

**Assembly Committee on  
Jobs, Economic Development, and the Economy**

# Inclusive Economic Recovery Priorities for 2021

March 16, 2021, at the California State Capitol in  
Room 4202 at 9:30 am

Sabrina Cervantes, Chair  
Jordan Cunningham, Vice Chair

# ***Assembly Committee on Jobs, Economic Development, and the Economy***

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# **Inclusive Economic Recovery Priorities for 2021**

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# Inclusive Economic Recovery Priorities for 2021

On Tuesday, March 16, 2021, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) will be convening the second in a series of informational hearings and briefings examining the impact of the COVID-19 pandemic on the California economy. These activities will serve as a foundation from which the Members will undertake the committee's primary missions of overseeing state programs and evaluating legislative proposals.

This memorandum provides general information on the structure of the March 16, 2021, hearing, the impacts of COVID-19 pandemic on businesses and workers, profiles on a selection of COVID relief programs, and an outline of economic recovery recommendations. The appendix includes fact sheets and other materials developed by the JEDE staff and stakeholder organizations.

## **Overview of the Hearing**

This JEDE Committee hearing focuses on current and proposed actions that are capable of supporting an inclusive economic recovery for all Californians and regions of the state. Using a framework of economic resiliency, the JEDE Committee will use this information to continue its work in examining factors that contribute to long-term economic security for entrepreneurs, workers, and the communities in which they live and work.

Inclusive economic policies are not a new priority for the JEDE Committee. Data clearly shows that prior to the pandemic, many small business owners, workers, and neighborhoods, did not have access to the same economic opportunities of other areas of the state. Even with 120 straight months of economic growth, income disparities were generally increasing. The COVID-19 pandemic merely amplified these economic and health disparities. *Appendix F* (page 51) includes specifics on pre-pandemic income inequality in California, which set the stage for current economic recovery challenges.

As the Legislature transitions its policy focus from emergency response to economic recovery, it is important to reflect on the unintended outcomes from prior economic recovery and expansion efforts. The data shows that too often policy solutions geared to assist businesses and workers, generally, were not able to address the deeper economic challenges of workers of color, and women- and minority-owned businesses. In turn, these uneven economic benefits served as a drag on the state's overall quality of life and effectively sidelined millions of creative and productive people.

Considering prior economic stimulus discussions and the prospect of a spate of new economic recovery proposals, the [California Legislative Analyst's Office](#) (LAO) released a framework in February 2021 for [evaluating state economic stimulus proposals](#). The LAO framework emphasizes timeliness, targeting, and ensuring that recovery actions do not inadvertently exacerbate pre-existing inequities. Other key considerations, according to the LAO, are choosing the appropriate source of funding and the potential actions of the federal government.

Following opening comments by members of the committee, Brian Uhler, Deputy Legislative Analyst, will discuss his office's perspectives on how this framework applies to current proposals, including the Governor's [\\$14 billion economic recovery package](#), as well as providing a preliminary look at how the [\\$1.9 trillion American Rescue Plan](#) and the proposed \$2 trillion federal climate mitigation and public infrastructure plan could be leveraged for a more inclusive economic recovery in California.

This presentation will be followed by Tim Rainey, Executive Director of the [California Workforce Development Board](#) who will discuss strategies for re-employment and upskilling of workers. Among other duties, the Board provides advice to the Governor and Legislature, oversees the state's implementation of the [Workforce Innovation and Opportunity Act](#), and generally serves as the state's primary place where labor, business, industry, and education stakeholders come together. The current Board works closely with Governor's Office of Business and Economic Development (GO-Biz) to address economic development challenges and to create career pathways that provide businesses the skilled workforce they need, as well as putting unemployed and underemployed Californians back to work. During COVID-19, the Board, which is comprised of 45+ labor and business representatives, is active on a number of initiatives, including:

### **Ongoing Initiatives**

- [AB 1111 \(E. Garcia, Arambula, Baker, Eggman, Cristina Garcia, Maienschein, Quirk-Silva, Reyes, Santiago, and Steinorth with Principal Co-Author Waldron\) Breaking Barriers to Employment Initiative](#)
- [English Language Learner's Navigator Initiative](#)
- [High Road Construction Careers](#)
- [High Road Training Partnerships](#)
- [ForwardFocus: AB 2060 \(M. Perez\): Supervised Population Workforce Training](#)
- [Workforce Accelerator Fund](#)

### **2020 Initiatives**

- [Governor's Executive Order N-79-20](#), which requires in-state sale of new automobiles be zero-emission by 2035, and medium and heavy-duty vehicles by 2045. The order also directs the Labor Agency and Office of Planning and Research to develop a Just Transitions Road Map. EO N-79-20, will build on the [AB 398 \(E. Garcia\) report](#) when developing a Just Transition policy framework. AB 398 calls for linking major climate policies to support high-quality jobs with accessible training pathways, especially for disadvantaged Californians
- [AB 639 \(Cervantes\) Port Transition to a Lower Carbon Economy](#), which creates a stakeholder process for unions, port authorities, legislators, and the public [in the LA/Long Beach port complex – the busiest port in the western hemisphere] to develop findings on the effects of automation and to mitigate the impact on workers. The intent is to find a way to get labor and management to move together with workers on the issue of automation.
- **Workforce Transition Taskforce**, convened by Labor Secretary Su to provide coordination and make recommendations, including finding opportunities for align responses to the emergency with hiring opportunities for laid off workers. The California Workforce Development Board is a key partner in this work, including on a Hospitality Training Academy in L.A. that converted hotel kitchens and restaurants throughout the state into community kitchens that could tap into federal dollars to feed people, retain workers, and keep businesses going.

In the final panel, formal presentations will be set aside to allow Members to engage directly with business and labor leaders on their economic priorities for 2021, and how these priorities support an inclusive economic recovery from the COVID-19-induced recession. The panelists include:

- **Lance Hastings**, President, [California Manufacturers and Technology Association](#) (CMTC). The mission of the CMTC is to advance policies and initiatives that contribute to a positive business climate for California's 30,000 manufacturing, processing, and technology based companies that generate more than \$300 billion every year and employs more than 1.2 million Californians.

Established in 1918, CMTA represents over 400 businesses within the manufacturing community and has been an active state partner during COVID-19 by, among other things, engaging its members on how to pivot production lines to produce personal protective equipment. #CAMaking

**Ron Miller**, Executive Secretary, [Los Angeles/Orange Counties Building and Construction Trades Council](#). The Council is an umbrella group representing 48 local unions and district councils in 14 trades, representing more than 100,000 skilled men and women. Among other important projects, members of these represented trades are building what will become the tallest tower west of the Mississippi – the Wilshire Grand. In addition, the Council is an active partner and sponsor of [apprenticeships in the Building Trades](#) and offering opportunities to military veterans through Helmets to Hardhats. Affiliated local unions across the state annually contribute \$200 million toward joint labor-management training programs.

- **Tracy Stanhoff**, President, [American Indian Chamber of Commerce of California](#). Ms. Stanhoff also serves as director of the US Department of Defense’s [Procurement Technical Assistance Center](#) for Native American entrepreneurs, including the 206 Indian tribes and reservations in Pacific, Western, and Northwest Bureau of Indian Affairs regions that are comprised of Arizona, California, Idaho, Nevada, Oregon, Utah, and Washington states. The Chamber is one of [34 state grantees](#) under the [Small Business Technical Assistance Expansion Program](#) and an outreach partner for the \$2.6 billion state [Small Business COVID-19 Relief Grant](#).

Presenter background materials, available at the time of publication, can be found in the Appendices of this report and accessed online at <https://ajed.assembly.ca.gov/content/hearing-imapct-covid-19-pandemic-small-businesses>.

## **To Provide Public Comments**

The public and individuals representing organizations and businesses are encouraged to add their voices to this important dialogue. Individuals interested in providing testimony during the public comment agenda item are encouraged to use the toll-free call-in number, which will be announced at the beginning of the hearing.

