

**STATEMENT FOR THE RECORD BEFORE THE ASSEMBLY COMMITTEE ON
JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY AND BUDGET
SUBCOMMITTEE NO. 5 ON STATE ADMINISTRATION:
STATE SMALL BUSINESS CREDIT INITIATIVE (SSBCI)**

February 13, 2024

Bianca Blomquist
California Policy Director, Small Business Majority

Thank you, Chairman Villapudua, Vice Chairman Hoover, and Members of the Committee:

My name is Bianca Blomquist, and I'm the California Policy Director for Small Business Majority, a national small business organization that empowers America's entrepreneurs to build a thriving and equitable economy. My testimony today seeks to underscore the opportunities that SSBCI 2.0 presents to the entrepreneurial ecosystem in California, to demonstrate the importance of equitable distribution of SSBCI dollars and encourage the state's continued investment in diverse technical assistance resources.

Small Business Majority partners with local, regional and statewide business organizations such as chambers and associations, to connect small business owners to technical assistance (TA) partners and community development financial institutions (CDFIs) that offer free resources and affordable capital that will help them grow and sustain their businesses. Through this work, we know it is critical that **the state continue to incentivize lending institutions to take on additional risk to serve VSBs and SEDIs by working closely with California's network of CDFIs.**

All levels of government play a significant role in providing goods to the public, including transportation infrastructure, education, national defense, and environmental and wildfire protection. These "goods" are often referred to as "public goods" and are essential to the smooth functioning of society—economically, politically and culturally. Without public goods, products and services cannot be exchanged, votes cannot be cast, and it becomes harder for Californians to enjoy the fruits of cultural production. A critical role of government is to decide the provision of public goods. Government-backed capital is also a public good. Today, the IBank, the Treasurer's Office and CalOSBA are seizing a tremendous opportunity to "de-risk" capital for VSBs and SEDI populations, and it comes at a critical time for California small business owners:

[Vernette](#), owner of Ms. Brown's Kiddie Kastle from Stockton, attended one of Small Business Majority's webinars. Vernette is the proud owner of a childcare facility that she established in 2015. Like most micro-business owners, she does not have a dedicated HR or accounting department to help her navigate licensing requirements, payroll solutions, and benefits. Vernette single-handedly manages all aspects of the operation. To start her business, Vernette used her personal savings to start her business but was seeking grant programs to support Kiddie Kastle. We connected Vernette to Central Valleys Women's Entrepreneur Center to receive 1:1 technical assistance to help her update her business plan, get capital ready and identify funding opportunities.

Small Business Majority conducts opinion polling, scientific research, and develops policy analysis of state and national legislation that affects California's small employers. Under the California Office of the Small Business Advocate (CalOSBA), and in partnership with the state's leading minority business chambers and CBOs, we produced the first of its kind report on the state of diverse business ownership in California. According to the [CalOSBA research report](#):

- Minority-owned small businesses are a pillar of the overall California economy. They account for 45% of small businesses in the state, support 2.6 million jobs annually, and generate \$192.8 billion in economic output.
- However, startups with diverse leadership teams received just 1.9% of studied venture capital investments in 2022.

California continues to lead the nation in removing structural and systemic barriers to entrepreneurship by investing in innovative programmatic and policy solutions that support entrepreneurs' need for accessible capital and business assistance. For example:

- According to the Northern California SBDC Network, the California DREAM Fund program was the most successful entrepreneurship program in its history. By connecting new entrepreneurs with local TA providers, entrepreneurs could access a \$10,000 grant in exchange for intensive technical assistance on how to start and grow their business.
- In 2018, I testified in support of AB 626 by Eduardo Garcia which established a "microenterprise home kitchen operation," referred to as MEHKOs, as a new type of retail food facility that allows Californians to sell food safely from their home kitchen. When AB 626 passed, TA providers across the state jumped into action to develop content and outreach programs to reach home kitchen business owners. Today, hundreds of MEHKO permits have been issued, bringing a sector of previously marginalized entrepreneurs into the entrepreneurial ecosystem and allows them to participate fully in their local economies.

Through this work, we know how important it is to ensure SSBCI dollars are distributed equitably. This is why we recommend the state take the following steps to ensure dollars are distributed equitably:

- We must encourage public-private partnerships, like the [California Rebuilding Fund](#), as programs like this are a successful model of de-risking capital. In March of 2020, the California Rebuilding Fund created a standardized lending product to make relief dollars available to small business owners and connected thousands of entrepreneurs to TA providers. Small Business Majority's influence was pivotal in building this novel, innovative loan fund at the height of the pandemic. The Fund leveraged government-backed capital and private equity to create a standardized, Special Purpose Vehicle (SPV) to allow community lenders to make small loans to marginalized business owners at very low cost. We enlisted the help of the technology industry to work with legal experts to make the Fund workable and worked with CAMEO to pitch [CDFIs - large and small-](#) to underwrite the loans. Small Business Majority led the Fund's marketing and communications strategies and earned media to educate entrepreneurs and local government leaders about the fund. We leveraged research to gauge employer support for government-subsidized capital and used [that research](#) to generate buy-in from policymakers, securing [millions from Santa Clara County](#) and an additional [\\$12 million from San Francisco County](#) to invest in the SPV.
- California must continue to meet the overall program leverage ratio.
 - Through the American Rescue Plan Act (ARPA), California's total funding increased to \$1.2 billion, creating a larger pool of money for lending and investing. Many states were unable to meet the 10:1 leverage ratio requirement for the original program, and state officials expressed some concerns about meeting the same leverage ratio for the current program. For example, one state official said meeting the leverage ratio requirement will be a challenge given the amount of money the state will receive for the current program.
 - We commend California for creating new programs intended to meet the leverage ratio and we encourage California to continue investing in innovative programs that meet the needs of California's smallest businesses.

- We also commend California and its statewide business support networks, like CAMEO and our statewide CDFI partners, for holding multiple convenings to better understand what opportunities there are to leverage funds and which types of programs result in higher leverage ratios for the current program.
- It is also critical that SSBCI dollars are supporting California's diverse entrepreneurs as they seek to start and grow their businesses.
 - The SSBCI TA Program award approved CalOSBA for up to \$25.3 million for a period of five years, the largest investment to any one state by the Department.
 - The TA component is a new and important part of the current program. We were pleased that Treasury allowed participating jurisdictions, like CalOSBA, [to administer the SSBCI TA Program funds](#) in California. These funds can also be transferred to the Minority Business Development Agency or used to directly contract with technical assistance providers. This flexibility is important as every state's network of TA providers and CDFIs may operate differently. This improves access for underserved businesses.

We are glad that the Legislature is shining a light on how our state is delivering these critical resources to small business owners. Continued investment, strong oversight and collaboration will ensure these programs meet small business owners where they are. In their homes, in their places of business, in partnership with trusted institutions, and through fully funded community-based organizations and programs.

Thank you for your leadership on behalf of California's small business owners.