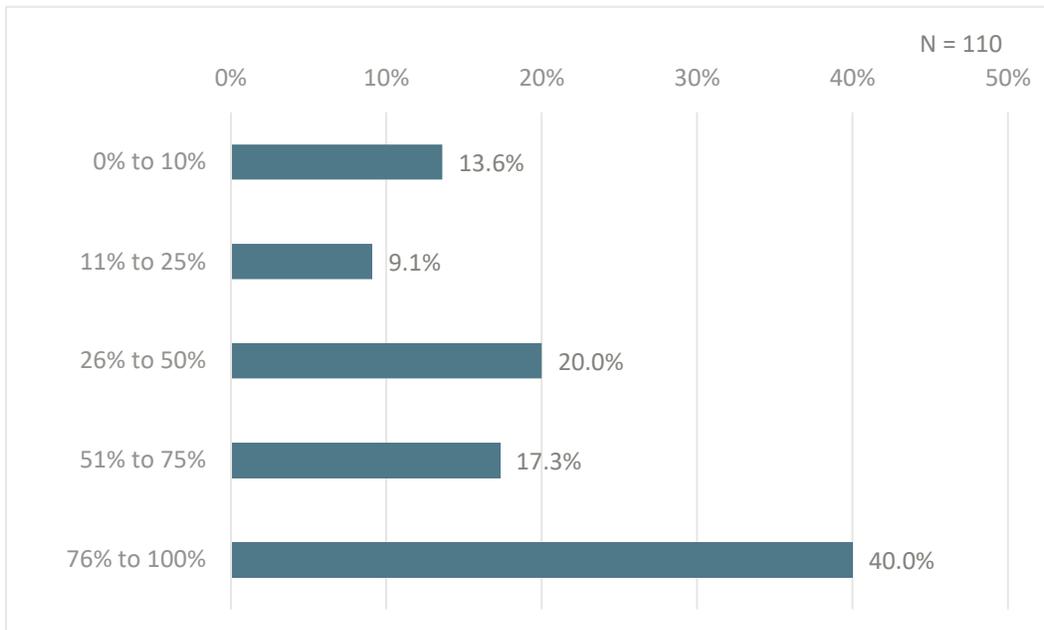


Figure 26: Percentage of Clients that are Rural Small Businesses in the Past 12 Months



Rating Critical Issues

Similar to small business representatives, TPMA asked resource providers to indicate the most critical issues for rural small businesses through a series of questions. For these questions, survey respondents were asked to consider what issues they deal with in serving rural small business clients. Therefore, the responses are quite similar to those indicated by small business representatives. However, the input of service providers can be a helpful parallel perspective to business operators, as such personnel are often required to see issues at a macro level and look for common needs and themes in their conversations with clients.

As shown in Figure 27, the most significant issues for small businesses include “Finding qualified workers at an affordable rate;” “Access to capital,” and “Access to customers.” Among issues that are less important to most include “Access to affordable housing,” and “Access to a community of other business owner.” When asked to rate the most significant risks to rural Texas (Figure 28), the top two responses are workforce related “Lack of qualified and eligible workforce,” and “Outmigration of youth.” Several infrastructure issues are also highly rated, namely, “Aging/inadequate infrastructure” and “Lack of broadband access.” In keeping with the survey of business representatives, lack of commercial real estate and shovel-ready sites is a less important issue, for most.

Open-ended responses to the request to describe any other issues impacting small businesses in rural Texas, yielded largely the same responses listed elsewhere in this report, though resource providers at times emphasized the lack of budget available to reach rural audiences (Figure 29). Interestingly, the issues that resource providers felt most unable to address are led by some of the same programs that rural small businesses most request through the small business survey, including Business Resources (e.g.: coworking space, support systems, printers, etc.) and broadband. Other issues frequently cited include infrastructure and skilled workforce (see Figure 30).

Figure 27: Respondents' Ranking of Issues Impacting Small Businesses in Rural Texas:

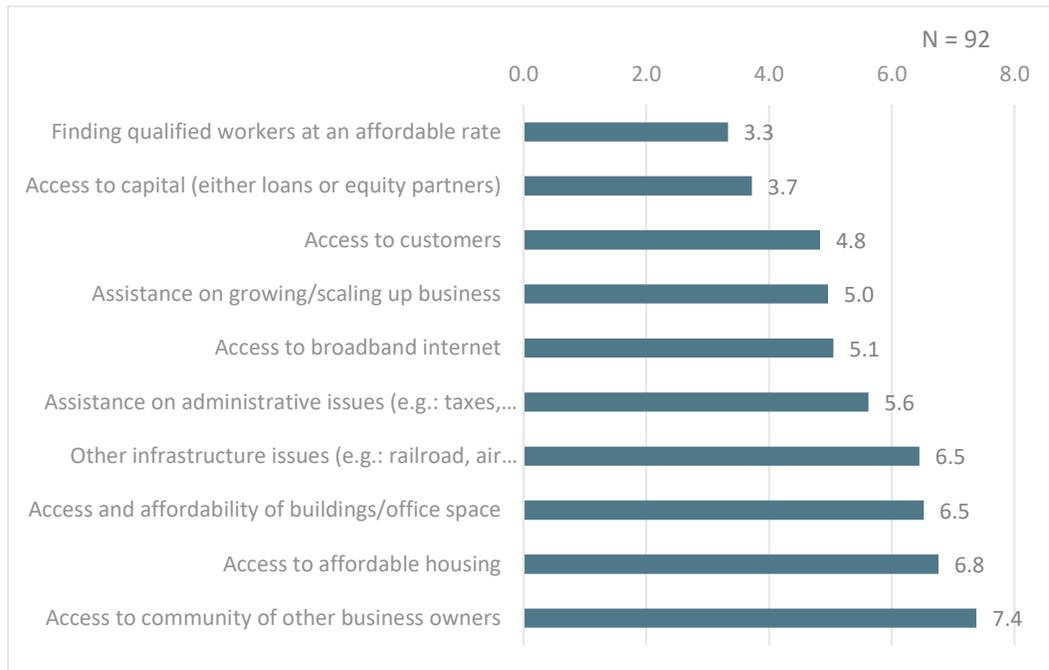


Figure 28: Respondents' Ranking of Potential Risks for Small Businesses in Rural Texas

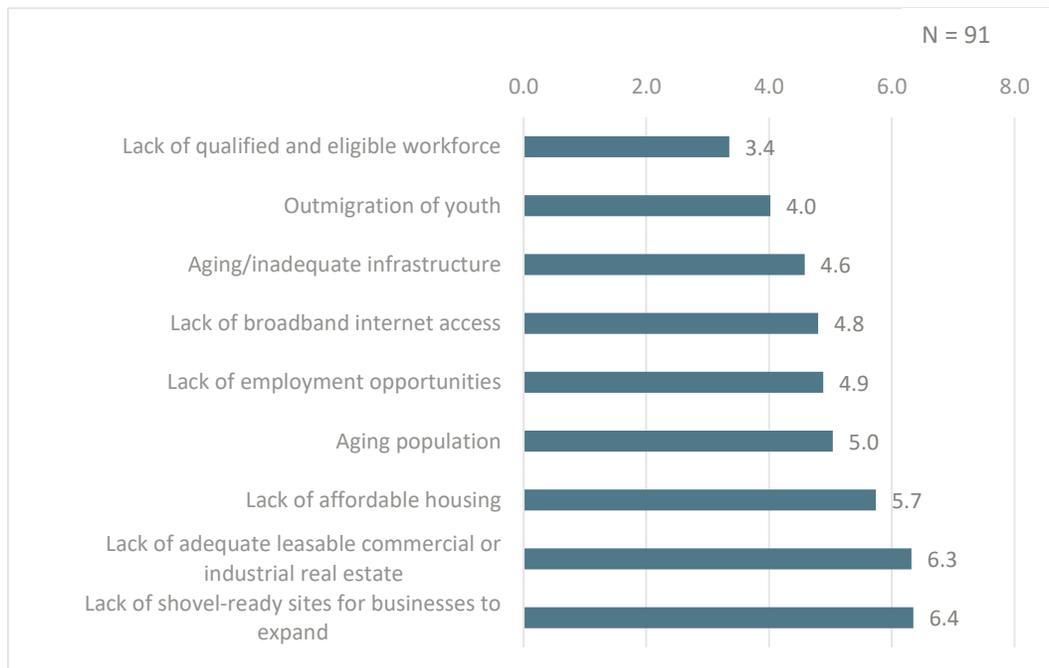


Figure 29: Respondents' Open-ended Feedback on Other Issues Impacting Small Businesses in Rural Texas



Figure 30: Respondents' Open-ended Feedback on Issues Resource Providers are Unable to Successfully Address



STATISTICAL ANALYSIS

Summary Statistics for Rural Texas

Rural small businesses make up 23.8% of all employing businesses in the state of Texas. Throughout rural Texas, there are approximately 137,667 small businesses—defined as businesses with between 1 and 99 employees.¹⁰ In addition to these businesses, there are 559,222 non-employer establishments in rural parts of the state. Non-employer establishments are businesses that do not have paid employees but do pay income tax. The majority of all non-employer businesses are sole proprietors. Based on these figures, 24.5% of small businesses and 24.8% of all Texas non-employers are in rural places.