In addition to the public comment period during the hearing, written comments may be submitted ([ajed@asm.ca.gov](mailto:ajed@asm.ca.gov)) through the Office of the Assembly Jobs Committee until April 15, 2021.

## **Materials in the Appendices**

The appendix includes a summary of the California economy and other related background materials.

Appendix A – Agenda for the March 16, 2021, Hearing

Appendix B – Fast Facts on the California Economy

Appendix C – Profile on California Small Business

Appendix D – Selection of Related Reports

Appendix E – Selected Proposals in the Governor’s Proposed Budget for 2020-2021

Appendix F – Income Inequality is Not New – Lessons from the Great Recession

Appendix G – Small Business COVID-19 Relief Grant

Appendix H – Data on the Small Business COVID-19 Relief Grant

Appendix I – Fast Facts on California Trade and Investment Economy

Appendix J – Economic Development Highlights from the American Rescue Plan

Appendix K – Biographies of the Speakers

# Background on the California Economy

This section includes background on the state's economy, including information on major industry sectors, economic trends, job creation, and the challenges California faces in creating an inclusive economy.

## The Fundamentals of the California Economy

California is home to nearly 40 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2019, this diverse group of business owners and workers produced \$3.1 trillion in goods and services; \$1,546.1 billion of which were exported to over 220 countries around the world.

California's economy ranked fifth largest in the world in 2018 (*most recent data*) – only the national economies of the United States, China, Japan, and Germany being larger. Historically, a number of factors have contributed to California's significant position within the global marketplace, including its strategic west coast location, the size of its consumer base, the strength of its dominant industry sectors, its economically diverse regional economies, its skilled workforce, and its culture of innovation and entrepreneurship - particularly in the area of technology.

Many policy makers and economists describe California as having not a single economy but having a highly integrated network of a dozen or so regional economies. While biotech has a comparative advantage in some regions, information technology drives growth in others. This economic diversity is one of the reasons California was able to move out of the Great Recession so aggressively. California ranked number two by Business Insider for fastest growing economies in the nation in August 2014, as well as having the fourth best overall economy in March 2015. The following year, Bloomberg, a financial news service, reported that without California, the U.S. economic growth rate would have been flat in 2016. As California considers its path out of the COVID-19-induced recession, it will be important to consider lessons learned from the prior session, including the impact of the California's fast expansion on lower income communities and increase in income inequality, which is addressed in more detail in the following section.

## California Industry Sectors

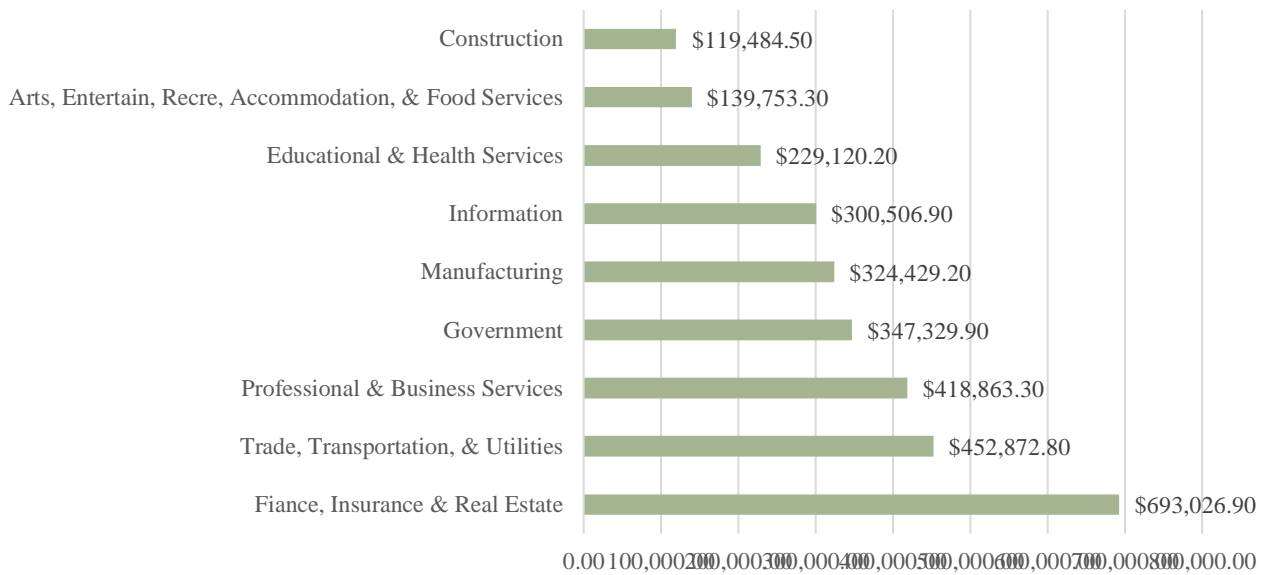
One of the unique qualities of California's economy is its multiple dominant industry sectors. ***Chart 1 – California GDP by Industry Sectors*** (on the following page), displays state gross domestic product (GDP) in dollars by industry sector.

The state's three largest industry sectors in terms of GDP – finance and insurance; trade, transportation, and utilities; and professional and business services – also provide a foundation to other industry sectors, including manufacturing and information. Each of these top performing industry sectors are also distinguished as being a tradable industry sector, meaning that it is a sector whose output in terms of goods and services is traded internationally or could be traded internationally given a plausible variation in relative prices.

In 2019 (most recent data), California's largest industry sectors were: Finance, Insurance, Real Estate, Rental, and Leasing (22.1% of state GDP); Trade, Transportation, and Utilities (14.5%); Professional and Business Services (13.4%); Manufacturing (10.4%); Information (9.6%); Tourism and Arts (4.5%); and Construction (3.8%).



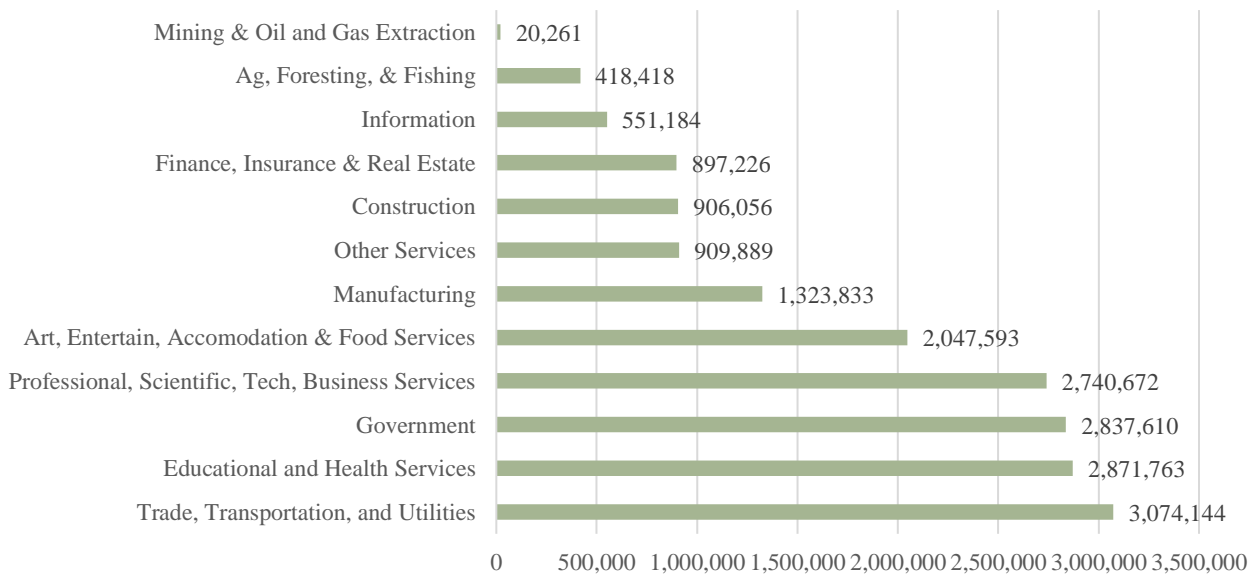
**Chart 1 - California GDP by Industry Sectors 2019** (in millions)



**Chart 1** displays industry sectors in California based on their contribution to GDP. Due to its economic impact exceeding its proportional share of the US population, California's economy has been described as "hitting above its weight." As an example, while California's population comprises 12% of the U.S. population, the state contributed 16% of total job growth between 2012 and 2017.

