

The Agenda for California's Entrepreneurs

Small Business Majority is enacting a comprehensive state policy agenda to ensure entrepreneurship is recognized as the lifeblood of a thriving and inclusive economy in California. Our state's **4.1 million** small businesses employ **7.5 million** people, which amounts to nearly half of the private workforce.¹

In order to ensure these businesses thrive, California lawmakers must build upon the progress we have made in investing in small businesses. The below outlined policies will support and empower entrepreneurs by guaranteeing they have access to responsible capital to start and grow their business, access to affordable healthcare and benefits that allow small business owners to compete for top talent, and a level playing field so they may compete with larger companies.

Access to responsible and innovative capital

Entrepreneurs of color, women and underrepresented populations face significant hurdles accessing responsible forms of capital and other business resources. California must strengthen oversight of small business lending practices, while promoting innovation for entrepreneurs to access affordable capital and ensure under-resourced communities have access to entrepreneurial support services:

- **Strengthen California's truth-in-lending framework for small business owners.** California was the first state in the nation to adopt disclosure and transparency requirements ("truth-in-lending") for small business financing products. We must continue to strengthen truth-in-lending practices in California by closing loopholes in the current law and by providing greater oversight over commercial loan practices.
- **Support technical assistance providers and strengthen oversight over the State Small Business Credit Initiative (SSBCI) lending programs.** Ensure that California's allocation of federal dollars through the State Small Business Credit Initiative (SSBCI) — approximately \$1.2 billion over 10 years—reaches microbusinesses, small business owners of color, women and rural business owners who need low-dollar loans. This includes investing in community-based business organizations and technical assistance providers who supply free and low-cost guidance to small business owners who are starting and investing in a business. This assistance is particularly important to entrepreneurs of color who have historically seen fewer investments in their communities than their white counterparts. California must make continued investments in these programs to reach the smallest businesses using these funds.
- **Support state and local efforts to create public banks.** Public banks encourage direct public investments into California small businesses that are unable to receive a traditional bank loan. In 2019, California enacted legislation that enabled local governments to charter public banks. Local officials should aggressively pursue this option to stand up public banks with a particular focus on supporting the financial needs of local small business owners.
- **Promote innovation, transparency and affordability in financial services for small business owners.** Innovation and transparency are crucial in the development of products, methodologies and technologies that protect and enable small business owners to access capital. This includes assessing a small business owner's "creditworthiness" and addressing the rising costs of commercial property insurance while upholding crucial consumer protections for low- and middle-income Californians.

¹ "California Small Business Profile". U.S. Small Business Administration. <https://advocacy.sba.gov/wp-content/uploads/2023/11/2023-Small-Business-Economic-Profile-CA.pdf>

- **Continue to support public and private partnerships that help small business owners access programs and provide quality jobs.** By ensuring that technical assistance providers have ample funding, they can remain flexible, innovative and responsive to our most marginalized entrepreneurs. This includes helping California reach its equity goal in state contracting, extending rate reimbursement to all family childcare providers and supporting the implementation of California Jobs First (formerly CERF).

Bolster a Main Street-friendly workforce and the creation of quality jobs

Entrepreneurs need programs that support their efforts to attract and retain a talented workforce. As costs continue to rise small business owners and their employees struggle to offer robust benefits. California can promote greater affordability for small business owners by investing in programs that support small business owners' ability to employ a happy and healthy workforce:

- **Strengthen healthcare markets, expand coverage and contain costs:**
 - **Tackle consolidation in healthcare, particularly in hospitals.** Corporate consolidation in the healthcare industry is increasing prices and reducing choice. The Department of Justice should be granted the ability to approve or deny future mergers in the hospital industry. Greater oversight of hospital mergers in California will lower costs for small business owners and their employees.
 - **Control healthcare costs for small business owners and their employees.** The Office of Health Care Affordability (OHCA) Board is finalizing its statewide spending targets this year. We strongly support the proposed 3% spending growth target, and we urge OHCA to adopt and implement robust cost targets.
 - **Lower premiums for small businesses.** We support additional financial assistance to individuals struggling to access affordable healthcare, including additional cost-sharing for deductibles and copays. While the federal Inflation Reduction Act of 2022 increased federal premium assistance to those struggling to afford insurance, those subsidies are set to expire. California's investment in state subsidies will significantly improve affordability for thousands of moderate-income entrepreneurs and small business employees when the federal subsidies expire.
 - **Expand health coverage access through Covered California to include all eligible Californians, regardless of immigration status.** As immigrants are twice as likely to start a small business, the state should obtain a waiver from the federal government to expand the program to include immigrants who would otherwise be eligible for coverage in Covered California.
- **Protect California programs that support employers' ability to hire healthy and happy workers.** Policymakers must work to address current inequities in California's public insurance programs for the self-employed, under-employed and undocumented workers. This includes continuing to improve California's paid family leave program, aligning definitions between various leave programs and supporting the implementation of increased wage replacement rates for paid leave claimants.
- **Support the continued implementation of CalSavers.** The state must continue to promote California's portable auto-IRA program as the smallest businesses enroll in the program, with firms with 1 to 4 workers needing to enroll by December 2025.

Create fair markets to foster healthy competition

Independent businesses play a vital role in local communities throughout California by buying local, banking local and promoting quality jobs for California workers. Over the past several years, we have

witnessed substantial consolidation in many markets, while the tax code and other economic policies continue to further concentration of economic power into the hands of larger corporations.

- **Tackle unfair market practices that puts small business owners at a competitive disadvantage.** Consolidation in many industries is increasingly making it more difficult for small business owners to compete with larger conglomerates. Greater oversight of mergers in California will lower costs for consumers and alleviate pressure on small business owners to compete. Policymakers must require platform and technology services to be fair and transparent, which includes disclosures around fees charged to small business owners.
- **Promote equity in tax policy and close loopholes that create an uneven playing field for small business owners.** Small business owners pay their fair share of taxes but struggle to compete with the large corporations who are not. We must close loopholes that favor large corporations over our state's greatest job creators.