



April 8, 2022

The Honorable Nancy Skinner
Chairwoman, Budget & Fiscal Review
Committee
State Capitol, Room 5094
Sacramento, CA 95814

The Honorable Phil Ting
Vice Chairman, Budget & Fiscal Review
Committee
State Capitol P.O. Box 942849
Sacramento, CA 95814

RE: California Governor's FY 2022-2023 budget proposals

Dear Chairwoman Skinner and Vice Chairman Ting:

As a representative of the 4.2 million small businesses in California, Small Business Majority writes today in support of key priorities outlined in Governor Newsom's budget revisions, which includes critical investments that will support small business recovery from the COVID-19 pandemic.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. We engage our network of 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth.

California's small business owners continue to face challenges brought on by the COVID-19 pandemic, which is why statewide support is paramount to their success and long-term recovery. The following proposals and measures are essential to supporting California's private-sector job creators.

Continue to support small business capital and grant access

We applaud the governor's budget proposal to fund waitlisted grant applications for the California Small Business COVID-19 Relief Grant program. Many small business owners in our network have benefited from this program and these grants will continue to support California entrepreneurs as they reopen and pivot their business models.

We encourage the legislature and the administration to continue to address the systemic, racial and sexist barriers that small business owners of color and women face when accessing affordable loans to start or grow their business. By making critical investments into innovative and affordable long-term capital products, like the California Rebuilding Fund, our state will be uniquely positioned to leverage federal dollars through the State Small Business Credit Initiative (SSBCI).

Invest in small business ecosystem support

We're thrilled to see the Governor's budget proposal to increase investments in technical assistance. For example, we applaud the \$23 million permanent allocation for the Technical Assistance Expansion Program (TAEP), a program that directly funds California's network of Small Business Development Centers (SBDCs). We also urge increased funding for Women's Business Centers, as well as funding for technical assistance for entrepreneurs to learn about unique business models, like worker ownership structures, to help them build wealth in their communities.

Additionally, we urge the Governor's Office and the state legislature to identify ways to support small business tenants who are struggling to pay rent, with special recognition given to small commercial landlords who have been willing to work with struggling tenants. A Small Business Majority survey

reported that most small businesses (78%) that rent or own their commercial space say they are struggling with their rent payments.

Expand healthcare affordability for small businesses

We're encouraged to see that the Governor's proposed budget includes \$30 million for the Office of Healthcare Affordability, which will increase transparency in the healthcare marketplace and help lower healthcare costs for small business owners and their employees. Access and affordability of healthcare is a major barrier for entrepreneurs, which is why stabilizing the price of healthcare will benefit small businesses that are struggling to offer health coverage to their employees.

In addition, we encourage legislators to expand healthcare premium assistance to middle and low-income small business owners as proposed by Senator Pan and Assemblymember Wood. This funding will extend healthcare subsidies that will significantly improve affordability and access for all, including small business owners, their employees and their families. Supporting a healthy workforce is inherently beneficial to our economy, especially as we navigate a global health crisis.

Invest in workplaces for small businesses and their employees

The budget proposes an infusion of more than \$820 million to create thousands of childcare placements, which will support small childcare businesses by helping them access capital for their businesses. In addition, the Governor's budget is proposing \$400 million in funding to stabilize childcare funding rates, which will address childcare 'deserts' in areas where childcare disinvestment is more prevalent. Statewide investments in childcare are not only critical for childcare providers as they operate and expand their businesses but are also a key component in supporting the small business workforce and their families.

To this end, we are disappointed to see a lack of investment in the Paid Family Leave (PFL) Program, a key component to supporting small businesses and working families. The PFL and State Disability Insurance programs are paid for entirely through employee contributions, but many in the small business ecosystem are unable to participate because the current wage replacement rate (maximum 70%) is inadequate. A proposal by Senator Durazo would establish a replacement rate of 90% of wages for PFL claimants. Increasing wage replacement will support small businesses that are unable to offer robust paid family and medical leave benefits to their employees on their own.

The Governor's budget proposal has also earmarked a \$3 billion investment to pay down excess in Unemployment Insurance (UI) claims due to the pandemic, but this investment only meaningfully impacts larger businesses. Meanwhile, employers are making contributions on behalf of employees who are unable to access UI benefits. A pilot program such as the Excluded Workers Pilot Program could generate up to \$955 million in funds for excluded workers.

Small businesses are essential to the successful recovery of our economy, but they need further investments and support to overcome the damning effects of the COVID-19 pandemic. We applaud the proposals in the Governor's budget for FY2022-2023 and are encouraged by the additional investments to support California's most prolific job creators.

Sincerely,

Bianca Blomquist



Policy Director, California, Small Business Majority