**Chart 2** shows employment data within the same industry sectors as are measured in Chart 1. The employment numbers come from the California Employment Development Department.

**Chart 2 - CA Employment by Industry Sectors 2019**



California's largest industry sector, based on employment, is the trade, transportation, and utilities sector, employing 3.0 million people and representing 16.5% of all California jobs. Jobs in this sector also

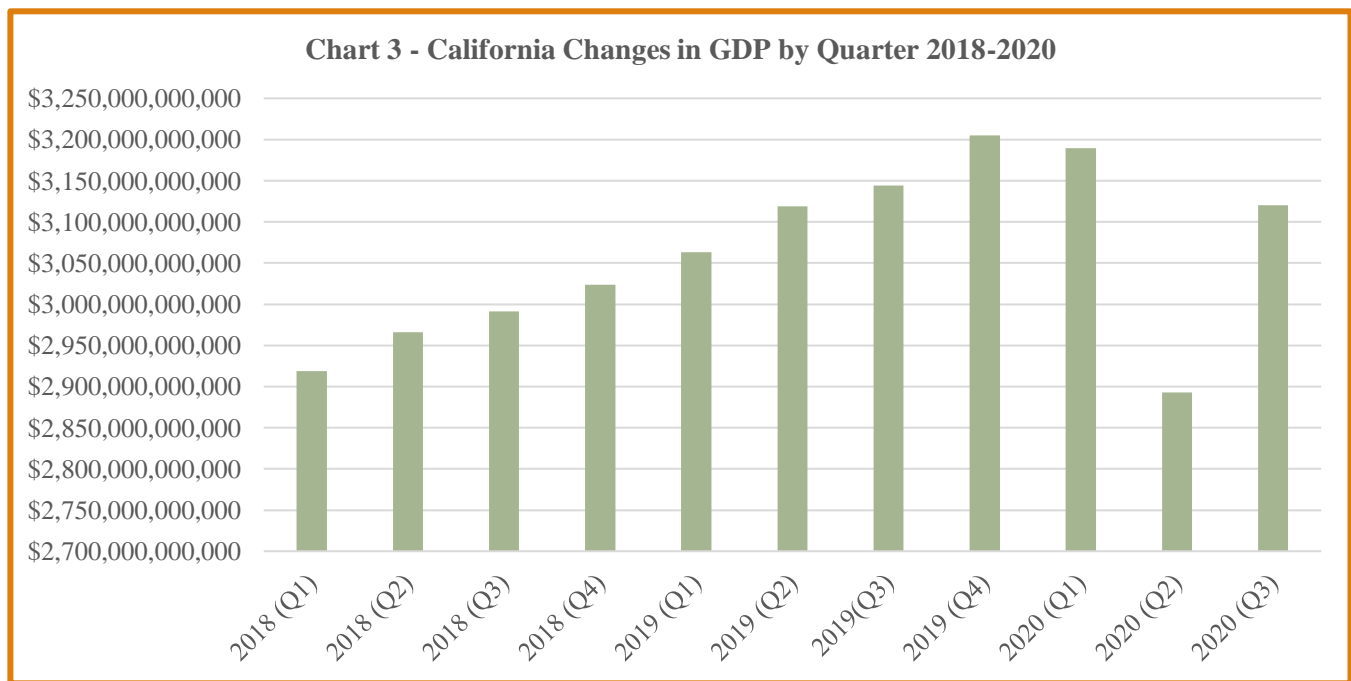
support employment in other industry sectors including manufacturing (7.1% down from 8.1% of state employment in 2017), professional services (14.7%), and financial activities (4.8%).

Manufacturing is considered the "gold standard" for jobs because of the higher wages paid to workers, the inclusion of small businesses within its extended supply chains, and the high multiplier effect on their local communities and across the state. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry subsectors, such as electronic computer manufacturing, the multiplier effect is 16 to 1.

Additional information on manufacturing is located in *Investing in Manufacturing for an Inclusive Recovery* (page 19). In *Appendix C* (page 33) there is information on the important role small businesses play in the California economy.

### Closer Look at COVID-19 Impacted Industry Sectors

California entered the pandemic in a strong economic condition with generally low unemployment, and a state budget that benefited from significant reserves. Even with these advantages, the immediacy and breadth of the business closers in mid-March due to the COVID-19 pandemic had a measurable impact on economic activity. As show in *Chart 3: California Changes in GDP from 2018-2020<sup>i</sup>*, first quarter 2020 GDP was down 0.48% from 2019. In the second quarter, there was a decline of 9.7% and in the third quarter a decline of 2.64%. Over the same time period, US GDP similarly constricted, except in the second quarter, where the US experienced an 11.2% reduction.



**Chart 4** provides a break-down of where these reductions in productivity occur based on earning over the first three quarters of 2020.

<b>Chart 4 - California Personal Income by Major Component and Earnings by NAICS Industry</b>			
<b>Description</b>	<b>2020:Q1</b>	<b>2020:Q2</b>	<b>2020:Q3</b>
Income by place of residence			
Personal income (thousands of dollars, seasonally adjusted)	2,703,290,052	2,878,700,006	2,867,030,742

Wages and salaries	1,379,340,045	1,292,220,316	1,359,648,932
Earnings by industry			
Farm earnings	2,355,2182	25,687,309	28,164,730
Nonfarm earnings	1,912,248,626	1,772,398,145	1,893,379,993
Mining, quarrying, and oil and gas extraction	3,344,243	3,053,122	3,086,725
Utilities	17,142,139	17,171,059	17,434,237
Construction	107,711,390	96,203,491	102,173,451
Manufacturing	165,527,498	170,042,121	184,984,878
Durable goods manufacturing	120,343,685	12,542,3215	137,764,562
Nondurable goods manufacturing	45,183,813	4,4618,906	47,220,316
Wholesale trade	73,361,414	69,100,350	72,350,537
Retail trade	96,750,425	87,107,082	99,133,803
Transportation and warehousing	71,740,692	69,573,892	75,219,843
Information	138,994,569	136,492,383	140,446,328
Finance and insurance	101,307,205	10,1857,706	104,396,093
Real estate and rental and leasing	68,459,605	61,397,835	70,849,173
Professional, scientific, and technical services	251,004,210	23,7521,724	247,85,4128
Management of companies and enterprises	4,109,8091	42,553,944	4,293,0623
Administrative & support & waste management	80,748,439	71,712,999	77,640,368
Educational services	28,978,882	27,653,790	29,074,114
Health care and social assistance	182,607,440	168,531,526	186,484,895
Arts, entertainment, and recreation	34,351,849	19,272,925	22,604,665
Accommodation and food services	67,818,311	38,697,236	54,801,964
Other services (except government & government enterprises)	66,064,015	54,980,689	59,011,878
Government and government enterprises	30,323,8470	288,018,809	289,349,820
<b>Source:</b> Bureau of Economic Analysis			

## **Small Businesses and Coronavirus**

Economic developers, finance professionals, and even the Office of the Legislative Analyst agree that small businesses have been particularly impacted by the coronavirus pandemic. According to a national survey and separate report on the impacts of COVID-19 on small and medium size businesses, both published by McKinsey in April 2020:

- 70% of businesses are delaying purchases, reducing current spending, and holding back on making major investments. *[While not an unexpected outcome, this level of delayed spending has significant multiplier effects as its impacts move throughout the economy.]*
- 50% of workers at small businesses with less than 100 employees are at risk of losing their jobs due to the pandemic. This represents over 2.2 million workers. This is a higher percentage of job losses than those projected for larger private sector employers.
- 40% of the vulnerable small business jobs fall within two occupational categories: food service and customer service and sales.
- 60% of the vulnerable small business jobs do not require a four-year degree, meaning that displaced workers will likely not have formally recognized skills to help them get their next job.