Figure 30: Urban and Rural Small Businesses as a Percentage of all Texas Employer Businesses

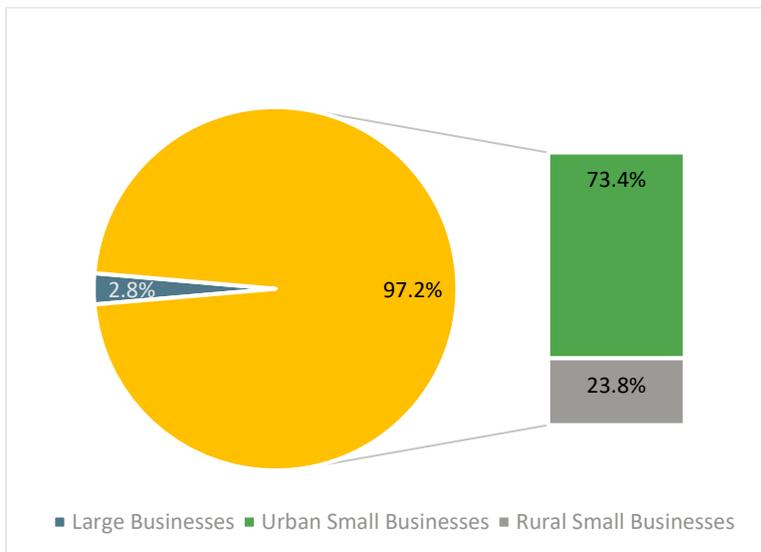


Figure 31: Urban and Rural as Percentage of Non-employers

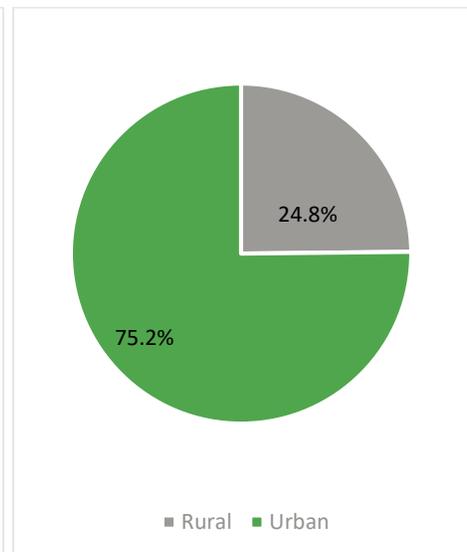
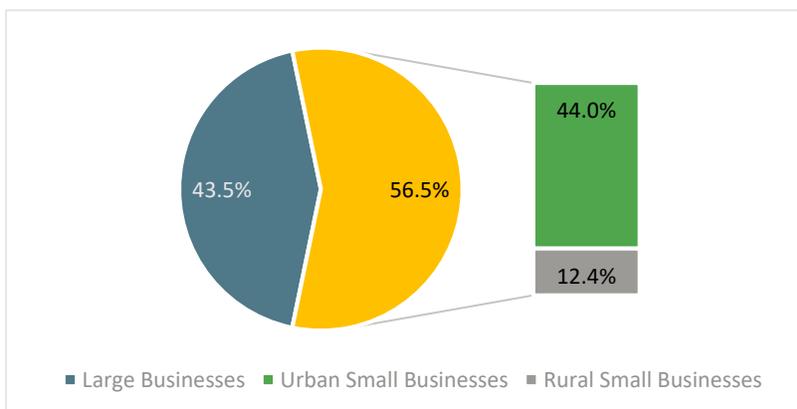


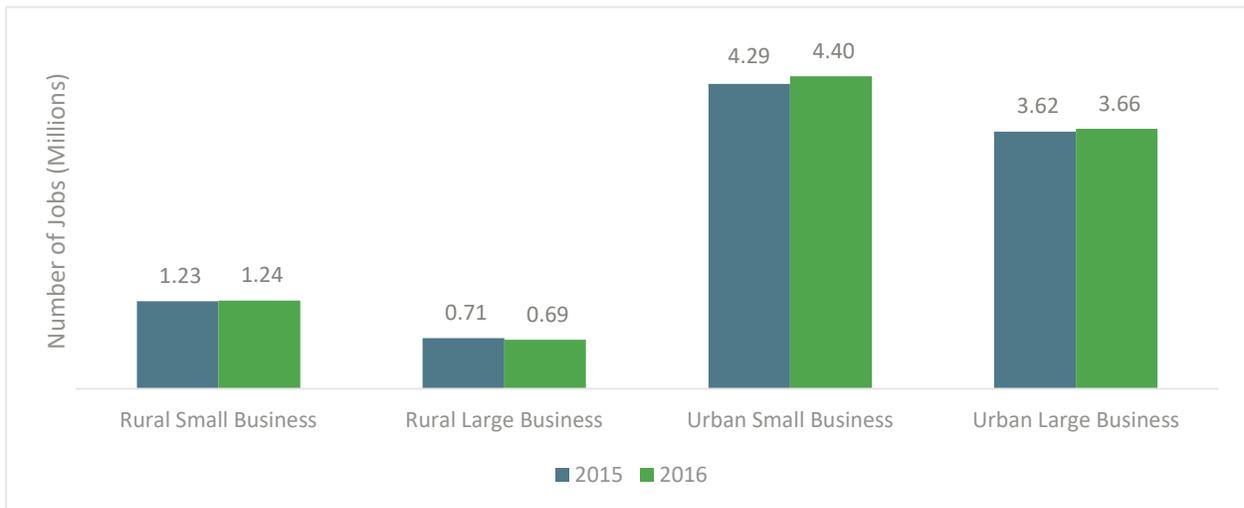
Figure 32: Percentage of Employment by Business Category



The 137,667 small businesses in rural parts of Texas employ an estimated 1.2 million people, for an average of 9 people per business. In comparison, small businesses in urban Texas employ an average of 10.4 people each, for a total of 4.4 million employees. Altogether, rural small businesses provide 12.4% of Texas jobs.

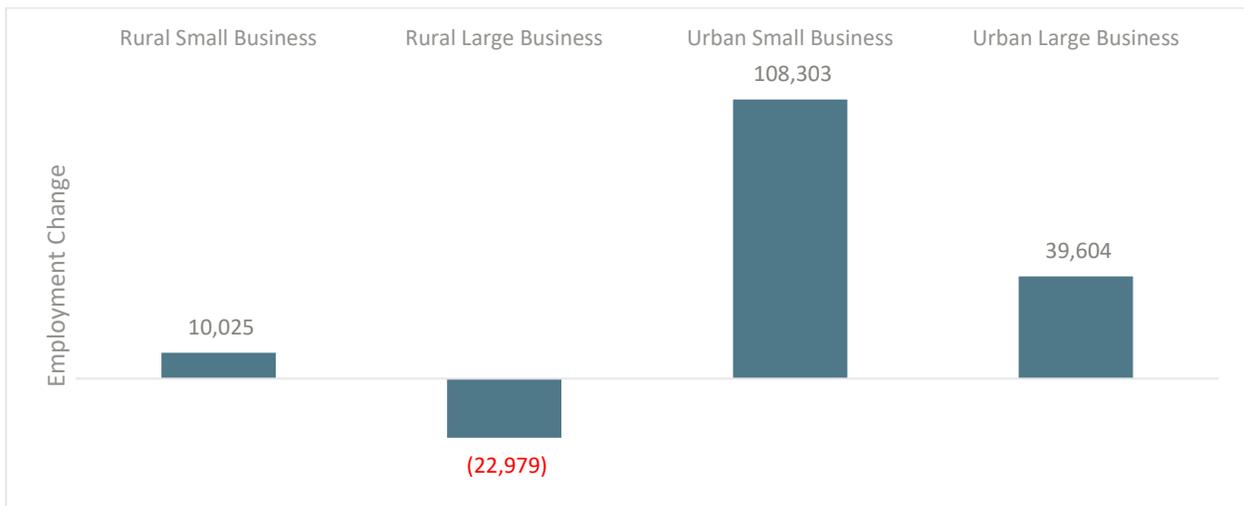
¹⁰ Estimated from U.S. Census Bureau. (2016.) County Business Patterns. In situations where counties include both urban and rural places, business counts are allocated based on the percentage of all jobs within each county that are in urban and rural places.

Figure 33: 2015 to 2016 Employment by Business Location and Category



Between 2015 and 2016, employment in Texas increased slightly. In 2015, there were 9.86 million jobs in the state.¹¹ In 2016, this total rose to 9.99 million. The majority of this growth came from urban small businesses, followed by urban large businesses, and finally rural small businesses. Total jobs at large businesses in rural areas declined by nearly 23,000 from 2015 to 2016. Thus, while rural small businesses grew in employment, job changes at large businesses caused rural parts of Texas to decline in employment overall. These changes are shown in Figure 35. Overall, rural small businesses contributed 7.4% of all Texas job growth, while non-agricultural small businesses contributed 7.5% of all Texas job growth.

Figure 34: Employment Change in Urban and Rural Texas, 2015 to 2016

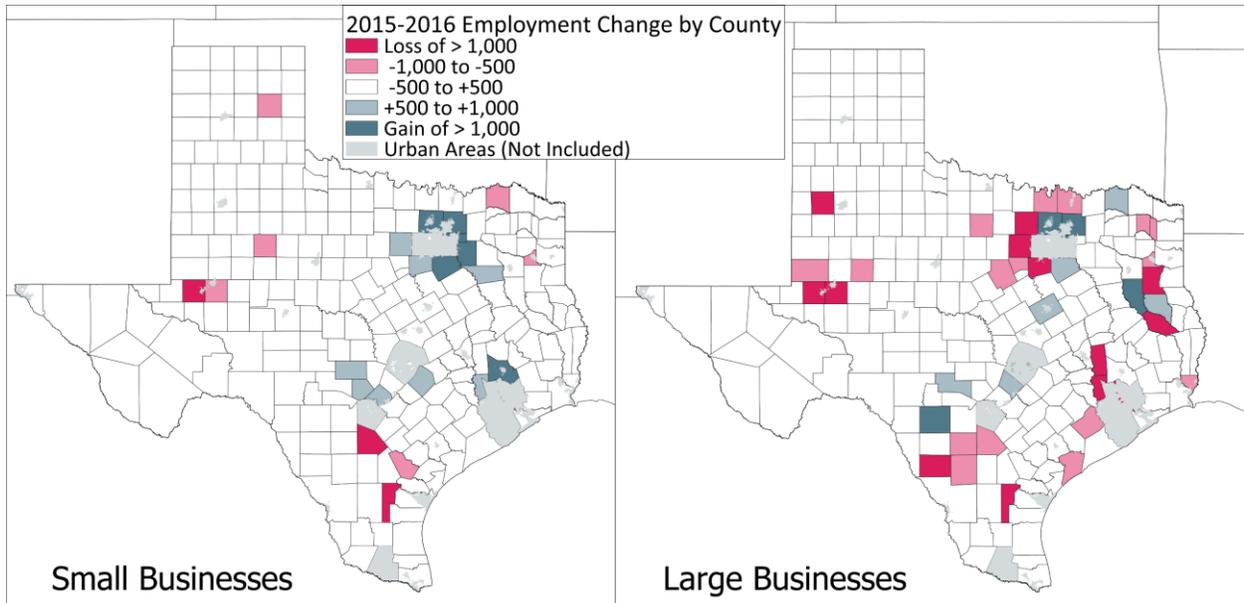


The geographic distribution of rural job changes is shown in Figure 35. Rural job losses were more likely to occur in areas with significant Oil & Gas, Utility, and Manufacturing sector employment—with manufacturing making the biggest contribution to job losses at large

¹¹ U.S. Census Bureau (2015). County Business Patterns.

