

The Agenda for California's Entrepreneurs

Small Business Majority has created a comprehensive state policy agenda to ensure entrepreneurship is at the center of a thriving and inclusive economy in California. California's 3.9 million small businesses employ seven million people, which amounts to about half of the private workforce, according to the U.S. Small Business Administration. This is why it's critical that state lawmakers enact policies to support and empower these entrepreneurs, guaranteeing they have access to capital to start and grow their business, affordable and quality healthcare and the ability to compete for top talent with larger companies. To achieve these goals, policymakers should consider the following policy proposals.

Expand access to capital for California's entrepreneurs

California made history in 2018 by passing SB 1235, the nation's first truth in lending law for small businesses. This law will protect small business owners seeking alternative sources of capital by promoting more transparency in small business loan products, without placing an undue burden on lenders. Still, entrepreneurs—particularly women, people of color and other underserved populations—face significant hurdles accessing capital. California can pursue additional policies to ensure greater access and more options for entrepreneurs to obtain responsible capital, including:

- **Implement SB 1235 by working with the California Department of Business Oversight to develop disclosures that give small business owners clear and concise information about their financing options.** Disclosure of APR and estimated monthly payments are some of the elements necessary for informed comparison. APR is the only established metric that enables informed comparisons of the cost of capital over time, and between products of different dollar amounts and term lengths. In addition, all APR calculations should bring transparency to the abusive practice of “double dipping,” or double charging the borrower.
- **Strengthen the California Capital Access Program for Small Business (CalCAP) to ensure lenders are able to continue to use the loan fund.** These programs encourage banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. According to the California Treasurer's office, for every \$1 in CalCAP funding, another \$18 in private investments was leveraged for small businesses in 2017. We support legislation that would keep this program healthy and successful for small businesses.
- **Establish a state bank** that makes low-interest loans for infrastructure, agriculture, affordable housing, student loans and small businesses. This will spur economic growth and lead to thriving community banks with higher lending totals.

Strengthen healthcare markets, expand coverage and contain costs

California has led the way in expanding access to healthcare, yet millions remain uninsured, including many entrepreneurs and small business employees. California can address its remaining uninsured rate and promote more affordability for the small business community through common-sense policies to (1) strengthen healthcare markets and (2) expand health coverage, while (3) containing other inefficient underlying costs in the system. Specific proposals include the following:

- **Implement a new state bulk purchasing prescription drug program for public and private payers,** as proposed by Governor Newsom, which would establish the nation's largest purchasing program for prescription drugs. This initiative will strengthen the existing California Pharmaceutical Collaborative, administered by the state Department of General Services, which

allows state and local governments to access state contracts for purchasing bulk pharmaceuticals and related pharmaceutical services at reduced cost.

- **Extend additional assistance to individuals in the middle class who do not currently qualify for premium subsidies.** Assembly Bill 174 would significantly improve affordability for thousands of moderate-income individuals and families, including many entrepreneurs and small business employees, by creating a state tax credit in the Covered California individual marketplace for those who make between 400% and 600% of the federal poverty level (FPL). According to the Small Business Administration, the average income for incorporated small business owners is around \$54,000, just above the \$50,000 threshold of 400% FPL. Thus, the average California small business owners would benefit.
- **Provide additional cost-sharing assistance to individuals struggling to access affordable healthcare.** Senate Bill 65 will strengthen existing ACA subsidies and provide additional support to individuals who have incomes below 400% of the FPL and are unable to afford monthly healthcare premiums, which would benefit California's small businesses, their employees and self-employed entrepreneurs who are struggling to afford health coverage.
- **Enact an individual mandate at the state level to encourage more Californians to enroll in health insurance** in order to maintain balanced risk pools and keep costs down, particularly in light of the repeal of the individual mandate penalty.
- **Expand MediCal coverage to undocumented immigrants.** Extending this coverage would drastically decrease the number of remaining uninsured in the state, as roughly 1.8 million undocumented Californians are without healthcare coverage (more than half of the total uninsured). Undocumented Californians, many of whom run or work in small businesses, are accessing our healthcare system in an inefficient manner, without any way to pay for care, thereby adding to the instability of the system and increasing healthcare costs. Extending coverage will lower costs and increase affordability for everyone.
- **Consider measures to further contain costs throughout the system.** The legislature is considering an initiative that would build on successful rate review policies that have saved Californians hundreds of millions of dollars in premium costs. This bill would extend these policies to all insurance products, thus creating a more robust marketplace. There is also legislation being considered that would ensure lower costs by changing hospital contracting practices and by addressing some of the most coercive practices like "gag clauses" and anti-tiering restrictions that have no relation to value and serve only to fuel unjustifiable increases in price.
- **Implement the California Health Care Payments Database.** This database would publicize information about healthcare usage, costs and outcomes that would further efforts to improve affordability and quality of existing healthcare options.

Ensure a skilled workforce for California's job creators

California's lawmakers must address the particular challenges small businesses face in finding and retaining skilled workers. Small employers face barriers to offering benefits that are crucial to attracting top talent, which puts them on an unequal playing field with larger businesses that have the resources to provide robust benefits. We encourage policymakers to consider the following:

- **Support the implementation of CalSavers** to ensure that small business owners understand the opportunities and responsibilities within the program. It's critical that small business owners have access to information about how they can use the program to attract talent and grow their business.
- **Expand the state's paid leave program.** The state's Paid Family Leave program is currently vastly underutilized, and many small businesses and employees are unaware the program exists.

Lawmakers should consider ways to expand the program that would benefit the small business community and promote education and outreach to small businesses so that more Californians are able to take advantage of it.

- **Strengthen the workforce development system in California** by ensuring small businesses are supported and provided the resources they need to hire and retain talented employees, understanding small businesses are an essential part of the development system.

Support entrepreneurship and the freelance economy

A healthy entrepreneurial ecosystem provides an innovative and singular pathway for women, people of color, youth, veterans, disabled people and immigrants to enter California's economy and build income and independence. We must do all we can to ensure our economy flourishes by implementing the following policy recommendations to support entrepreneurship and the freelance economy:

- **Continue state investments into federally-matched business support services, such as Small Business Development Centers (SBDCs) and Women Business Centers (WBCs).** These centers provide low and no-cost critical counseling and assistance by professional staff to all entrepreneurs, helping small business owners maximize their potential for creating a positive economic impact.
- **Assist local and regional health departments in implementing a regulatory** framework for aspiring entrepreneurs to sell meals prepared in home kitchens. Assembly Bill 626, signed into law in 2018, provides a pathway for thousands of existing cooks to openly access business education and training on safe food handling practices. Local and regional health departments must now decide to authorize home-cooked operations in their jurisdictions, the necessary next step for these businesses to receive health permits.
- **Expand the state's investment in the Earned Income Tax Credit (EITC).** As one of our nation's largest anti-poverty programs, expansion of the EITC can have a powerful effect on economic security for entrepreneurs and independent workers as they're getting their business off the ground.
- **Facilitate access to equity financing to small businesses within new Opportunity Zones investments.** While investments in Opportunity Zones hold the potential to benefit small businesses, especially those in underserved communities, they must be implemented responsibly. This includes requiring reporting metrics that measure program success based on the number of jobs created, where those jobs are located, employee wages and the number of businesses created, particularly businesses formed by women or people of color.