- 55% of businesses felt that the economic impacts of the coronavirus were going to last over one year, with 29% responding the impacts were going to be felt for three years.
- 25% of businesses said they would be filing for bankruptcy within six months.

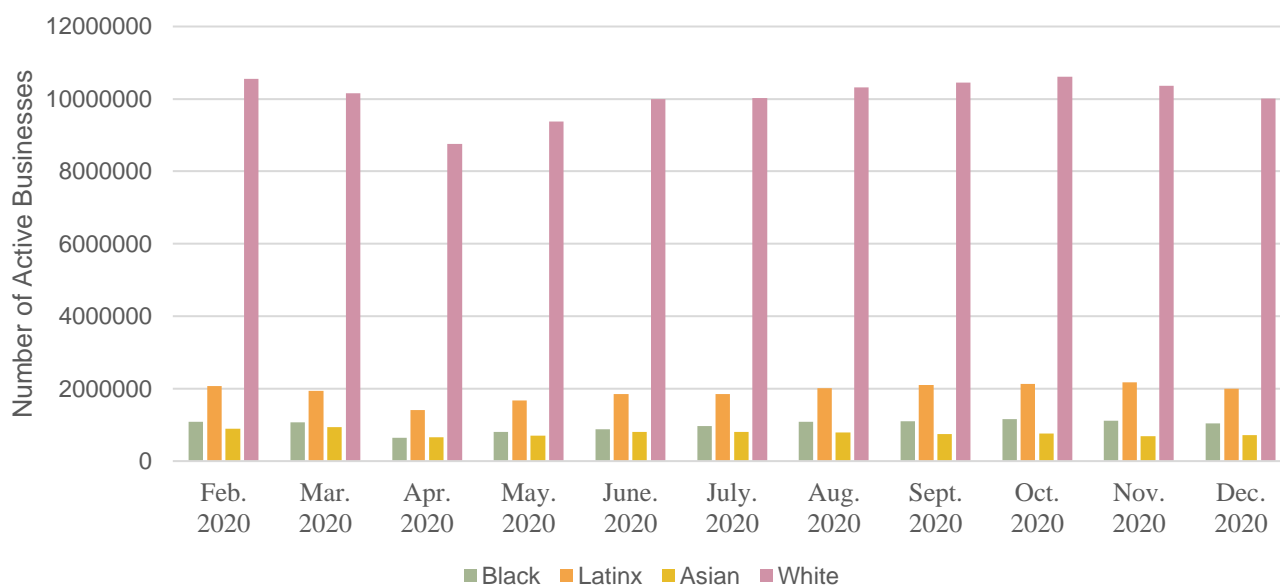
The McKinsey report ranks California among the top states in which small businesses are and will be impacted by the COVID-19 emergency. The report finds that 92% of workers in small businesses engaged in the accommodation and food sectors are at risk. For workers at small construction firms, the report states that 54% are vulnerable, which is still a significant impact. Regulatory relief is one piece of a broader set of policies to support small businesses.

Dr. Robert Fairlie testified at the JEDE Committee's February 23, 2021, hearing and provided an overview of the economic impacts of the COVID-19 pandemic on small business owners in the US and in California. His presentation began with his work, [\*The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey\*](#). In this report he used a simulation model to estimate that between February 2020 and April 2020 there was a decrease of 41% among Black-owned businesses, 32% among Latinx-owned businesses, and 26% among Asian-owned business. The report further stated that immigrant business owners experienced substantial losses of 36%. Female-owned businesses were also disproportionately hit by 25%.

Dr. Fairlie continued to track active business owners by demographic groups and found that by June 2020, some business activity had returned, but was still down from pre-pandemic levels, "[\*The Impact of COVID-19 on Small Business Owners: Evidence from the First Three Months after Widespread\*](#)," published in August 2020 in the Journal of Economics and Management Strategies. While overall business activity was down -8%, activity among Black business owners remained at -19% and for immigrant owners -18%. Business owners who were women (-10%), Latinx (-10%), and Asian (-10%), still fared worse than white business owners (-5%).

**Charts 5** displays the total number of active businesses in the US by race and ethnicity from February 2020 through December 2020 to show the nearly year-over change. **Chart 6** shows month to month percentage changes through the same period. The data comes from Dr. Fairlie's written testimony, supplemented by his reports. During the charting period business activity among Asian-owned businesses decreased by -20%, white-owned at -5%, Latinx-owned businesses at -3%, and Black-owned businesses at -3%.

**5 - US Active Business Owners by Race/Ethnicity Before and After COVID-19**



**Chart 6 - Change in Number of Active US Business Owners by Race and Ethnicity**

	African-American			Latinx			Asian		
	Relative to			Relative to			Relative to		
	Feb. 2020	Month in Prev. Yr.	Reg. Adjusted	Feb. 2020	Month in Prev. Yr.	Reg. Adjusted	Feb. 2020	Month in Prev. Yr.	Reg. Adjusted
Feb. 2020	0%	2%	0%	0%	5%	0%	0%	-1%	0%
Mar. 2020	0%	13%	-6%	-6%	-3%	-4%	5%	4%	6%
Apr. 2020	-41%	-38%	-52%	-32%	-28%	-32%	-26%	-36%	-29%
May 2020	-26%	-23%	-35%	-19%	-14%	-20%	-21%	-24%	-24%
June 2020	-19%	-24%	-28%	-10%	-4%	-8%	-10%	-14%	-10%
July 2020	-10%	-18%	-18%	-11%	0%	-10%	-9%	-5%	-7%
Aug. 2020	1%	-2%	-5%	-3%	2%	-3%	-11%	-11%	-9%
Sept. 2020	2%	-6%	-6%	1%	0%	0%	-17%	-12%	-20%
Oct. 2020	7%	-3%	-4%	3%	1%	-1%	-15%	-5%	-17%
Nov. 2020	3%	0%	-5%	5%	-1%	-2%	-22%	-16%	-27%
Dec. 2020	-3%	-10%	-12%	-3%	-1%	-7%	-20%	-20%	-23%

