

The Agenda for California's Entrepreneurs

Small Business Majority has created a comprehensive state policy agenda to ensure entrepreneurship remains at the center of a thriving and inclusive economy in California. Our state'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.

Despite their importance to the state's economy, California's small businesses have been greatly impacted by the COVID-19 crisis and continue to struggle to access critical financing and resources. This is particularly true for the smallest businesses and those owned by people of color, women and immigrants. State lawmakers must enact policies to support and empower these entrepreneurs, guaranteeing they have access to capital to start and grow their business, access to 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 responsible capital for entrepreneurs

Entrepreneurs—particularly women, people of color and other underrepresented populations—have faced significant hurdles accessing capital, and this has only been exacerbated by the COVID-19 pandemic. Increasing access to capital and expanding opportunities for marginalized communities is key to driving more inclusive economic growth. However, it's critical to ensure that any new opportunities to access capital are safe. California has provided new loan and grant programs to help hard-hit businesses during the pandemic, and we encourage the state to pursue additional policies that will ensure greater access and more options for entrepreneurs to obtain responsible capital, including the following:

- Support the expansion of the California Rebuilding Fund. This innovative public-private partnership through the IBank is driving millions of dollars of affordable capital to under-resourced small businesses throughout the state. The Fund should be made permanent to ensure that California entrepreneurs are able to access affordable capital for years to come.
- Support the establishment of a Community Development Financial Institution (CDFI) Fund. This state fund could be used to provide millions of dollars in leveraged capital to CDFIs.
- Ensure that California's allocation of the federal State Small Business Credit Initiative (SSBCI) reaches small business owners of color, women, microbusiness owners and rural business owners.
- Support efforts to explore the creation of a state bank to encourage direct state investment into California small business owners unable to receive a traditional bank loan.

Expand small business ecosystem support

Small business owners rely on community-based organizations and state and federal agencies to provide business assistance and education to help maintain and grow their businesses. These organizations provide guidance on how to build and maintain good credit, navigate business regulations, apply for a loan and more. This assistance is particularly important to entrepreneurs of color who have historically seen fewer investments in their communities than their white counterparts. Expanding and funding the following measures is critical to supporting California's diverse small business community.

- Increase budget support and secure permanent funding for the Technical Assistance Expansion Program (TAEP) for California's technical assistance providers.

- Increase collaboration and coordination between public agencies and business assistance organizations to promote microenterprise development and quality jobs by
 - Support implementation of the \$35 million DREAM Fund to equip underserved entrepreneurs with technical assistance and start-up funding to start a business.
 - Support implementation of the \$50 million Microbusiness COVID-19 Relief Grant to provide microgrants to microbusiness owners throughout the state.
 - Support implementation of the \$10 million Social Entrepreneurs for Economic Development (SEED) Grant to support entrepreneurship among immigrants and Limited English Proficient (LEP) individuals through micro-grants and technical assistance.
- Provide commercial rent relief for small business owners and small landlords. Small Business Majority's research has found that most small businesses (78%) that rent or own their business space say they are struggling with their rent. Importantly, nearly half (46%) of businesses with under \$100,000 in revenue are one or more months behind on rent.
- Support implementation of the \$600 million Community Economic Resilience Fund Program by ensuring that community-based organizations are connected to regional efforts and programs.
- Pass measures in the governor's budget proposal to re-establish the iHub program as the Accelerate CA: Inclusive Innovation Hubs program and allocate an additional \$20 million in funding over four years to support programming and grants that focus on diversity, equity, and inclusion in the state's technology and science-based startup community.
- Ensure state tax credit programs meet the needs of small and microbusiness owners and are designed so that a typical small business owner can practically participate in the program. Most small business owners do not have access to human resources departments tasked with finding additional tax savings. Tax credit programs are most accessible to small and microbusiness owners when paired with an existing obligation, like payroll or property taxes.

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. Meanwhile, many entrepreneurs and small business employees have lost coverage or struggled to afford their premiums during the COVID-19 pandemic. California can address its remaining uninsured rate and promote more affordability for the small business community through common-sense policies to strengthen healthcare markets and expand health coverage. Specific proposals include the following:

- Expand assistance to middle and low-income small business owners. California made history in 2019 by extending state premium assistance to those struggling to afford insurance, but the subsidies are expected to expire next year. Extending the subsidies will significantly improve affordability for thousands of moderate income individuals and families, including many entrepreneurs and small business employees.
- Provide additional financial assistance to individuals struggling to access affordable healthcare, including additional cost-sharing for deductibles and copays.
- "Level up" Covered California's existing metal tiers for health plans to ensure low-income Californians can continue to access affordable health coverage.

- Promote prescription drug affordability, understanding that these costs are hurting small business owners' bottom lines.
- Expand MediCal insurance, which provides healthcare to qualified low-income individuals, to undocumented Californians of all ages. This will drastically decrease the number of remaining uninsured in the state, as more than a million undocumented Californians are without healthcare coverage. These people, many of whom run or work for small businesses, are accessing our healthcare system in an inefficient manner, thereby adding to the instability of the system and increasing uncompensated care costs.

Expand access to small business benefits while supporting quality jobs

Entrepreneurs support programs that will provide for a level playing field as they compete for talented workers. These programs allow them to provide quality jobs for themselves, including retirement saving and paid family and medical leave programs. Sixty-three percent of small business owners support state efforts to enact retirement programs that automatically enroll employees of businesses without their own retirement plans into a state-administered retirement saving program.

- Increase the wage replacement rate for California's Paid Family Leave (PFL) Program from 60-70% to 90%, which is paid for entirely by worker contributions to State Disability Insurance (SDI).
- Increase awareness of California's PFL Program and the PFL Small Business Grant, which provides up to \$2,000 to small employers whose employees access California's PFL Program.
- Support increased funding for the PFL Small Business Grant Program to ensure that eligible business owners are aware of the grant dollars available to them.
- Support efforts to address the current gaps in access to unemployment insurance for the self-employed. COVID-19 has demonstrated the stark limitations of our state's unemployment system to account for this sector of the workforce.
- Support the implementation of CalSavers to ensure small business owners understand the opportunities and responsibilities within the program. It's critical that small businesses have access to information about how they can use the program to attract and retain talent.
- Strengthen the workforce development system in California to include resources for small business owners to address workforce shortages.

Create fair markets to foster healthy competition

- Level the playing field for small businesses in California by strengthening federal antitrust law.
- Strengthen and increase oversight of contracts and financial services products by the Consumer Financial Protection Bureau and the California Department of Financial Protection and Innovation.
- Promote innovation and transparency in the development of products, methodologies and technologies that will enable more small business owners to access capital, including identifying new ways to assess a small business owner's "creditworthiness" and increasing community and government small business lending.
- Promote fair and transparent platforms and technology services for small business owners as more businesses move online.