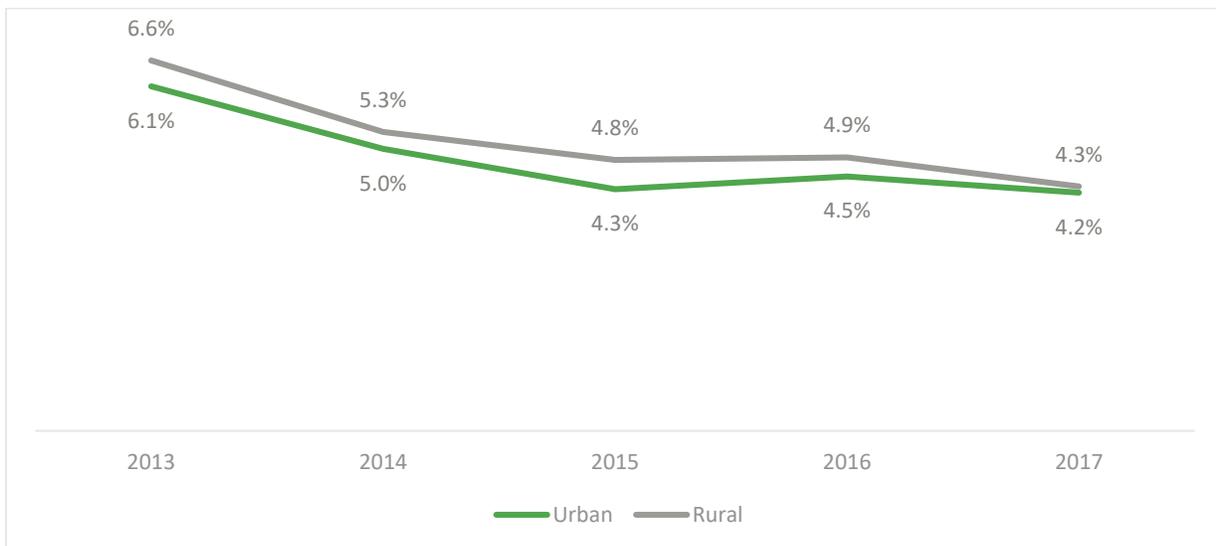
businesses. In contrast, job increases were more likely to occur in areas with emphasis on Professional, Scientific & Technical Services; Accommodation and Food Services; and Finance & Insurance—sectors that consist predominantly of small businesses in rural Texas.

Figure 35: Job Changes by County in Rural Texas, by Small and Large Business, 2015-2016



Across Texas, the unemployment rate has been dropping steadily in recent years. However, unemployment is slightly lower in urban areas than rural. In rural Texas, the unemployment rate has declined from 6.6% in 2013 to 4.3% in 2017. Meanwhile, it has decreased from 6.1% to 4.2% in urban Texas over the same period.¹²

Figure 37: Unemployment Rate in Urban and Rural Texas, 2013 to 2017 Annual Averages



¹² Bureau of Labor Statistics. (2018.) Local Area Unemployment Statistics.

Comparison of Urban and Rural Business Growth and Decline

In 2015, there were approximately 12,824 new business establishments in rural parts of Texas. This represented 10.0% of all establishments in rural parts of the state. In comparison, 11.0% of all urban business establishments (42,789 establishments) were startup establishments—based on the number of establishments in their first year of operation.¹³ In rural Texas, these businesses employed 99,112 people, or 5.1% of all rural employees. In urban Texas, these new establishments employed 5.2% of employees. On the other hand, business closure rates were slightly lower in rural places than urban parts of Texas. In rural Texas, 8.7% of all establishments closed in the year leading up to 2015, while in urban Texas 9.2% of all businesses closed during that time period. Table 1 demonstrates outcomes for Texas businesses in urban and rural places between 2014 and 2015, including the number of establishments whose employment declined, stayed stagnant, or grew during that year. Please note that these numbers refer to all Texas businesses, not just small businesses.

Table 1: Performance of Establishments Already in Existence in 2014

	Closed	Declined	Stagnant	Grew
Rural	8.7%	25.1%	38.5%	27.7%
Urban	9.2%	25.2%	36.8%	28.7%

Small Business Exporting

Anecdotally, very few of the rural small business owners who were interviewed or surveyed in this study mentioned exporting as an important part of their business. Instead, these small business leaders were more focused on marketing their products in urban areas within the state of Texas. Despite this, statistics suggest that as many as 80.0% of exporters within Texas are businesses with less than 100 employees.¹⁴ Unfortunately, due to discrepancies between state and metro-level data, it is impossible to estimate whether exporting is more prevalent in urban or rural areas.

Small Business Sectors by Region

Rural small businesses provide jobs in every industry sector in Texas, but their top employment sector is Accommodation and Food Services, with approximately 214,000 small business employees. This is followed by Retail Trade (192,000 employees) and Health Care and Social Assistance (152,000 employees). The tables below detail the top five small business industry sectors in each of the 12 Texas Comptroller Economic Regions.¹⁵ For the most part, sectors in each of these regional rankings follow those of the rural businesses across the state, including Construction and Other Services in addition to those listed above. However, the Mining, Quarrying, and Oil and Gas Services sector ranks among the top five in the Northwest and the

¹³ U.S. Census (2018). Statistics of U.S. Businesses: 2014-2015 SUSB Employment Change Data Tables. By County.

¹⁴ Office of Trade and Economic Analysis (OTEA). (2015). Metropolitan Area Exporters to Select World Regions. Retrieved from tse.export.gov/EDB.

¹⁵ Texas Office of the Comptroller (2018). Regional Economic Data. Accessed at: <https://comptroller.texas.gov/economy/economic-data/regions/>

West regions, and the Transportation and Warehousing sector ranks in the top five in the South and Upper Rio Grande regions.

Table 2: Top Rural Small Business Sectors in Alamo Region

Industry Sector	Jobs	Businesses
Accommodation and Food Services	18,955	1,250
Retail Trade	15,553	1,811
Health Care and Social Assistance	12,743	1,239
Construction	9,759	1,407
Other Services (Except Public Administration)	8,053	1,303

Table 3: Top Rural Small Business Sectors in Capital Region

Industry Sector	Jobs	Businesses
Accommodation and Food Services	13,053	836
Retail Trade	10,697	1,167
Health Care and Social Assistance	8,244	832
Construction	6,141	971
Other Services (Except Public Administration)	4,998	844

Table 4: Top Rural Small Business Sectors in Central Region

Industry Sector	Jobs	Businesses
Accommodation and Food Services	15,589	992
Retail Trade	14,536	1,607
Health Care and Social Assistance	10,723	817
Other Services (Except Public Administration)	6,907	1,172
Construction	6,594	925

Table 5: Top Rural Small Business Sectors in Gulf Coast Region

Industry Sector	Jobs	Businesses
Accommodation and Food Services	29,389	1,631
Retail Trade	24,108	2,521
Health Care and Social Assistance	19,105	1,818
Construction	13,109	1,613
Other Services (Except Public Administration)	12,200	1,699

Table 6: Top Rural Small Business Sectors in High Plains Region

Industry Sector	Jobs	Businesses
Retail Trade	11,621	1,296
Accommodation and Food Services	10,833	743
Health Care and Social Assistance	7,723	745
Construction	6,295	770
Other Services (Except Public Administration)	5,881	1,114

Table 7: Top Rural Small Business Sectors in Metroplex Region

Industry Sector	Jobs	Businesses
Accommodation and Food Services	53,111	2,862
Retail Trade	41,487	4,343
Health Care and Social Assistance	35,585	3,604
Construction	23,329	3,049
Other Services (Except Public Administration)	21,157	3,041

Table 8: Top Rural Small Business Sectors in Northwest Region

Industry Sector	Jobs	Businesses
Retail Trade	8,489	1,092
Accommodation and Food Services	7,537	604
Health Care and Social Assistance	7,000	596
Other Services (Except Public Administration)	4,207	852
Mining, Quarrying, and Oil and Gas Extraction	4,048	506

Table 9: Top Rural Small Business Sectors in South Region

Industry Sector	Jobs	Businesses
Accommodation and Food Services	17,874	1,211
Retail Trade	16,533	1,672
Health Care and Social Assistance	13,924	1,181
Transportation and Warehousing	5,432	615
Construction	5,381	670

Table 10: Top Rural Small Business Sectors in Southeast Region

Industry Sector	Jobs	Businesses
Retail Trade	16,430	1,702
Accommodation and Food Services	13,427	810
Health Care and Social Assistance	12,559	1,171
Other Services (Except Public Administration)	6,897	1,114
Construction	6,255	734

Table 11: Top Rural Small Business Sectors in Upper East Region

Industry Sector	Jobs	Businesses
Retail Trade	20,675	2,374
Accommodation and Food Services	20,523	1,264
Health Care and Social Assistance	17,781	1,516
Construction	9,728	1,271
Other Services (Except Public Administration)	9,493	1,645

Table 12: Top Rural Small Business Sectors in Upper Rio Grande Region

Industry Sector	Jobs	Businesses
Accommodation and Food Services	4,161	257
Retail Trade	3,174	305
Health Care and Social Assistance	1,981	181
Construction	952	131
Transportation and Warehousing	894	99

Table 13: Top Rural Small Business Sectors in West Region

Industry Sector	Jobs	Businesses
Mining, Quarrying, and Oil and Gas Extraction	10,583	816
Accommodation and Food Services	9,684	640
Retail Trade	9,177	949
Construction	5,336	597
Health Care and Social Assistance	4,901	433

Rural Small Business Economic Impact Analysis

Small businesses in rural Texas provide significant economic contributions to the rest of the state. In addition to the 12.4% of Texas jobs provided directly by rural small businesses, these businesses also provide 8.9% of all employee earnings, and 10.1% of all economic output within the state. However, each of these economic activities has ripple effects throughout the state. For example, each item sold by a small business in rural Texas has required various types of inputs (labor, capital, raw materials, etc.) in order to produce the final product or service. Thus, sales by small businesses in rural Texas are supporting other businesses in the state, and employees of small businesses are spending their earnings across the state as well. Though the aforementioned direct impacts occur only in rural areas, through spending patterns and business relationships, these rural businesses also have an impact in urban areas. These broader effects have been measured through economic impact analysis, which models how economic activities in one sector of the economy (in this case, all rural small business) affect business activities in the economy as a whole within a geographic region.

Based on TPMA’s economic impact analysis, rural small businesses create or sustain 2.9 million jobs throughout the state of Texas, or 29.6% of all jobs within the state. In addition, they are responsible for 20.9% of all statewide earnings, 23.6% of all Texas economic output, and 22.1% of all Texas value added. In addition, these small businesses have an economic multiplier effect of 2.33, meaning that for every \$1 of economic output (or sales) that occurs at a rural small business, \$1.33 of output is generated elsewhere within the state. These figures are summarized by the table below. As a point of clarification: in order to align with job figures presented for rural small businesses elsewhere throughout the report, economic impact results shown here are presented in terms of 2016 economic activity. The percentage of total figure for each category of impact is therefore the best figure for tracking rural small businesses’ contributions to Texas’ economy as economic activity grows.

Table 14: Economic Impact of Rural Small Business on the State of Texas, 2016

	Jobs	Earnings (\$ Millions)	Economic Output (\$ Millions)	Value Added (\$ Millions)
Direct Impact	1,243,537	\$63,405	\$190,737	\$107,247
Total Impact	2,956,700	\$148,825	\$444,417	\$253,458
Multiplier Effects	2.38	2.35	2.33	2.33
Percentage of Total	29.6%	20.9%	23.6%	22.1%

Fiscal Impact

Of course, rural small businesses in Texas also make tax contributions to both state and local governments. Likewise, any private businesses touched via indirect and induced effects will also generate taxes. As shown in Table 15, taxes produced by rural small businesses, and those they impact, equate to \$13.5 billion for local governments in Texas, \$11.0 billion for the state of Texas, and \$5.0 billion for the federal government.