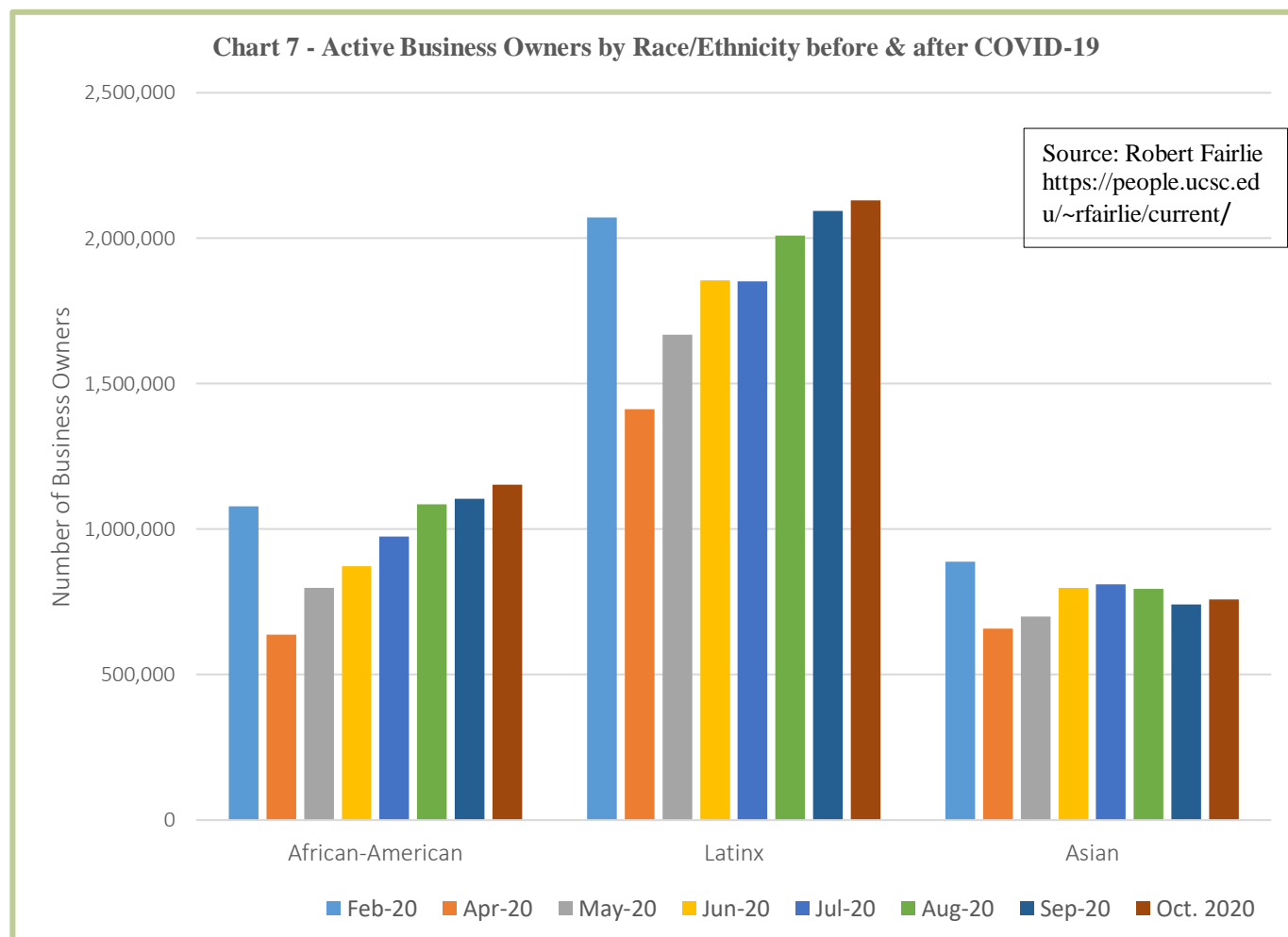
Notes: (1) Estimates are a continuation from those reported in Fairlie, Robert. 2020. "The Impact of COVID-19 on Small Business Owners: The First Three Months after Social-Distancing Restrictions" Journal of Economics and Management Strategy. (2) Reg. Adjusted estimates are based on regression analysis accounting for trends and seasonality (monthly).

Source: Robert W. Fairlie, Professor of Economics, University of California, Santa Cruz, <https://people.ucsc.edu/~rfairlie/current/>

## A Closer Look at California Business Owners

During the February 23 JEDE hearing, Dr. Fairlie also provided an assessment of the impact of COVID-19 on California business activity by race and ethnicity. **Chart 7 - California Business Owners<sup>ii</sup>**, shows that Asian-owned businesses in California, similar to the findings of the US at-large, experienced the

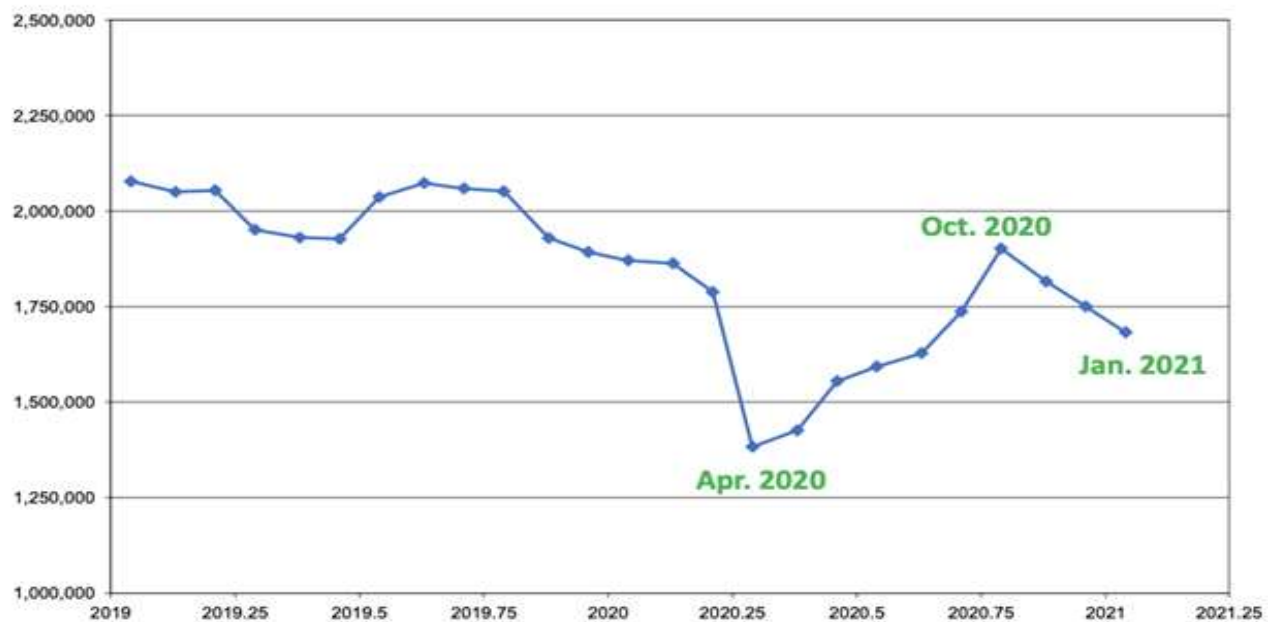
greatest decrease in business activity among all ethnic groups, followed by Latinx, and white-owned businesses. Data for Black-owned businesses is not shown, according to Dr. Fairlie, due to the small sample size of the data set. Dr. Fairlie did note that based on national data, Black-owned businesses were significantly impacted by the COVID-19 pandemic. One estimate is that nationally, business activity by Black-owned business decreased by over 440,000 businesses during the height of COVID-19 restrictions of business activity, which is displayed more clearly in **Charts 5 and 6** (above).



## A Closer Look at California Small Businesses

While there are several definitions used in federal programs, the federal Small Business Administration generally defines a small business as having less than 500 employees. In 2017, the US Census estimated that California has 757,458. Which comprises about 99.1% of businesses in California. **Appendix C** (page 33) includes a profile on California small businesses, including a break-down by size, employment, and revenues.

In California, at the end of January of 2020, Dr. Fairlie estimates that there were over 1.8 million small businesses in California. By the end of January 2021, he reported that the number of small businesses in California had fallen to 1.6 million. In the First Quarter of 2020 business activity decreased by an estimated loss of 100,000 businesses, followed by a 200,000 decrease in the Second Quarter. In the Third Quarter, as businesses began reopening, business activity increased by 165,000 businesses in California.

**Chart 8****Number of Active Business Owners in California (Jan. 2019 - Jan. 2021)**

In the final Quarter of 2020, business activity was up by 10,000.<sup>iii</sup> It is important to note that this data is reported in aggregate numbers and does not reflect whether the activity is from new businesses or a continuation of existing businesses.

**Chart 8 - California Small Businesses<sup>iv</sup>**, part of the slide deck provided by Dr. Fairlie at the February 23 hearing, tracks business activities from January 2019 through January 2021. Among other features, the data shows that although there has been some recovery from the steep drop in business activity experienced in April, California has not recovered to pre-pandemic business activity levels.

In addition to measuring business activity, policy makers may also find it helpful to track evolving perspectives of business owners. At the February 23 hearing, Small Business Majority released the results of a California survey it undertook in December 2020, “[California Small Businesses Face Difficult Decisions As Pandemic Continues And Funding Freezes](#),” which found:

- 17% of entrepreneurs of color report they are likely to permanently close their business in the next three months, compared to 12% of white business owners.
- Nearly half say operating capacity has decreased, with 16% reporting their capacity has decreased by more than 50%.
- Despite efforts to reopen local economies and “get back to normal”, small business owners have had to reduce the number of employees during the height of the pandemic, with more than 60% reporting that they have not restored their headcount to pre-pandemic levels.
- While about half of small businesses say they applied for PPP loans. Of those who didn’t apply, they largely attributed their reasons to confusion about how to apply, fear over taking on debt, inability to secure a loan through their bank or thinking they were ineligible.
- 28% of entrepreneurs of color report they may be forced to temporarily close their business in the next three months. Of those, 27% say they may lay off employees permanently, compared to 15% of white entrepreneurs.

