

The agenda for California's entrepreneurs: 2025 legislative session

Small Business Majority has created a comprehensive state policy agenda to ensure entrepreneurship is recognized as the lifeblood of a thriving and inclusive economy in California. The state's 4.2 million small businesses comprise 99.9% of all businesses in the state, and they employ 7 million residents—nearly half of all California employees. This is why it's critical that state lawmakers enact and strengthen policies and programs to support and empower these entrepreneurs, guaranteeing they have access to responsible capital to start and grow their business, access to affordable and quality healthcare and benefits that allow small business owners to compete on a level playing field with larger companies for top talent.

Increase access to capital and opportunity for entrepreneurs

Entrepreneurs—particularly women, people of color, rural communities and other under-represented populations—face significant hurdles accessing responsible forms of capital. Increasing access to capital and expanding opportunities is key to driving more inclusive economic growth. State policymakers can address funding barriers in the financial market and strengthen lending protections by adopting these policy recommendations.

- **Strengthen California's Truth-in-Lending protections.** California was the first state in the nation to adopt disclosure and transparency requirements for small business financing products. Now, policymakers must strengthen lending protections by closing loopholes in the current law and holding accountable brokers who steer small business owners towards higher-cost financing options.
- **Increase Capital Infusion Program funding.** Despite securing permanent funding for the Technical Assistance Program, California's Small Business Development Centers (SBDCs), which provide vital assistance to entrepreneurs, remain underfunded. The legislature should allocate additional funding for the Capital Infusion Program to bolster SBDCs and similar community-based technical assistance organizations.
- **Continue to support the implementation of California's State Small Business Credit Initiative (SSBCI) programs** and ensure SSBCI lending reaches under-resourced business owners. California must prioritize microbusinesses—particularly those owned by women, people of color and rural entrepreneurs—when disbursing its \$1.2 billion in federal SSBCI funds to increase access to capital and technical assistance. The California Infrastructure and Economic Development (IBank) and the State Treasurer's Office must make continued investments in these programs to reach the smallest businesses and should ensure California's loan requirements, particularly for small-dollar loans, and outreach strategies are providing this capital to the most underserved small businesses.
- **Expand local public banking efforts.** Public banks increase access to capital for entrepreneurs by making direct investments into small businesses underserved by traditional lenders. In 2019, California enabled local governments to charter public banks. While some localities have already done this, we urge more local governments to charter public banks to better support the financial needs of local small business owners.
- **Preserve state lending programs and grant funding.** Policymakers should prioritize funding key loan and grant programs that serve the smallest, under-resourced businesses that are not well served by traditional lenders. We urge the legislature to continue funding the California Dream Grant program which provides grants of \$10,000 for small business owners to expand quality jobs, and SEED 3.0 that provides culturally-specific training and grants to entrepreneurs with limited English proficiency.

Expand healthcare accessibility and affordability

California has made significant strides in expanding access to affordable healthcare coverage, but more must be done to support the state's small business ecosystem. Many entrepreneurs and small business employees are still facing high hospital bills, expensive coverage and challenges accessing care. Some business owners and workers still lack coverage altogether because of affordability or a lack of immigration documentation. We are confident that California can address its gap in healthcare coverage and transparency by enacting common-sense policies. Specific proposals to lower healthcare costs and expand health coverage include the following:

- **Control healthcare costs.** We advocated for the 3% spending growth target set by the Office of Health Care Affordability (OHCA) and now urge far-reaching and robust implementation of that growth target. OHCA must adopt aggressive targets that apply to specific sectors, geographic regions, types of delivery systems and business structures to better control costs that have been rapidly increasing with no accompanying increases in health outcomes.
- **Limit monopolistic hospital consolidation.** Hospital consolidation is driving up healthcare costs and limiting consumer choice for employers and workers alike. We urge the legislature to reintroduce legislation, vetoed by the governor in 2024, to provide the Attorney General with the authority to reject hospital mergers that are unlikely to lower costs or improve outcomes and are designed instead to limit competition and boost profits,
- **Lower premiums and out-of-pocket costs for small businesses.** More than half of all enrollees in Covered California own or work for a small business. State policymakers should be prepared to provide state-financed healthcare premium tax credits for those earning 400-600% of the federal poverty level if federal premium assistance from the Inflation Reduction Act expires at the end of 2025. Previously, California did provide these tax credits—which lowered health insurance costs for small business owners, their employees and the self-employed—and should be prepared to do so again.
- **Expand healthcare coverage for immigrant entrepreneurs and workers.** Immigrants are twice as likely to be small business owners compared to those born in the United States, yet healthcare policies often leave immigrants uninsured, even while they are creating jobs and contributing to the economy. State lawmakers must continue to explore ways to expand Covered California to immigrants who would otherwise be eligible for coverage except for their immigration status. We also urge state policymakers to protect recent Medi-Cal expansions to all income-eligible Californians, regardless of immigration status, which could be challenged by the new federal administration.
- **Eliminate “ghost directories.”** Provider directories frequently include providers who are no longer in-network, not taking new patients or who are no longer practicing or simply outdated contact information, with some directories having an 80% error rate for certain types of providers. These outdated provider directories result in expensive surprise bills, create barriers to receiving timely medical care and waste the time of small business owners and their workers. While existing law has required these listings to be accurate for over a decade, it has not been effective. Policymakers should enact legislation, such as AB 280, that would require health plans to verify provider listings annually and improve accuracy to 95%.

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

Entrepreneurs need programs that will help them attract and retain a talented workforce. In a tight labor market and with continued rising costs, small business owners struggle to offer robust benefits on their own. California can support small business owners by investing in programs that support small business owners' in creating quality jobs.

- **Paid Family Leave and SB 951 implementation.** Small business owners [overwhelmingly supported](#) California's actions to strengthen its Paid Family Leave program by increasing wage replacement rates for many workers to 90% and eliminating barriers for employees to access benefits. We urge the state to educate small business owners and workers about these important changes and continue to streamline definitions amongst programs so that small business employees can easily access the type of paid family leave that larger companies have been able to offer for years.
- **Ensure a smooth implementation of CalSavers.** California's portable auto-IRA program enters its final phase of implementation this year, with the smallest businesses (1-4 employees) now required to enroll by December 2025, providing these businesses with a free, easy way to allow employees to save for retirement. We urge the state to conduct a robust CalSavers outreach and education campaign to these microbusinesses that are difficult to reach and do not have legal or human resource departments to help them comply with new programs.
- **Reform Unemployment Insurance (UI).** California's UI program has not been updated since 1983. With a \$20 billion deficit and \$2 billion annual shortfall, reform is critical. Currently, the unemployment insurance program imposes proportionately higher costs on small business owners compared to larger firms. Additionally, it's saddled with debt, increasing UI rates for employers and keeping worker benefits low.
- **Bolster the small business workforce.** Small businesses continue to struggle with workforce shortages, and many cannot find top talent to fill open positions. Small business owners [support](#) policies and incentives that make it easier for employers to recruit from underused candidate pools, such as those who are justice-impacted, disabled or experiencing homelessness. We will work with policymakers to create these incentives and make it easier for small business owners to take advantage of them.

Foster a level playing field for small businesses

Independent businesses play a vital role in creating jobs and economic opportunity in local communities throughout California. Over the past several years, there has been substantial consolidation in many markets, while the tax code and other economic policies continue to further concentration of economic power into the hands of the wealthy and larger corporations, making it harder for small businesses to compete.

- **Strengthen California's antitrust laws.** California must develop its own robust antitrust framework, rather than relying solely on inconsistent enforcement and shifting judicial interpretation at the federal level. We urge the California Law Review Commission to swiftly finalize its recommendations on how California can strengthen its legal framework to take on corporate consolidation to ensure our economy is operating fairly.
- **Address anti-competitive business practices.** Large, consolidated corporations are regularly using their market power to engage in unfair, dishonest practices. We urge state policymakers to ban egregious practices such as charging junk fees, engaging in price-gouging and crafting unfair, one-sided contracts. Small business owners want to compete on a level-playing field, with all companies playing by the same rules.
- **Close tax loopholes favoring large corporations.** Small business owners pay the taxes they owe, while their larger counterparts use sophisticated tax planning and legal resources to lower their tax liability, sometimes down to nothing. Policymakers should close tax loopholes that allow large corporations to pay less in taxes than most small business owners are paying. For example,

Water's Edge Election allows corporations in California to avoid taxes on foreign income, putting small businesses at a disadvantage.