Table 15: Economic Impact of Rural Small Business on the State of Texas, 2016

Tax Category	Fiscal Impact (\$B)
Local Taxes	\$13.5
State Taxes	\$11.0
Federal Taxes	\$5.0
Total Taxes	\$29.5

INTERVIEW ANALYSIS

Small Business Interview Overview

TPMA conducted in-person interviews with small businesses in rural communities¹⁶ between November 12–16, 2018. These interviews occurred in each of the twelve (12) economic regions of Texas, as identified by the Office of the Texas Comptroller.¹⁷ Qualitative in-person interviews were important to balance the survey – to better understand regional economic and cultural context.

Business leaders interviewed mostly included business owners representing diverse industries. These industries included aviation, construction, furniture, hardware/lumber, lodging, oil distribution, pharmacy, machining, restaurants (3, yet one was mostly a coffee shop, another was a pizzeria, and another had combined business functions), and a winery. The diversity of industries and economic regions provided a broad context and understanding of the various needs of small businesses across rural regions of Texas. Though there was broad diversity in industry and geography, the following consistent themes of importance were identified based on the twelve interviews.

Resource Provider Interview Overview

TPMA interviewed four small business resource providers serving rural communities in Texas between late November and early December, 2018. Qualitative phone interviews were important to balance the survey and small business interviews to understand perspectives of those serving small businesses across the State on a daily basis. These perspectives are included in the following analysis to complement central themes but are specifically called out as appropriate.

Independent Spirit

Though there were a few exceptions, the general sentiment from business leaders interviewed is that they have not and do not expect to request resources from the State of Texas or their associated local governments. Rather, the business leaders' desires were to experience limited interference from government, in general. This was coupled with a sentiment that Texas is an attractive state for independent-minded business leaders due to low levels of regulation.

State Responsiveness

Regarding the several instances where state responsiveness was important, the respondents emphasized the urgency and stress of a particular situation—even with some level of initial dissatisfaction. However, the respondents explained that they were able to access the State government—including the Office of the Governor—with relative ease and felt the Office of the Governor and other state agencies were responsive to their needs. One area where working with the state was cited as difficult—but ultimately helpful—was related to highway signage. This topic is described in its own section below.

¹⁶ Rural Communities per this project are non-entitlement cities under 50,000 in population and non-entitlement counties that have a non-metropolitan population under 200,000.

¹⁷ Texas economic regions as identified by the Office of the Texas Comptroller include Alamo, Capital, Central, Gulf Coast, High Plains, Metroplex, Northwest, South, Southeast, West, Upper East, and the Upper Rio Grande.

Inconsistent or Unclear Guidance on Food Regulations and Resources

There were several responses from those in the food industry that ranged from a sentiment of strict regulations to a sentiment of low regulations. There was a consensus that state-level training resources for food-related businesses were helpful, but compliance training had either been discontinued (from the Texas Alcoholic Beverage Commission) or was unavailable to markets with poor broadband access. There was at least one respondent benefitting from the GO TEXAN certification.

The Importance of Signage

Two out of the three food-related businesses experienced initial issues with signage that directly impacted their business. One business had applied to the State's Tourist-Oriented Directional Signs (TODS) through the Lonestar Logos program. The individual's business was initially deemed unqualified though the business owner claimed to demonstrate how the business did meet the program standards. After disputing the decision, the business was accepted into the program, received the TODS signage, and claims that it has helped to almost double the company's revenue. Another business owner explained that a TxDOT sign demonstrated that restaurant and lodging accommodations were well beyond the business location—leading motorists to believe those accommodations were not in the area. The business owner explained that this negatively impacted the business. The business owner contacted the Office of the Governor and the needs were attended to and the owner was satisfied with the response.

Some Influence by the Oil Industry

From a market standpoint, some rural businesses have benefitted from regional oil booms but also realize that troughs in the market also present challenges. Most of these businesses are indirectly connected to the oil and energy markets, serving in a tertiary service capacity. A big impact the oil industry has on small businesses in rural communities is that some of these businesses lose talent to higher paying jobs in the oil fields.

Mostly Limited to Local Markets

With few exceptions, most small business leaders interviewed explained that their businesses were confined to their local or regional markets. Some of these business functions logically fit this market limitation due to the nature of their business. However, some businesses formerly provided goods and services beyond their local markets and claimed workforce shortages—primarily due to low skills availability or substance abuse issues—or federal regulations negatively impacting the coal industry, realized by the closure of many coal-fired power plants, as contributing factors to their constricted market reach.

Rural Communities - Close Business Relationships

Representing an almost unanimous response, business leaders interviewed championed doing business across rural Texas due to close business relationships, a loyal customer base, and a strong sense of community. Only one respondent saw that operating a business in a rural community in Texas as a potential liability due to a perception of low-confidentiality in terms of their banking relationship. Resource providers also were mostly unanimous in their response

that rural communities provide small businesses an advantage in terms of close business relationships where small networks are strong and customer loyalty thrives.

Satisfaction with Local Governments

Most respondents explained local government leaders, and other public bodies such as economic development organizations, school boards, or hospital boards, were good partners. Several respondents had benefited or hoped to benefit directly from local government or public services, while most did not expect to benefit but had a positive view of local leadership and public organizations.

Frustration with Property Taxes

Some respondents expressed dissatisfaction with property taxes. These issues were mostly expressed in connection with their level of dissatisfaction with the performance of a local school district. These concerns were amplified by several comments lamenting public revenues derived from local oil production leave the local area—these respondents labeled this scenario as the “Robin Hood” condition. These respondents felt those revenues should be invested locally to support local schools, infrastructure, and public services to offset property tax liabilities.

Dissatisfaction with the Federal Government

There were some instances where there was generally a positive outlook on the State of Texas or local government, but strong feelings against some federal policies that negatively impacted the respondents’ businesses. Though it is difficult for the State of Texas to immediately address these concerns, it should be known that concerns were expressed about environmental policies on coal production that negatively impacted industries serving the coal industry; the Affordable Care Act—causing higher premiums and lowering the level of support by the local business—and federal policies that financially impact small pharmacies.

Workforce Limitations

Workforce quality and quantity was an issue expressed by the majority of respondents. Specific issues included workforce availability; the loss of talent attracted away by the oil booms, and substance abuse issues impacting the availability of CDLs and those with drivers’ licenses. The workforce availability and oil-boom issues are connected to market conditions where rural businesses are at a competitive disadvantage on the wages they can pay compared to other markets. Many respondents train internally but welcomed state-level resources when available.

Resource providers also emphasized the issues small businesses in rural communities face in regards to workforce. Particularly, the resource providers explained that many small businesses in rural regions lose talent to the oil fields and to larger markets after college. There was a comment that the Texas Workforce Commission does a good job in providing online training, though sometimes there are access issues due to broadband and other technological limitations.

Broadband Infrastructure Limitations

The majority of businesses explained broadband access and infrastructure cannot compete with larger markets. However, almost all respondents explained that they have access and there was not an obvious impediment to their immediate business needs. However, there was an

acknowledgement that there are barriers in speed and even technological access for some employees and businesses.

Resource providers also were mostly unanimous in their response that broadband infrastructure is lacking in rural regions of Texas. However, the resource providers held a stronger view about broadband and emphasized that the lacking infrastructure is holding small businesses and communities back from realizing their full potential. One expert interviewed explained that one-in-four residents in rural Texas lack broadband access defined by the Federal Communications Commission. Further, they presented an optimistic view of the future for small businesses in rural regions of Texas as they believe once broadband infrastructure is enhanced it will provide a strategic advantage to rural communities as their cost of doing business and quality of life may sometimes be higher than large metro areas.

Limited Discussion About Entrepreneurial Environment, Opportunities, or Support

In analyzing each individual response from the small businesses interviewed, there was almost a complete void of response to the entrepreneurial questions. Some responses included that access to capital was important but the lack of dialogue on the topic may signal a lack of understanding or access to entrepreneurial resources.

Resource Provider Perspectives on Needs of Start-Up Businesses

Resource providers emphasized the tremendous need for resources for start-up businesses which include access to capital, a start-up guide, but most emphasized the need for small businesses to enhance their business acumen and to develop a formal business and marketing plan. Complementing these requests are the resource provider services. Many resource providers explained their services available and how some small businesses take advantage of the resources, but also how some small businesses lack the capacity to fully take advantage of available small business coaching or other available training.

BEST PRACTICES ANALYSIS

The following section frames common challenges for small businesses and entrepreneurs in rural Texas and describes unique and innovative approaches to supporting rural small business and entrepreneurs that can be applied to Texas's entrepreneurial and small business ecosystem. This section also examines the impact of e-commerce on rural small businesses, workforce training models that could be implemented at a state-level to aid rural small businesses, and trends in co-working and business incubators in rural regions. Finally, this section aims to understand whether challenges experienced by the state's rural small businesses and entrepreneurs are unique to Texas or are more general in nature.

Challenges for Rural Small Businesses

Texas's rural small businesses and entrepreneurs face a variety of challenges and concerns. These challenges and concerns were identified through the responses of rural small businesses and entrepreneurs that were surveyed as part of this study. Responses indicate that rural entrepreneurs and small businesses in Texas are most concerned about:

- Profitability
- General Market conditions/the economy
- Effects of taxes
- Access to utilities and broadband
- State and local government regulations
- Capabilities of workforce & quality of eligible workers
- Cost of workforce
- Networking/connecting with clients especially those in urban cities

Additionally, previous studies indicate that rural respondents are more concerned about government regulations and taxes than those in urban areas.¹⁸ Concerns about profitability, access to credit, and access to equity also were higher for rural businesses than urban. While concerns about worker cost/quality and general market conditions were about the same for rural and urban businesses.¹⁹

Many of these issues are not unique to Texas, especially those related to workforce and connectivity and can be attributed to shifting market conditions on a national and global scale. Shifting market conditions can be characterized in part by the proliferation of e-commerce, a national shortage of skilled workforce, and population shifts leading to growth in urban areas and decline in rural areas.