- More than 80% of small business owners support providing direct grant assistance to small businesses, and 76% support another round of PPP loan dispersal.

The Small Business Majority results are based on a survey of 418 California small business owners (*nearly evenly split between white entrepreneurs and business owners of color*) taken between November 10 and 23, 2020.



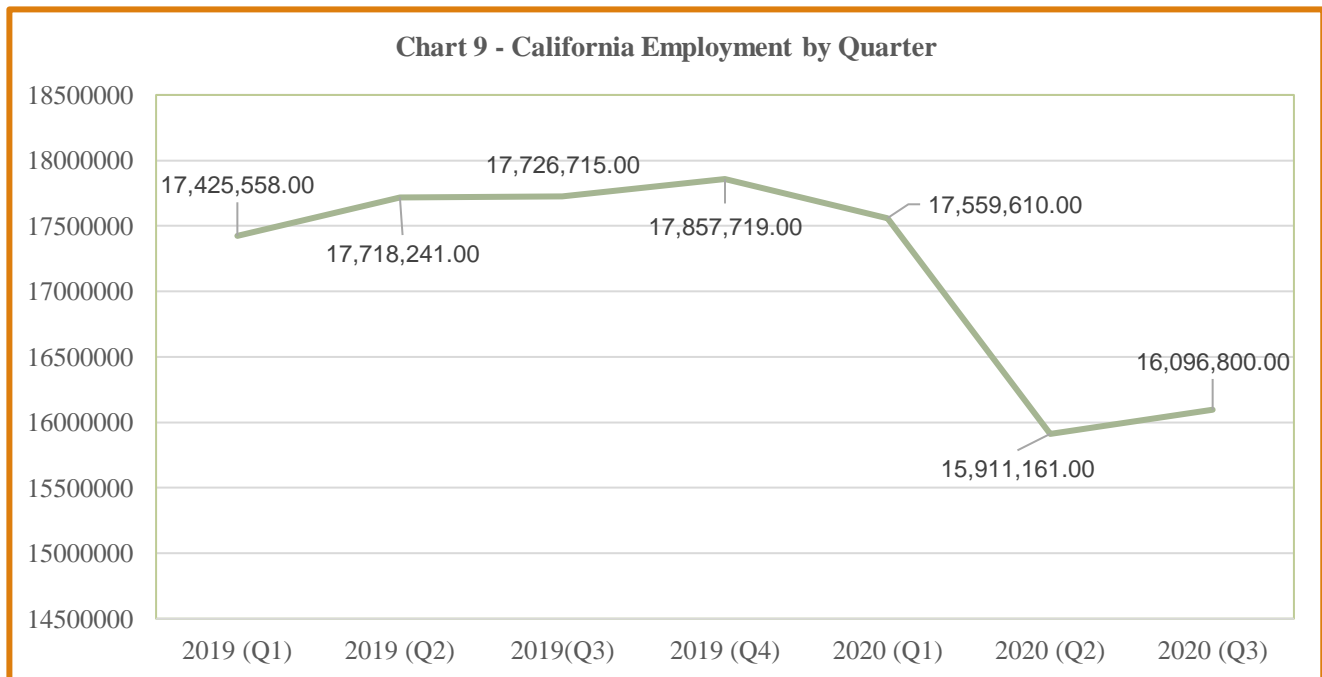


## Workforce and the COVID-19 Pandemic

This section includes information about the California workforce, including employment and unemployment trends of workers impacted by COVID-19 stay-at-home orders. **Appendix F** (page 51) provides a historical look at the California workforce and rising income inequality in pre-pandemic California.

### California Workforce

As noted previously, California entered the COVID-19-induced recession with historically low unemployment. **Chart 9<sup>v</sup>** shows statewide employment by quarter, beginning with the last quarter of 2019.



Between the Fourth Quarter in 2019 and the end of the First Quarter in 2020 there was a 1.67% decline in California employment. The largest decline in 2020 was a 9.39% drop in the Second Quarter, which was followed by a small increase of 1.17% in the Third. Over the same time period, US employment was less impacted, with employment losses in the Second Quarter being lower (8.1%) and Third Quarter increase being higher (2.5%).

Not all industry sectors were as negatively impacted as others. **Chart 10** shows nonfarm employment decreasing in all 11 industry sectors between January 2020 and January 2021. Industry impacts were primarily based on which businesses were deemed essential, which allowed them to continue throughout the year, which could be substantially undertaken remotely, and those which were most impacted by government-induced closures due to health and safety considerations.

Chart 10 – California Employment by Industry Sector January 2021 as Compared to January 2020		
Industry	Total Jobs Lost	Percentage Lost
Leisure and Hospitality	799,400	39%

Government	208,400	7.9%
Other Services	150,100	25.5%
Professional and Business Services	143,500	5.2%
Education and Health Services	134,500	4.7%
Trade, Transportation, and Utilities	109,900	3.5%
Manufacturing	85,300	6.4%
Information	53,700	9.3%
Construction	28,100	3.1%
Financial Activities	36,800	4.3%
Mining and Logging	3,100	14%
<i>Source:</i> EDD, Industry Employment and Labor Force, accessed Mar. 12, 2021		

## Taking a Closer Look at Employment Trends

In January 2020, California reported a not seasonally adjusted unemployment rate of 4.5% as compared to the U.S. rate of 4.0%. From the employment side, this represents 18.6 million people, with (according to a 12-month moving average) over 82.3% being employed in full time work.

In January 2020, 6 of California's 58 counties had unemployment below 3.0%, with San Mateo County reporting the lowest at 2.1%. The highest unemployment was reported in Colusa (19.2%). Year-over (January 2019-January 2020 with only preliminary data available for 2019), 10 counties experienced employment declines and 48 experienced employment increases from the prior year.

**Chart 11 – Selected Data on Unemployment** shows unemployment-related information by selected counties and population groups for a time period that includes COVID-19, January 2020 to January 2021.

<b>Chart 11 - Selected Data on Unemployment (2020-2021)</b>					
	<b>Unemployment Rate January 2020 (Not Seasonally Adjusted)</b>	<b>Unemployment Rate January 2021 (Not Seasonally Adjusted)</b>		<b>Unemployment Rate January 2020 (12-month moving average)</b>	<b>Unemployment Rate January 2021 (12-month moving average)</b>
<b>California</b>	4.5%	9.2%	<b>California</b>	4.0%	10.6%
<b>Colusa County</b>	19.2%	15.6%	<b>Blacks</b>	5.3%	13.0%
<b>Imperial County</b>	18.0%	16.5%	<b>Hispanics</b>	4.7%	12.1%
<b>Los Angeles County</b>	4.5%	12.7%	<b>Whites</b>	4.0%	10.3%
<b>Riverside County</b>	4.2%	8.6%	<b>16 to 19 years old</b>	14.3%	24.3%
<b>Sacramento County</b>	3.9%	8.1%	<b>20 to 24 years old</b>	7.2%	16.9%
<b>San Bernardino County</b>	3.9%	8.6%	<b>25 to 34 years old</b>	4.1%	11.3%
<b>San Luis Obispo County</b>	3.1%	6.7%	*The Employment Development Department reports a January 2021 Labor Participation Rate (LPR) of 60.3% representing 12.3 million people in		
<b>San Mateo County</b>	2.1%	5.7%			

<b>Tulare County</b>	11.0%	11.3%	California who were not participating in the workforce. The LPR for veterans is 44.2% vs nonveterans LPR of 64.5%.
Source: <a href="http://www.edd.ca.gov">www.edd.ca.gov</a>			

In January 2021, California reported a not seasonally adjusted unemployment rate of 9.2% as compared to the US rate of 6.8%. From the employment side, this represents 16.9 million people, with (according to 12-month moving average) 83.2% being employed in full time work.

