



February 11, 2021

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

The Honorable Phil Ting
Chairman, Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

RE: The Governor's proposals for the FY21-22 budget

Dear Chairwoman Skinner and Chairman Ting:

As a representative of the 30 million small businesses in America and the 4.1 million in California, Small Business Majority writes today in support of many of the budget priorities outlined in Governor Newsom's FY21-22 proposal, which will support small business recovery and resilience during the ongoing 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 more than 80,000 small businesses and 1,000 business and community organizations to advocate for public policy solutions and deliver resources to entrepreneurs that promote equitable small business growth. A key component of our work involves outreach to small business owners on a range of small business issues, including access to capital, workforce issues, healthcare and more.

The Governor's budget includes a critical provision to add \$575 million in funding to the state's new small business grant relief program. While we applaud this proposal to help small business owners get back on their feet, we believe the legislature's current proposal of \$2.6 billion will better meet the needs of the millions of small business owners in California largely left out of the federal funding efforts. Additionally, the budget supports an infusion of \$50 million into both the California Rebuilding Fund and the Loan Guarantee program, again helping marginalized small business owners access capital for longer-term recovery efforts.

With cash flow so limited for so many small businesses, it is also essential that entrepreneurs be protected from predatory lending practices that could harm their business, credit and livelihood. The budget's long-term solution to support funding for the Department of Financial Protection and Innovation (DFPI) programs is admirable and will encourage innovative products to address the capital needs of small business owners and protect small business owners from unscrupulous and predatory actors.

Additionally, this budget will provide support for the Office of Healthcare Affordability and its work to increase transparency in the healthcare marketplace and establish accountability to lower costs for healthcare for small business owners and their employees. This is important for small businesses because we know healthcare costs are a major barrier for them, and many Californians who own or work for a small business access their health coverage on the state's marketplace.

Finally, we appreciate the administration's efforts to extend residential eviction moratoriums and provide rent relief to tenants and landlords, and we urge the support of commercial tenants who are

struggling to pay their rent. Our latest poll found that nearly 6 in 10 California small business owners who own or rent commercial space are struggling to pay their rent.

Small businesses desperately need this support right now. Our [recent research](#)¹ revealed that California small businesses owners are making difficult decisions to stay afloat, with entrepreneurs of color more likely to have taken drastic actions that include reducing employee headcount, adjusting their business models and temporarily closing. What's more, 28% of entrepreneurs of color report they may be forced to temporarily close their business in the next three months, and 17% say they are likely to close their business permanently.

In the wake of COVID-19, small businesses will be the key to our economic recovery. We applaud the actions the Administration has taken so far to preserve our small business community, and encourage you to continue investing in Main Street by approving and building on the Governor's 2021-22 budget proposal.

Sincerely,

Mark Herbert, Vice President, California
Bianca Blomquist, Senior Policy & Engagement Manager, California

Small Business Majority

¹Small Business Majority, December 2020, "California small businesses face difficult decisions as pandemic continues and funding freezes," <https://smallbusinessmajority.org/our-research/california-small-businesses-face-difficult-decisions-as-pandemic-continues-and-funding-freezes>