Digitalization

Digitalization of the modern marketplace offers businesses of all sizes opportunities to reach a larger customer base but businesses and entrepreneurs in rural areas may have more difficulty accessing and taking advantage of these opportunities than their urban counterparts. This may

¹⁸ <https://gov.texas.gov/uploads/files/business/EntrepreneurialEcoSystemsStudy.pdf>

¹⁹ Ibid.

be attributed to the “digital divide” between rural and urban areas, as 39% of rural Americans lack access to broadband compared to 4% of urban Americans.²⁰

Impact of E-commerce

Digitalization and e-commerce are changing the way business is conducted by increasing connections between businesses and consumers and access to products. It is estimated that nearly 80% of Americans participate in some form of online shopping, and more than half (51%) of Americans have made a purchase from their cellphone.²¹ This trend has benefited industry leaders and e-commerce giants adding pressure to smaller retailers that are unable to compete either because they lack the skills to do so or because they do not have access to adequate internet. Social media is also playing a role in online shopping as 15% of Americans have made purchases by following a link from social media sites.²² With access to adequate broadband, rural small businesses and entrepreneurs can take advantages of these trends to benefit their enterprises and stay competitive in the global marketplace.

Rural small businesses can use the internet to connect with customers across the United States and in other countries. This is significant as 70% of the world’s purchasing power is located outside the United States.²³ Furthermore, small businesses are in a unique position to take advantage of this trend. Less than one percent of America’s 30 million companies export. Small and medium-sized companies account for 98% of U.S. exporters, but represent less than one-third of the known export value of U.S. goods exported.²⁴ Digitalization and the rise of e-commerce can connect small businesses to these opportunities but as mentioned in the previous section, digital infrastructure must be in place.

Improving Broadband Connectivity

Disproportionate broadband connectivity in urban vs rural areas affects Texas and accessing broadband can be a problem for the state’s rural communities and small businesses. The Federal Communications Commission (FCC) technically defines broadband as at least 25 Mbps download speed and 3 Mbps upload speed which is a critical determinant as broadband is far superior to internet with speeds below this criteria. Statewide, approximately 94% of Texas households have broadband access, but only 70% percent of rural Texas households.²⁵ Moreover, Texas is ranked in the bottom half of “Most Connected States”, at No. 30.²⁶ This puts rural businesses at a disadvantage as an increasing amount of business is being done online, adding to the pressure being placed on rural small businesses nationwide by industry leaders.

²⁰https://www.sbc.senate.gov/public/_cache/files/9/1/913100dd-59df-4dd0-a671-5862740a5411/C2CA9A3BFAC65A5EB0FE24DD2077AA32.lettieri-testimony.pdf

²¹ <http://www.pewinternet.org/2016/12/19/online-shopping-and-e-commerce/>

²² Ibid.

²³ <https://www.trade.gov/cs/factsheet.asp>

²⁴ Ibid.

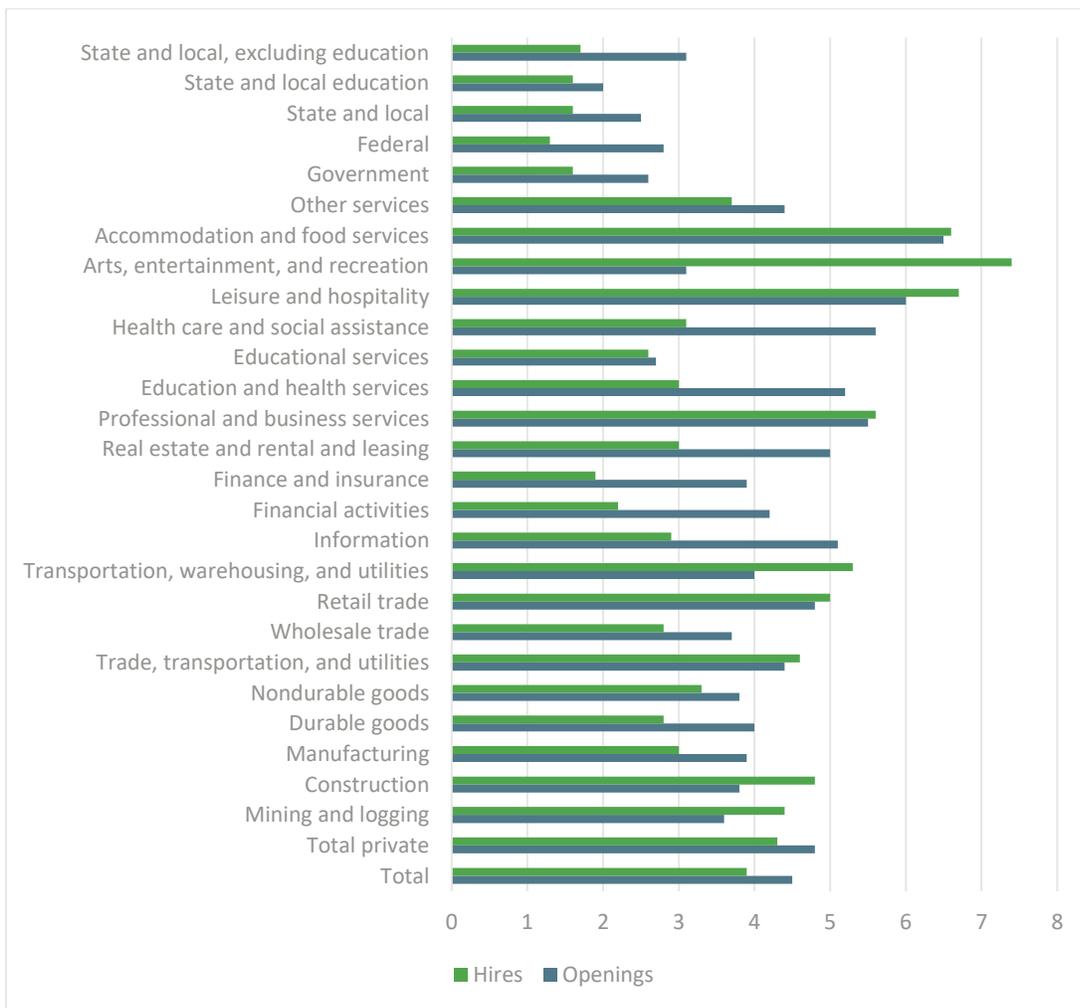
²⁵ https://www.itemonline.com/news/bringing-broadband-to-rural-texas/article_100e4b3d-1542-51c9-a131-74d4405c4c2d.html

²⁶ <https://broadbandnow.com/Texas>

Improving Rural Workforce Skills

Texas’ rural small businesses are concerned with capabilities of available workforce, cost of workforce, and quality of eligible workers. These issues are not unique to Texas as businesses of all sizes throughout the United States are experiencing a growing labor shortage of properly skilled workers. This is attributed to demographic trends coupled with a skills shortage resulting in millions of underemployed workers even as millions of jobs go unfilled. At the same time, the U.S. workforce is aging, which presents a challenge for industries that entail manual labor.²⁷ The workforce shortage is characterized by the job openings rate compared to the rate of new hires, graphically demonstrated below.

Figure 37: Job openings and hires by industry, seasonally adjusted (October 2018)²⁸



It should be noted not every industry is experiencing a labor shortage but looking at the totals for all industries together demonstrates that there are more job openings than hires. Industries most greatly affected by this workforce shortage include:

²⁷ <https://www.wsj.com/articles/americas-growing-labor-shortage-1490829265>

²⁸ Bureau of Labor Statistics

- Health care and social assistance
- Education and health services
- Information
- Financial activities
- Finance and insurance
- Real estate and rental and leasing

At the state level there are a variety of agency partnerships, skill-up initiatives, tax credits, and workforce grant programs to improve state-wide conditions for employers. Programs that aim to improve workforce skills often include:

- Reviewing the core components of the workforce state-level development systems
- Providing available funding
- Understanding occupational data analysis and career pathways
- Assessing qualifications, skills, and abilities of the current workforce
- Recruitment and retention of a skilled labor force
- The role of higher education in workforce and economic development
- New alliances among state agencies, education providers, economic development, and workforce organizations

Trends in Co-Working, Incubators & Accelerators in Rural Regions

Rural small businesses and entrepreneurs often find it more difficult than urban counterparts to access programming that aids business growth. This is true in Texas as rural businesses find fewer opportunities for support within their communities than urban businesses.²⁹ This may be attributed to lower concentration of resources in rural places that provide these types of services such as co-working spaces, business incubators, and business accelerators. Additionally, rural resource providers are less likely than urban ones to offer multiple services such as networking, business coaching, and mentoring.³⁰ Though there are lower concentrations of small business and entrepreneurial resource providers in rural areas, communities are finding ways to provide these services through larger anchor organizations such as economic development centers, or in educational facilities. Regional approaches that combine the resources of multiple organizations is another best practice for providing incubation, co-working, and accelerator services in rural areas.

Conclusion

Best practices to support rural small businesses and entrepreneurs often take a regional or statewide approach as small rural communities typically do not have the resources to address challenges on their own. The challenges faced by rural businesses and entrepreneurs are also rather significant as they are mostly national in scale. Texas can take the lead at designing and promoting solutions that increase connectivity to broadband, improve workforce skills, and make small business and entrepreneurial resources more available throughout the state. This does not have to strictly occur through large government programs or tax payer funding, as the

²⁹ <https://gov.texas.gov/uploads/files/business/EntrepreneurialEcoSystemsStudy.pdf>

³⁰ Ibid.

Texas Governor's Office may be able to spread best practices to regional and local entities with the capacity to serve broader populations throughout rural Texas.

APPENDIX A: DETAILED SURVEY RESPONSES

The following tables correspond with the figures included in the survey results section of this report and Appendix B: Survey Questionnaire. Please note that data are not displayed for open-ended questions in this section. To maintain consistency with Appendix B, the table numbering system skips over numbers for open-ended questions.

Small Business Survey Questions

Table A1: Which category best applies to you?

Answer Choices	Percent	Number
I am an entrepreneur or represent a small business (<100 employees).	71.3%	336
I represent a resource organization for entrepreneurs, startups, and small businesses.	28.7%	135
Grand Total	100%	471

Table A2: This survey is specifically focused on small businesses or organizations that help small businesses, do you fall into one of these categories?