In January 2021, 3 of California's 58 counties had unemployment below 6.0%, with Marin County reporting the lowest at 5.4%. The highest unemployment was reported in Imperial (16.5%). Year-over (2020-2021), 57 counties experienced employment declines and 1 experienced employment increases (Modoc County) from the prior year.

These disparities shown in these charts are driven by and also influence a range of economic and societal issues, including, but not limited to, low educational attainment, economic insecurity, poor health outcomes, lack of a safety net for the elderly and individual with special needs, negative engagements with law enforcement, and homelessness.

The California Latino Economic Institute released a new policy brief in December 2020, which provides new data on the disparate and growing negative impact of COVID-19 on Latinos in California. Among other findings, the briefing noted the following:

- Latinos are overrepresented among California's COVID-19 cases and deaths—59% of cases and 49% of the state's deaths.
- Latino overrepresentation in California's cases has increased since April 2020.
- Nearly 12% of California Latinos are currently uninsured—double the rate of other groups.
- Latino unemployment rates are double those from the same time last year.
- Nearly two-thirds of California Latinos report experiencing a loss of employment income since March 2020.
- Over 40% of Latinos currently report that it is somewhat or very difficult to pay their usual household expenses in the last 7 days.
- Over three-quarters of California small business owners report that COVID-19 has had a moderate to large effect on their businesses.

There are a number of reasons that contribute to the disparate health impacts of COVID-19, including economic differences. Latinos and Blacks are a significant component of the essential workforce. While a majority of White workers have jobs that allow them to work from home and decrease potential COVID-19 contacts, Latinos and Blacks, due to economic circumstances, have jobs in high-risk environments.

**Chart 12** provides information from the California Department of Public Health relating to COVID-19 cases in California by race and ethnicity. Data is current as of March 10, 2021.

<b>Chart 12 - All Cases and Deaths Associated with COVID-19 by Race and Ethnicity</b>					
<b>Race/Ethnicity</b>	<b>No. Cases</b>	<b>Percent Cases</b>	<b>No. Deaths</b>	<b>Percent Deaths</b>	<b>Percent CA population</b>
Latino	1,519,953	55.4%	24,810	46.3%	38.9%

White	550,982	20.1%	16,834	31.4%	36.6%
Asian	188,068	6.9%	6,246	11.7%	15.4%
African American	112,115	4.1%	3,329	6.2%	6.0%
Multi-Race	43,554	1.6%	712	1.3%	2.2%
American Indian or Alaska Native	9,183	0.3%	188	0.4%	0.5%
Native Hawaiian and other Pacific Islander	15,407	0.6%	324	0.6%	0.3%
Other	304,006	11.1%	1,122	2.1%	0.0%
Total with data	2,743,268	100.0%	53,565	100.0%	100.0%
California Department of Public Health: 3/10/21 <a href="https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Race-Ethnicity.aspx">https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Race-Ethnicity.aspx</a>					

The chart above, *All Cases and Deaths Associated with COVID-19 by Race and Ethnicity*, represents data from 3,516,862 total cases with 22% of those cases missing race/ethnicity. There are a total of 54,590 deaths with approximately 2% of those deaths missing race/ethnicity.

## Investing in Manufacturing for an Inclusive Recovery

Manufacturing plays an important role within the California economy, supporting international trade and small businesses within the global supply chain while providing high-paying jobs throughout. In 2017, California's 35,321 manufacturing establishments accounted for 14.2% of all manufacturing plants in the US, which produced 10.67% of state GDP.

In 2018, the California manufacturing sector contributed over \$316.7 billion to the state economy, representing 10.7% of total output. Manufacturing employed 1.3 million workers in California in 2018, accounting for 7.66% of the state's non-farm employment in 2019. Average annual income for a worker in manufacturing was \$109,875 as compared to \$59,149 for the nonfarm workers. Average hourly earnings in manufacturing were \$31.58 in January of 2018, as compared to \$30 for all private industry sectors and \$18.04 for leisure and hospitality jobs.

Manufacturers bear a disproportionate share of federal regulatory costs. According to a report by the National Association of Manufacturers, the average US company, manufacturer or otherwise, pays \$9,991 per employee per year to comply with federal regulations. The average manufacturer in the US pays \$19,564 per employee per year. For small manufacturers (fewer than 50 employees), the regulatory impact is \$34,671 per employee per year.

Manufacturing is California's most export-intensive activity, with \$154 billion in manufactured goods exported in 2018, accounting for 86.6% of California's annual exports. Employment related to manufacturing has historically supported 25% of all manufacturing jobs. The growth in manufactured good between 2010 and 2019 was 19.8%. California exported \$40.4 billion in exports to Mexico and Canada under the USMCA agreement in 2019. The two largest exports by aggregate dollar value in 2020 were computers and electronic products valued at \$37.6 billion (25.4% of all exports) and transportation equipment at (\$17.3 billion (10.8%). *Appendix I (page 65)* includes a fact sheet on California trade and foreign investment activity.

Manufacturers comprise the largest sector of foreign-owned companies with US affiliates, employing 208.4 million workers in 2017. Also, manufacturing jobs have a large employment multiplier effect. According to the Milken Institute, each manufacturing job supports roughly 2.9 other jobs in the state's economy overall. In some specialized manufacturing sectors, such as electronics and computer manufacturing, the multiplier effect is as high as 16 to 1. One of the reasons for the large multiplier effect is the extended supply chains that are needed to support manufacturing and the export of goods, which include many small businesses and logistic companies.

### Pre-Pandemic Estimates of Manufacturing Employment

EDD currently projects that, between 2016 and 2026, total employment in California will rise by 16.3%, with total employment in the manufacturing sector in California rising by only 0.1%, as shown in **Chart 12** below.

Chart 12 – Net Employment Growth in California				
	Annual Average Employment in 2016	Estimated Employment in 2026	Numerical Change	Percent Change
Total Employment	18,089,600	20,022,700	1,933,100	10.7%
Manufacturing	1,311,200	1,312,500	1,300	0.1%
Source: "Projections of Employment by Industry and Occupation, Long-Term (Ten Years) Projections," EDD, 2018				

While the aggregate employment growth is low, some subsectors are anticipated to have more significant increases, including motor vehicle manufacturing (103.1%) and Beverage and tobacco product manufacturing (20.5%). **Chart 13** provides a more detailed look at selected job growth in the manufacturing sector.

<b>Chart 13 – Selected Net Job Growth in Manufacturing</b>				
	<b>Annual Average Employment in 2016</b>	<b>Estimated Employment in 2026</b>	<b>Numerical Change</b>	<b>Percent Change</b>
Manufacturing	1,311,200	1,312,500	1,300	0.1%
Durable Goods Manufacturing (321,327,331-339)	820,800	829,500	8,700	1.1%
Wood Product Manufacturing	23,800	25,400	1,600	6.7%
Other Wood Product Manufacturing	16,800	18,000	1,200	7.1%
Primary Metal Manufacturing	17,300	15,200	-2,100	-12.1%
Fabricated Metal Product Manufacturing	130,500	126,500	-4,000	-3.1%
Machinery Manufacturing	74,200	75,000	800	1.1%
Motor Vehicle Manufacturing	9,600	19,500	9,900	103.1%
Aerospace Product and Parts Manufacturing	76,600	75,100	-1,500	-2.0%
Ship and Boat Building	9,400	8,000	-1,400	-14.9%
Furniture and Related Product Manufacturing	35,800	34,800	-1,000	-2.8%
Medical Equipment and Supplies Manufacturing	52,600	56,300	3,700	7.0%
Nondurable Goods Manufacturing (311-316,322-326)	490,400	483,000	-7,400	-1.5%
Food Manufacturing	160,500	166,600	6,100	3.8%
Beverage and Tobacco Product Manufacturing	57,500	69,300	11,800	20.5%
Apparel Manufacturing	47,700	37,200	-10,500	-22.0%
Paper Manufacturing	22,000	20,400	-1,600	-7.3%
Petroleum and Coal Products Manufacturing	13,900	12,400	-1,500	-10.8%
Chemical Manufacturing	84,400	85,800	1,400	1.7%
Pharmaceutical and Medicine Manufacturing	51,400	54,000	2,600	5.1%
Plastics and Rubber Products Manufacturing	44,500	41,200	-3,300	-7.4%

## **Supporting California’s Manufacturing Competitiveness**

The JEDE Committee spent a significant amount of time considering how the state can support manufacturing and overcome the challenges of California’s complex tax and regulatory system (outlined in the regulatory reform section of the report).

