

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:

- **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.
- **Protect 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.

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:

- **Extend tax credits to individuals struggling to access affordable healthcare.** Senate Bill 65 will provide support to individuals who have incomes below 400% of the federal poverty level (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.
- **Extend additional assistance to individuals who qualify for premium subsidies but still struggle to access affordable healthcare.** Assembly Bill 174 would significantly improve affordability for thousands of low- and 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. 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 help those eligible for assistance to better afford their copays and deductibles.** Lawmakers should introduce measures that would significantly improve affordability for thousands of low- and moderate-income individuals and families, including many entrepreneurs and small business employees, by ensuring that no one is unable to use the insurance they have.
- **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). These people, many of whom run or work in small businesses, are accessing our healthcare system in an inefficient manner, without any way to pay for their care, thereby adding to the instability of the system and increasing healthcare costs for everyone else.
- **Enact 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. We also recommend strengthening 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.
- **Establish 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.
- **Reintroduce measures like California's Health Care Market Fairness Act,** which would lower costs and improve value for California's entrepreneurs and the more than six million Californians who work for small businesses. This legislation 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.

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:

- **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 the small business community so that more Californians are able to take advantage of it.
- **Support the implementation of CalSavers** to ensure that small business owners understand their responsibilities within the program and that small business employees have access to information about how they can use the program to build wealth for retirement.

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:

- **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. Cities and counties should act quickly to implement this new law, which will benefit many budding entrepreneurs, especially women, immigrants and people of color.
- **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.

Preserve California’s public lands, which are vital to local economies

Public lands are essential to local economies in California and are the catalyst to creating new jobs, attracting entrepreneurs and visitors, and boosting consumer spending. Indeed, the outdoor recreation industry, which is closely tied to California’s public parks, forests and monuments, boosts the state’s economy through \$92 billion in consumer spending and 691,000 jobs. Entrepreneurs know firsthand that protecting public lands attracts customers and bolsters local economies, which is why they [overwhelmingly support](#) policies to protect these areas. We recommend the following policies to further support California’s public lands and the small businesses surrounding them:

- **Reauthorize the Land and Water Conservation Fund.** The Land and Water Conservation Fund, which expired in late 2018, protects national forests and parks. It also provides matching grants for state and local governments to use for local parks, trails and playgrounds. Congress should vote to reauthorize the fund, which our polling has found small businesses strongly support.
- **Support legislation to strengthen California’s public lands.** Senator Kamala Harris recently introduced two pieces of legislation, the San Gabriel Mountains Foothills and Rivers Protection Act and the Northwest California Wilderness, Recreation and Working Forests Act, to protect and preserve California’s public lands, which would help expand outdoor recreation, tourism and economic opportunities for small businesses in the surrounding communities.