Answer Choices	Percent	Number
Yes	100.0%	446

Table A3. Please identify your location by entering the five-digit zip code of the business location that you usually work from (Summarized from individual ZIP Codes):

Answer Choices	Number of Responses	% of Responses	Regional Population (Thousands)	% of State Population
Metroplex	57	17.0%	7,724	27.3%
Alamo	48	14.3%	2,785	9.8%
Capital	42	12.5%	2,238	7.9%
Gulf Coast	41	12.2%	7,043	24.9%
Central	29	8.7%	1,207	4.3%
High Plains	24	7.2%	870	3.1%
Upper East	22	6.6%	1,144	4.0%
South	21	6.3%	2,436	8.6%
Southeast	19	5.7%	782	2.8%
Northwest	17	5.1%	549	1.9%
West	13	3.9%	636	2.2%
Upper Rio Grande	2	0.6%	866	3.1%
Grand Total	335	100.0%	28,280	100.0%

Table A4. Please select the option that best describes your main industry. If you are unsure in which industry your activity falls, please use the Bureau of Economic Analysis classifications

Answer Choices	Percent	Number
Professional, Scientific, and Technical Services (incl. Legal, Accounting, Engineering, etc.)	12.9%	43
Construction	12.6%	42
Retail Trade (excluding e-commerce)	8.4%	28
Agriculture, Forestry, Fishing, and Hunting	7.5%	25
Health Care and Social Assistance (incl. Hospital, Nursing, Relief Services, etc.)	7.2%	24
Other Services (incl. Auto and Commercial Goods Repair, Religious or Advocacy Org., etc.)	7.2%	24
Real Estate and Rental/Leasing (incl. Property, Auto, Goods, etc.)	6.6%	22
Finance and Insurance (incl. Securities, Commodity Contracts, etc.)	6.0%	20
Food Services and Drinking Places	5.7%	19
Management. of Companies/Enterprises	4.5%	15
Arts, Entertainment, and Recreation (incl. Sports, Museums, Zoos, etc.)	4.2%	14
Information (incl. e-Commerce, Publishing, Broadcasting, Telecommunications, etc.)	4.2%	14
Wholesale Trade	2.7%	9
Transportation and Warehousing (incl. Federal Government Enterprises)	2.4%	8
Accommodation (incl. Hotels, etc.)	2.1%	7
Mining and Support Activities (incl. Oil and Gas Extraction)	1.8%	6
Admin. and Waste Mgmt. Services (incl. Employment Services, Business Support Services, Security, etc.)	1.5%	5
Educational Services (incl. Schools, Colleges, Universities, etc.)	1.2%	4
Manufacturing	0.9%	3
Households (incl. Postal Service and Private Households)	0.3%	1
Utilities (incl. Federal Government Enterprises)	0.3%	1
Grand Total	100%	334

Table A5: The primary location of my business is best classified as follows

Answer Choices	Percent	Number
A building that my business owns in its entirety	49.7%	160
A building that my business rents a portion of (excluding shared space)	17.1%	55
A building that my business rents in its entirety	16.8%	54
All remote workforce; no company owned/operated real estate	15.5%	50
Shared space (i.e.: coworking space, incubator, or accelerator)	0.9%	3
Grand Total	100%	322

Table A6: To what extent do you agree/disagree with the following statement: Adequate commercial or industrial space for my business is readily available?

Answer Choices	Percent	Number
Strongly Agree	11.5%	40
Agree	35.4%	123
Neutral	14.4%	50
Disagree	18.2%	63
Strongly Disagree	10.1%	35
Unsure	3.5%	12
Other (please specify)	6.9%	24
Grand Total	100%	347

Table A7: To what extent do you agree/disagree with the following statement: Adequate commercial or industrial space for my business is readily available?

Answer Choices	Percent	Number
Strongly Agree	7.8%	27
Agree	28.6%	99
Neutral	18.2%	63
Disagree	20.8%	72
Strongly Disagree	13.6%	47
Unsure	3.5%	12
Other (please specify)	7.5%	26
Grand Total	100%	346

Table A8: Over the next 3 years, what level of employment growth do you anticipate with your business?

Answer Choices	Percent	Number
26% or more employment growth	8.7%	28
11% to 25% employment growth	26.4%	85
0% to 10% employment growth	58.7%	189
-1% to -20% workforce contraction	5.9%	19
-21% or more workforce contraction	0.3%	1
Grand Total	100%	322

Table A9. Have you ever tried to obtain outside funding for your business?

Answer Choices	Percent	Number
Yes	37.4%	117
No	62.6%	196
Grand Total	100%	313

Table A10. Has your business ever received outside funding?

Answer Choices	Percent	Number
Yes	76.1%	89
No	23.9%	28
Grand Total	100%	117

Table A11. Please select the option that best describes your main industry. If you are unsure in which industry your activity falls, please use the Bureau of Economic Analysis classifications

Answer Choices	Percent	Number
Banks or Lending Institutions	92.1%	82
Federal Government (grants or loans)	14.6%	13
Friends and Family Members	13.5%	12
Economic Development Group(s)	11.2%	10
Private Equity	10.1%	9
Other (please specify)	5.6%	5
State Government (grants or loans)	2.2%	2
Individual Investor(s)	2.2%	2
Venture Capital	1.1%	1
Crowdfunding (e.g.: Kickstarter)	1.1%	1
Angel Investment Group, Network, or Fund	0.0%	0
Nonprofit Lender/CDFI (Liftfund, PeopleFund, ACCION, BCL)	0.0%	0
Other Grant-Making Organization(s)	0.0%	0
Grand Total	100%	89

Table A12. Please select the option that best describes your main industry. If you are unsure in which industry your activity falls, please use the Bureau of Economic Analysis classifications

Answer Choices	Percent	Number
Banks or Lending Institutions	75.0%	21
Individual Investor(s)	21.4%	6
Federal Government (grants or loans)	14.3%	4
Venture Capital	14.3%	4
Private Equity	14.3%	4
Economic Development Group(s)	10.7%	3
Nonprofit Lender/CDFI (Liftfund, PeopleFund, ACCION, BCL)	10.7%	3
Friends and Family Members	10.7%	3
State Government (grants or loans)	7.1%	2
Other (please specify)	7.1%	2
Angel Investment Group, Network, or Fund	3.6%	1
Crowdfunding (e.g.: Kickstarter)	3.6%	1
Other Grant-Making Organization(s)	0.0%	0
Grand Total	100%	28

Table A13: To what extent do you agree/disagree with the following statement: Adequate commercial or industrial space for my business is readily available?

Answer Choices	Percent	Number
Strongly Agree	17.4%	56
Agree	23.1%	74
Neutral	25.2%	81
Disagree	18.4%	59
Strongly Disagree	11.8%	38
Unsure	4.0%	13
Other (please specify)	17.4%	56
Grand Total	100%	321

Table A14: To what extent do you agree with the following statement: Outside funding is accessible to rural businesses in my region of Texas?

Answer Choices	Percent	Number
Strongly Agree	5.0%	16
Agree	27.3%	87
Neutral	17.6%	56
Disagree	18.2%	58
Strongly Disagree	9.1%	29
Unsure	22.9%	73
Other (please specify)	5.0%	16
Grand Total	100%	319

Table A15. Are you aware of workforce development and/or business related services (training, counseling etc.) at any of these organizations? Please note for educational institutions this includes engagement beyond just hiring individuals who have utilized such programs. (Select all that apply)

Answer Choices	Percent	Number
I am not aware of workforce development and/or business related services	41.3%	124
Community Colleges	37.0%	111
Small Business Development Center/SCORE	27.0%	81
Chambers of Commerce	25.0%	75
Universities	20.7%	62
Local/Regional Economic Development Organization	16.7%	50
Local Workforce Investment Board	8.0%	24
Procurement Technical Assistance Center	4.7%	14
Incubator or Accelerator	4.0%	12
Other (please specify)	4.0%	12
Grand Total	100%	300

Table A16. Have you participated in or accessed workforce development and/or business related services (training, counseling etc.) at any of these organizations? Please note for educational institutions this includes engagement beyond just hiring individuals who have utilized such programs. (Select all that apply)

Answer Choices	Percent	Number
I have not participated in or accessed workforce development and/or business related services	64.0%	187
Small Business Development Center/SCORE	18.8%	55
Chambers of Commerce	16.8%	49
Community Colleges	12.3%	36
Universities	7.9%	23
Local/Regional Economic Development Organization	7.9%	23
Local Workforce Investment Board	4.5%	13
Other (please specify)	3.4%	10
Procurement Technical Assistance Center	2.7%	8
Incubator or Accelerator	2.1%	6
Grand Total	100%	292

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Table A17. Please rank the following issues by significance as they relate to you and your business:

Answer Choices	Highly Significant		Significant		Neutral		Insignificant		Completely Insignificant		Unsure		#
	%	#	%	#	%	#	%	#	%	#	%	#	
Profitability	54.8%	148	33.3%	90	9.6%	26	1.9%	5	0.0%	0	0.4%	1	270
General market conditions/ the economy	53.3%	145	35.7%	97	8.1%	22	1.8%	5	0.4%	1	0.7%	2	272
Effect of taxes on my business	52.2%	143	32.1%	88	10.2%	28	3.6%	10	0.7%	2	1.1%	3	274
Utilities/ Broadband	46.0%	125	31.6%	86	16.5%	45	4.4%	12	0.7%	2	0.7%	2	272
State and local gov't regulations	42.3%	116	37.2%	102	12.8%	35	5.5%	15	1.5%	4	0.7%	2	274
Skills/capabilities of workforce	41.5%	112	33.3%	90	19.6%	53	3.3%	9	2.2%	6	0.0%	0	270
Cost of workforce	42.3%	115	33.1%	90	18.4%	50	4.4%	12	0.7%	2	1.1%	3	272
Quantity of eligible workers	40.1%	109	26.5%	72	24.3%	66	6.3%	17	2.9%	8	0.0%	0	272
Federal Gov't rules and regulations	39.5%	107	32.1%	87	17.0%	46	8.1%	22	1.5%	4	1.8%	5	271
Competition from other companies	32.6%	89	30.8%	84	26.4%	72	6.6%	18	3.3%	9	0.4%	1	273
Complexity /Number of Required Forms/ Filings	29.2%	79	37.3%	101	24.4%	66	5.5%	15	1.8%	5	1.8%	5	271
Access to credit	26.8%	72	31.6%	85	27.1%	73	8.9%	24	4.5%	12	1.1%	3	269
Infra-structure	21.3%	57	31.7%	85	35.4%	95	7.5%	20	2.6%	7	1.5%	4	268
Access to industry expertise/ coaching	11.4%	31	28.8%	78	37.3%	101	13.3%	36	6.6%	18	2.6%	7	271
Housing	15.2%	41	17.0%	46	37.8%	102	17.4%	47	9.6%	26	3.0%	8	270
Answer Choices	Highly Significant		Significant		Neutral		Insignificant		Completely Insignificant		Unsure		#

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Access to equity partners/or organizations	12.6%	34	15.9%	43	44.4%	120	14.8%	40	8.1%	22	4.1%	11	270
Effect of tariffs on my business	17.8%	48	14.8%	40	34.8%	94	14.4%	39	11.1%	30	7.0%	19	270
Immigration issues	14.7%	40	16.9%	46	32.0%	87	19.1%	52	15.1%	41	2.2%	6	272
Other (please specify)													17

Table A18. Please indicate the importance of each of the following issues for the success of your business:

Answer Choices	Very Important	Somewhat Important	Somewhat Unimportant	Not Important	Unsure	Total
Improving broadband internet access	56.8%	155	29.3%	80	9.9%	273
Networking with peers & potential customers/ clients	46.9%	127	41.7%	113	6.6%	271
Connecting with customers/ clients in urban Texas cities	44.5%	121	30.9%	84	13.2%	272
Permitting, licensing, and legal advice	36.7%	99	40.0%	108	13.7%	270
Obtaining funding	31.0%	84	32.1%	87	20.7%	271
Industry specific training	29.5%	80	35.1%	95	15.5%	271
Space for running my business	27.9%	76	36.0%	98	15.4%	272
General advice and coaching from experienced business people	25.1%	68	38.4%	104	19.9%	271
Expansion or relocation of business operations	15.5%	42	26.9%	73	14.4%	271
Answer Choices	Very Important	Somewhat Important	Somewhat Unimportant	Not Important	Unsure	Total

					Unimpor tant						
Access to expensive industrial equipment	12.9%	35	21.7%	59	24.3%	6	39.7%	108	1.5%	4	272
Selling internationally	6.0%	16	11.2%	30	7.1%	1	73.9%	198	1.9%	5	268

Table A19. Please indicate the importance of each of the following issues for the success of your business:

Answer Choices	Percent	Number
Managers	40.7%	83
Office & Administrative Support Workers	30.4%	62
Computers/IT Workers	28.4%	58
Sales Workers	28.4%	58
Installation, Maintenance & Repair Workers	25.0%	51
If you selected other, please specify:	22.5%	46
Front-line Service Workers (e.g.: food service, community service, personal service, etc.)	21.1%	43
Business & Financial Workers (excluding Sales Workers)	18.6%	38
Agricultural, Mining, Construction & Extraction Workers	16.2%	33
Other (e.g.: Legal, Educational, Arts, or Building/Grounds-keeping)	14.2%	29
Architectural, Engineering, and Scientific Workers	11.3%	23
Healthcare Practitioners & Technical Workers	11.3%	23
Manufacturing Workers	9.3%	19
Transportation Workers	8.3%	17
Grand Total	100%	204

Table A20: Please indicate your level of agreement with the following statement: “The higher education institutions in my region provide adequate training for my industry”:

Answer Choices	Percent	Number
Strongly Agree	7.2%	20
Agree	29.0%	80
Neutral	27.9%	77
Disagree	14.5%	40
Strongly Disagree	5.8%	16
Unsure	8.3%	23
Other (please specify)	7.2%	20
Grand Total	100%	276

Table A22: Please indicate your level of agreement with the following statement: “The resource providers (Score, SBDC, SBA, Chambers of Commerce, etc.) in my region provide adequate training for my industry”:

Answer Choices	Percent	Number
Strongly Agree	3.7%	8
Agree	18.4%	40
Neutral	35.0%	76
Disagree	22.1%	48
Strongly Disagree	6.9%	15
Unsure	33.6%	73
Other (please specify)	5.1%	11
Grand Total	100%	217

Table A25. Are you interested in receiving information from the Governor’s Office?

Answer Choices	Percent	Number
Yes	62.9%	129
No	37.1%	76
Grand Total	100%	205

Service Provider Questions

Table A29: Please select the option that best describes how you assist small businesses (Choose all that apply):

Answer Choices	Percent	Number
Economic Development Organization	58.6%	65
Business Coaching	36.0%	40
Networking	32.4%	36
Other (please specify)	29.7%	33
Mentoring	27.9%	31
Loans (including Microloans)	21.6%	24
Direct Investment or Funding	15.3%	17
Chamber of Commerce	10.8%	12
Incubator	8.1%	9
Accelerator	7.2%	8
Coworking space	4.5%	5
Grand Total	100%	111

Table A30. What category best represents your organization (choose one):

Answer Choices	Percent	Number
Non-profit (including public-private partnerships)	40.0%	44
Private	13.6%	15
Public (fully state or federally funded)	46.4%	51
Grand Total	100%	110

Table A31. What category best represents your organization (choose one):

Answer Choices	Percent	Number
0% to 10%	13.6%	15
11% to 25%	9.1%	10
26% to 50%	20.0%	22
51% to 75%	17.3%	19
76% to 100%	40.0%	44
Grand Total	100%	110

Table A32. Of the following issues affecting small businesses in rural Texas how would you rank them from greatest to least significant (Rank order):

Response	Number of Responses									
	1	2	3	4	5	6	7	8	9	10
Finding qualified workers at an affordable rate	20	18	13	9	10	9	3	1	1	1
Access to capital ³¹	22	14	14	5	7	5	4	2	6	3
Access to customers	9	12	11	12	9	6	10	8	4	5
Assistance on growing/scaling up business	5	9	10	14	14	11	5	6	6	3
Access to broadband internet	11	12	10	9	5	6	8	7	5	10
Assistance on administrative issues ³²	5	8	6	7	13	10	9	13	8	3
Other infrastructure issues ³³	2	5	6	14	7	7	10	6	16	13
Access and affordability of buildings/office space	4	3	7	8	8	13	9	10	10	16
Access to affordable housing	6	2	7	5	6	5	8	15	16	13
Access to community of other business owners	3	2	1	1	7	9	15	15	10	18
Finding qualified workers at an affordable rate	23.5%	21.2%	15.3%	10.6%	11.8%	10.6%	3.5%	1.2%	1.2%	1.2%
Access to capital	26.8%	17.1%	17.1%	6.1%	8.5%	6.1%	4.9%	2.4%	7.3%	3.7%

³¹ For example, either loans or equity partners

³² For example, taxes, insurance requirements, legal issues, understanding rules and regulations, etc.

³³ For example, railroad, air service, freeways/highways, etc.

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Percent of Responses										
Access to customers	10.5%	14.0%	12.8%	14.0%	10.5%	7.0%	11.6%	9.3%	4.7%	5.8%
Assistance on growing/scaling up business	6.0%	10.8%	12.0%	16.9%	16.9%	13.3%	6.0%	7.2%	7.2%	3.6%
Access to broadband internet	13.3%	14.5%	12.0%	10.8%	6.0%	7.2%	9.6%	8.4%	6.0%	12.0%
Assistance on administrative issues	6.1%	9.8%	7.3%	8.5%	15.9%	12.2%	11.0%	15.9%	9.8%	3.7%
Other infrastructure issues	2.3%	5.8%	7.0%	16.3%	8.1%	8.1%	11.6%	7.0%	18.6%	15.1%
Access and affordability of buildings/office space	4.5%	3.4%	8.0%	9.1%	9.1%	14.8%	10.2%	11.4%	11.4%	18.2%
Access to affordable housing	7.2%	2.4%	8.4%	6.0%	7.2%	6.0%	9.6%	18.1%	19.3%	15.7%
Access to community of other business owners	3.7%	2.5%	1.2%	1.2%	8.6%	11.1%	18.5%	18.5%	12.3%	22.2%

Table A34. Of the following potential risks for small businesses in rural Texas, how would you rank them from greatest to least significant (Rank order):

Response	Number of Responses									
	1	2	3	4	5	6	7	8	9	
Lack of qualified and eligible workforce	29		11	8	9	8	13	1	5	1
Outmigration of youth	16		15	7	14	6	7	6	6	5
Aging/inadequate infrastructure	6		5	16	15	17	9	8	2	5
Lack of broadband internet access	9		13	12	7	7	4	11	4	13
Lack of employment opportunities	8		10	12	6	12	5	9	13	5
Aging population	4		11	14	7	11	6	8	7	11
Lack of affordable housing	4		7	3	10	6	15	14	8	11
Lack of adequate leasable commercial or industrial real estate	4		6	4	8	6	11	12	14	22

CHALLENGES & OPPORTUNITIES OF DEVELOPING SMALL BUSINESSES IN RURAL TEXAS
SUBMITTED BY THOMAS P. MILLER & ASSOCIATES, LLC

	Number of Responses								
Lack of shovel-ready sites for businesses to expand	3	4	6	4	8	12	13	23	12
Lack of qualified and eligible workforce	34.1%	12.9%	9.4%	10.6%	9.4%	15.3%	1.2%	5.9%	1.2%
Outmigration of youth	19.5%	18.3%	8.5%	17.1%	7.3%	8.5%	7.3%	7.3%	6.1%
Aging/inadequate infrastructure	7.2%	6.0%	19.3%	18.1%	20.5%	10.8%	9.6%	2.4%	6.0%
Lack of broadband internet access	11.3%	16.3%	15.0%	8.8%	8.8%	5.0%	13.8%	5.0%	16.3%
Lack of employment opportunities	10.0%	12.5%	15.0%	7.5%	15.0%	6.3%	11.3%	16.3%	6.3%
Aging population	5.1%	13.9%	17.7%	8.9%	13.9%	7.6%	10.1%	8.9%	13.9%
Lack of affordable housing	5.1%	9.0%	3.8%	12.8%	7.7%	19.2%	17.9%	10.3%	14.1%
Lack of adequate leasable commercial or industrial real estate	4.6%	6.9%	4.6%	9.2%	6.9%	12.6%	13.8%	16.1%	25.3%
Lack of shovel-ready sites for businesses to expand	3.5%	4.7%	7.1%	4.7%	9.4%	14.1%	15.3%	27.1%	14.1%

Table A25. Are you interested in receiving information from the Governor’s Office?

Answer Choices	Percent	Number
Yes	79.8%	75
No	20.2%	19
Grand Total	100%	94

APPENDIX B: SURVEY QUESTIONNAIRE

Rural Texas Small Business Analysis Survey

The Office of the Governor invites you to share your opinion about the benefits and challenges of running a small business (<100 employees) in rural Texas. As a component of Governor Abbott's continued pursuit to make Texas the best place in the nation to raise a family and build a business, the Governor's Office is seeking input on the experiences of small business owners and representatives in rural areas.

As an employer or resource provider, your input is critical in understanding the state's education, infrastructure, workforce, and economic development needs. All responses provided will remain anonymous and will be reported in aggregate to the Office of the Governor. Your participation in this survey is voluntary. The provision of contact information is optional and will only be utilized to receive further information from the Office of the Governor if you so indicate. This survey should take no more than 15 minutes to complete.

Filtering Questions

1. Which category best applies to you?
 - a. I represent a resource organization for entrepreneurs and startups.
 - b. I am an entrepreneur or represent a small business.
 - c. Neither of these categories apply to me.
2. [If response was "c"] This survey is specifically focused on small businesses or organizations that help small businesses, do you fall into one of these categories?
 - a. Yes, [back to Q1]
 - b. No, [exit survey]

Entrepreneur/Small Business Pipe

Organizational Information

3. So that we can ensure you are in a rural area, please identify your location by entering the five-digit zip code of the business location that you usually work from in the text box:_____.
4. Please select the option that best describes your main industry. If you are unsure in which industry your activity falls, please use the Bureau of Economic Analysis classifications, available [here](#).
 - a. Professional, Scientific, and Technical Services (incl. Legal, Accounting, Engineering, etc.)
 - b. Wholesale Trade
 - c. Construction
 - d. Information (incl. e-Commerce, Publishing, Broadcasting, Telecommunications, etc.)
 - e. Other Services (incl. Auto and Commercial Goods Repair, Religious or Advocacy Org., etc.)
 - f. Real Estate and Rental/Leasing (incl. Property, Auto, Goods, etc.)

- g. Retail Trade (excluding e-commerce)
 - h. Admin. and Waste Mgmt. Services (incl. Employment Services, Business Support Services, Security, etc.)
 - i. Arts, Entertainment, and Recreation (incl. Sports, Museums, Zoos, etc.)
 - j. Educational Services (incl. Schools, Colleges, Universities, etc.)
 - k. Health Care and Social Assistance (incl. Hospital, Nursing, Relief Services, etc.)
 - l. Mgmt. of Companies/Enterprises
 - m. Manufacturing
 - n. Food Services and Drinking Places
 - o. Finance and Insurance (incl. Securities, Commodity Contracts, etc.)
 - p. Transportation and Warehousing (incl. Federal Government Enterprises)
 - q. Households (incl. Postal Service and Private Households)
 - r. Accommodation (incl. Hotels, etc.)
 - s. Agriculture, Forestry, Fishing, and Hunting
 - t. Utilities (incl. Federal Government Enterprises)
 - u. Mining and Support Activities (incl. Oil and Gas Extraction)
5. The primary location of my business is best classified as follows:
- a. A building that my business owns in its entirety
 - b. A building that my business rents in its entirety
 - c. A building that my business rents a portion of (excluding shared space)
 - d. Shared space (i.e.: coworking space, incubator, or accelerator)
 - e. All remote workforce; no company owned/operated real estate

Content Questions

6. To what extent do you agree/disagree with the following statement: Adequate commercial or industrial space for my business is readily available.
- a. Strongly Agree
 - b. Agree
 - c. Neutral
 - d. Disagree
 - e. Strongly Disagree
 - f. Unsure
 - g. Other (please specify)
7. To what extent do you agree/disagree with the following statement: I am able to afford available commercial or industrial space that is adequate for my business.
- a. Strongly Agree
 - b. Agree
 - c. Neutral
 - d. Disagree
 - e. Strongly Disagree
 - f. Unsure
 - g. Other (please specify)
8. Over the next 3 years, what level of employment growth do you anticipate with your business?
- a. 26% or more employment growth

- b. 11% to 25% employment growth
 - c. 0% to 10% employment growth
 - d. -1% to -20% workforce contraction
 - e. -21% or more workforce contraction
9. Have you ever tried to obtain outside funding for your business?
- a. Yes
 - b. No
10. Has your business ever received outside funding?
- a. Yes
 - b. No
11. What was the source of funding received?
- a. Federal Government (grants or loans)
 - b. State Government (grants or loans)
 - c. Economic Development Group(s)
 - d. Banks or Lending Institutions
 - e. Venture Capital
 - f. Private Equity
 - g. Angel Investment Group, Network, or Fund
 - h. Crowdfunding (e.g.: Kickstarter)
 - i. Nonprofit Lender/CDFI (Liftfund, PeopleFund, ACCION, BCL)
 - j. Individual Investor(s)
 - k. Other Grant-Making Organization(s)
 - l. Friends and Family Members
 - m. Other (please specify)
12. What was the source of funding that you attempted to secure but did not receive?
- a. Federal Government (grants or loans)
 - b. State Government (grants or loans)
 - c. Economic Development Group(s)
 - d. Banks or Lending Institutions
 - e. Venture Capital
 - f. Private Equity
 - g. Angel Investment Group, Network, or Fund
 - h. Crowdfunding (e.g.: Kickstarter)
 - i. Nonprofit Lender/CDFI (Liftfund, PeopleFund, ACCION, BCL)
 - j. Individual Investor(s)
 - k. Other Grant-Making Organization(s)
 - l. Friends and Family Members
 - m. Other (please specify)
13. To what extent do you agree with the following statement: My business needs outside financing.
- a. Strongly Agree
 - b. Agree
 - c. Neutral
 - d. Disagree

- e. Strongly Disagree
 - f. Unsure
14. To what extent do you agree with the following statement: Outside funding is accessible to rural businesses in my region of Texas.
- a. Strongly Agree
 - b. Agree
 - c. Neutral
 - d. Disagree
 - e. Strongly Disagree
 - f. Unsure
15. Are you aware of workforce development and/or business-related services (training, counseling etc.) at any of these organizations? Please note for educational institutions this includes engagement beyond just hiring individuals who have utilized such programs. Select all that apply:
- a. Community Colleges
 - b. Universities
 - c. Chambers of Commerce
 - d. Incubator or Accelerator
 - e. Local Workforce Investment Board
 - f. Small Business Development Center/SCORE
 - g. Procurement Technical Assistance Center
 - h. Local/Regional Economic Development Organization
 - i. I am not aware of workforce development and/or business-related services
 - j. Other (please specify)
16. Have you participated in or accessed workforce development and/or business-related services (training, counseling etc.) at any of these organizations? Please note for educational institutions this includes engagement beyond just hiring individuals who have utilized such programs. Select all that apply
- a. Community Colleges
 - b. Universities
 - c. Chambers of Commerce
 - d. Incubator or Accelerator
 - e. Local Workforce Investment Board
 - f. Small Business Development Center/SCORE
 - g. Procurement Technical Assistance Center
 - h. Local/Regional Economic Development Organization
 - i. I am not aware of workforce development and/or business-related services
 - j. Other (please specify)
17. Please rank the following issues by significance as they relate to you and your business (Likert scale from Highly Significant to Completely Insignificant):
- a. Federal Government rules and regulations
 - b. State and local government regulations
 - c. Complexity/Number of Required Forms/Filings
 - d. Effect of taxes on my business

- e. Effect of tariffs on my business
 - f. Immigration issues
 - g. Housing
 - h. Infrastructure
 - i. Utilities/Broadband
 - j. Access to credit
 - k. Access to equity partners/organizations
 - l. Access to industry expertise/coaching
 - m. Profitability
 - n. General market conditions/the economy
 - o. Quantity of eligible workers
 - p. Skills/capabilities of workforce
 - q. Cost of workforce
 - r. Competition from other companies
 - s. Other (please specify)
18. Please indicate the importance of each of the following issues for the success of your business: (Likert scale from Very Important to Not Important)
- a. Selling internationally
 - b. Expansion or relocation of business operations
 - c. Networking with peers and potential customers/clients
 - d. Connecting with customers/clients in urban Texas cities
 - e. Improving broadband internet access
 - f. Access to expensive industrial equipment
 - g. Space for running my business
 - h. Industry specific training
 - i. Permitting, licensing, and legal advice
 - j. Obtaining funding
 - k. General advice and coaching from experienced business people
19. We are interested in identifying workforce needs. Please select all occupations for which it is difficult for you to hire skilled workers:
- a. Managers
 - b. Business & Financial Workers (excluding Sales Workers)
 - c. Computers/IT Workers
 - d. Architectural, Engineering, and Scientific Workers
 - e. Healthcare Practitioners & Technical Workers
 - f. Front-line Service Workers (e.g.: food service, community service, personal service, etc.)
 - g. Sales Workers
 - h. Office & Administrative Support Workers
 - i. Agricultural, Mining, Construction & Extraction Workers
 - j. Installation, Maintenance & Repair Workers
 - k. Manufacturing Workers
 - l. Transportation Workers
 - m. Other (e.g.: Legal, Educational, Arts, or Building/Grounds-keeping)

- n. If you selected other, please specify:
20. Please indicate your level of agreement with the following statement: "The higher education institutions in my region provide adequate training for my industry"
- a. Strongly Agree
 - b. Agree
 - c. Disagree
 - d. Strongly Disagree
 - e. There are no higher education institutions in my area
 - f. Unsure
 - g. N/A
21. What fields and skills need to be strengthened by higher education institutions in your region? _____.
22. Please indicate your level of agreement with the following statement: "The resource providers (Score, SBDC, SBA, Chambers of Commerce, etc.) in my region provide adequate training for my industry":
- a. Strongly Agree
 - b. Agree
 - c. Disagree
 - d. Strongly Disagree
 - e. There are no higher education institutions in my area
 - f. Unsure
 - g. N/A
23. What fields and skills need to be strengthened by the resource providers in your region? _____.
24. Please provide any additional feedback on the challenges and opportunities of starting and growing a small business in your community: _____.
25. Are you interested in receiving information from the Governor's Office?
- a. Yes
 - b. No
26. Please enter your email address in the space provided: _____.

Resource Providers Pipe

Organizational Information

27. Please identify if you serve areas considered rural:
- a. Yes
 - b. No
28. What is the name of your organization? _____.
29. Please select the option that best describes how you assist small businesses (choose all that apply):
- a. Coworking space
 - b. Accelerator
 - c. Incubator
 - d. Economic Development Organization
 - e. Chamber of Commerce

- f. Direct Investment or Funding
 - g. Loans (including Microloans)
 - h. Networking
 - i. Business Coaching
 - j. Mentoring
 - k. Other (please specify)
30. What category best represents your organization (choose one):
- a. Non-profit (including public private partnerships)
 - b. Private
 - c. Public (fully state or federally funded)
31. In the past 12 months, roughly how many small businesses has your organization assisted:
- a. 0 to 10
 - l. 11 to 25
 - m. 26 to 100
 - n. 100 to 1,000
 - o. More than 1,000

Content Questions

32. Of the following potential challenges for small businesses in rural Texas how would you rank them from greatest to least significant (rank order):
- a. Access to capital (either loans or equity partners)
 - b. Access to customers
 - c. Assistance on growing/scaling up business
 - d. Assistance on administrative issues (e.g.: taxes, insurance requirements, legal issues, understanding rules and regulations, etc.)
 - e. Finding qualified workers at an affordable rate
 - f. Access to community of other business owners
 - g. Access to broadband internet
 - h. Access to affordable housing
 - i. Other infrastructure issues (e.g.: railroad, air service, freeways/highways, etc.)
 - j. Access and affordability of buildings/office space
33. Please describe any other issues impacting small businesses in rural Texas not listed in the question above.
34. Of the following potential risks for small businesses in rural Texas, how would you rank them from greatest to least significant (rank order):
- a. Outmigration of youth
 - b. Aging population
 - c. Aging/inadequate infrastructure
 - d. Lack of qualified and eligible workforce
 - e. Lack of employment opportunities
 - f. Lack of affordable housing
 - g. Lack of broadband internet access
 - h. Lack of shovel-ready sites for businesses to expand
 - i. Lack of adequate leasable commercial or industrial real estate



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35. Please describe any issues facing your clients that you and/or your partners are unable to successfully address:_____.
36. Is there anything else you would like to add, that would assist the Governor's Office in helping small business in rural areas of Texas?_____
37. Are you interested in receiving information from the Governor's Office?
- a. Yes
 - p. No
38. Please provide your email address: _____.



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