During the 2017-18 Legislative Session, the Legislature and Governor extended the term and expanded the scope of the partial sales tax exemption for manufacturing equipment as part of the adoption of the 2017-18 State Budget.

The \$200 million annual California Competes Tax Credit was extended for an additional five years as part of the 2018-19 State Budget actions, except for \$20 million which is being refocused to provide small business technical assistance. The Legislature and the Governor also passed two significant tax credits for the aerospace and film industries.

In 2019, the Sales and Use Tax Exclusion was extended five years for a new sunset date of 2026. This extension is competitively awarded to advanced manufacturers, alternative transportation, and biomass equipment manufacturers.

## The Role of Manufacturing During the COVID-19 Pandemic

California has and is facing many hurdles in meeting the challenge of the coronavirus emergency. Among these challenges, has been access to key essential goods, including, access to sanitizing agents, personal protective gear, ventilators, and key component parts of essential products, such as swabs for testing kits. Extended global supply chains hampered the state's ability to meet the basic needs of its health care system. While California's disaster response capabilities have been demonstrated to be some of the best in the world, COVID-19 has also demonstrated the serious downsides to global supply chains for crucial goods.

With limited domestic capacity, public and private entities in California had to initially pursue contracts with out-of-state and foreign producers. This too often resulted in high cost, poor quality, and unreliable deliveries. In a rapid response to these unacceptable outcomes, the Governor's Office of Business and Economic Development partnered with state trade associations, like the California Manufacturing and Technology Association (CMTA), who will be testifying at today's hearing; and the state-and-federally-supported, small business assistance centers, including the California Manufacturing Technology Corporation (CMTC), who testified at the February 23, 2021, hearing.

Over a matter of weeks, these entities collectively and individually reached out to California's dynamic manufactures to assess how these businesses could contribute to the state's emergency response efforts. Governor Newsom established a website (<https://covid19supplies.ca.gov/>), where businesses holding inventories of or with the capacity to produce health care-related products could directly connect with state contracting staff. Top priority products included ventilators, surgical masks, hand sanitizers, and hospital exam gowns. CMTA led in this effort by polling all its membership to identify current production and repurposing capacity. CMTA's manufacturer repurposing list can be found at: [https://cmta.net/multimedia/10th\\_list\\_of\\_mfg\\_repurposing\\_for\\_covid\\_19\\_cmta\\_w:o\\_contact\\_info\\_copy.pdf](https://cmta.net/multimedia/10th_list_of_mfg_repurposing_for_covid_19_cmta_w:o_contact_info_copy.pdf)

The CMTC, working under repurposed funding from the GO-Biz Small Business Technical Assistance Expansion Program, worked one-on-one with small and medium-size manufacturers to shift their production to meet the state's top emergency supply needs. This pivot in manufacturing has required retooling of facilities, reworking of staffing, and establishing new supply sources, to name only a few of the required innovations. Below are examples how CMTC's clients evolved to meet California's COVID-19 challenge.

- ***Allett, National City***: Allett is a family-run slim wallet company established in 1995. By rethinking their production line, the company is transforming their warehouse in National City from making wallets to face masks. This project that began as a small one-time donation has become a business model. For anyone that purchases two masks, the company donates a mask. Most recently the company reported that it has donated over 3,500 masks, which has also allowed the small business to double its workforce.
- ***Armenco Truck Company, Chatsworth***: Since 1977, Armenco Truck, a family run company, has designed and delivered mobile trucks for food and other industries. For the COVID-19 pandemic, Armenco has the capabilities to supply mobile hand wash stations, mobile kitchens, and triage units for parks, homeless encampments, and other applications. Armenco is also supplying plastic partitions and guard stations which are being installed between manufacturing equipment stations and office areas.
- ***Dermaesthetics, Inc., Anaheim***: Dermaesthetics is a global skincare company, primarily selling to beauty professionals for over 30 years. When the call for hand sanitizers came, the company pivoted its production line and shipped at no-charge to California clinics, hospitals, senior care centers, etc. In



addition, Dermaesthetics is selling its FDA and WHO compliant product in various sizes to the companies and the general public.

- ***Able Industrial Products, Ontario***: Able Industrial Products is a second generation family owned business, which pivoted to manufacture face shields from manufacturing automotive and aerospace gaskets. The company now provides 2,500+ face shields daily to St. Jude Medical Center in Fullerton and other medical centers in Southern California.

The Assembly Committee on Jobs, Economic Development, and the Economy, worked on legislation to support the financing of California products, [AB 3077 \(Garcia and Cervantes\)](#), as well as sending a letter to the Governor calling the establishment of ***Manufacturing Response and Recovery Initiative***. The purpose of the ***Manufacturing Response and Recovery Initiative*** was to both jump-start California's economic recovery, as well as becoming better prepared to protect the health and safety of Californians in the future.

CMTA joined with the California Business Roundtable and similar business and industry groups in Oregon and Washington State to write an open letter to their Governors outlining a [framework for reopening](#), which included the following goals:

- Business must help lead the recovery
- Expectations must be clear
- Employer concerns must be resolved
- Businesses – and individuals – should be allowed to return to work as soon as
- reasonable safety standards can be met
- Different sectors or regions may need different strategies and timelines
- The hardest hit industries should receive additional support and consideration
- Worker retraining should occur sooner rather than later
- Reviving our economy, and building strength for the long-term, must become a priority.

During the March 16, 2021, hearing Members will have an opportunity to hear more about the role CMTC and California manufacturers can play in an inclusive economic recovery.

## Small Business and DVBE Participation in State Contracting

California has a 40-year history of utilizing state contracting to support business development within targeted business populations. Statute sets an annual 3% DVBE procurement participation goal, and a 2006 executive order sets a 25% small businesses and microbusinesses participation goal for state agencies, departments, boards, and commissions.

While encouraging small business participation furthers the state's interest in having a robust small business sector, the Small Business Procurement and Contract Act also establishes the policy foundation for DVBE contract participation. The DVBE procurement program is intended to both recognize the sacrifices of California's disabled military veterans, as well as address the specific needs of disabled veterans seeking rehabilitation and training through entrepreneurship.

To assist state agencies in reaching these targeted procurement participation goals, state law authorizes a procurement preference for bids using a certified small business or DVBE as a prime or subcontractor and a streamlined alternative procurement process for smaller size contracts (between \$5,000 and \$250,000) whereby an awarding department can contract directly with a certified small business or DVBE after comparing the bid against two other similar businesses.

The state also administers a DVBE incentive that allows an awarding department to set an incentive percentage for a particular transaction based upon the department's business strategy to achieve their annual 3% DVBE procurement participation goal. Awarding departments are also required to recognize a 5% preference in cases where a bid includes a certified small business.

In the state's experience, a majority of DVBEs are smaller size firms, with 75.4% having dual certifications as a DVBE and microbusiness and 9.6% having dual certifications as a DVBE and small business. The remaining 15% of DVBEs operate with only a single DVBE certification.

Given the importance of small businesses to California's economy, these procurement preferences play a key role in distributing state expenditures throughout the state, and among a variety of business types. The charts below (**Charts 13 and 14**) display small business and DVBE procurement participation for the most recent four fiscal years for which data is available.

<b>Chart 13 – Small Business and Microbusiness Contracting Activity of Mandated Reporters (dollars in millions)</b>				
Fiscal Year	Total Contract Dollars	Total Small Business and Microbusiness Contract Dollars	Total Percent	Total Number of Contracts
2018-19	\$10,531	\$2,168	20.58%	96,345
2017-18	\$8,361	\$2,720	32.50%	110,864
2016-17	\$6,329	\$1,683	26.60%	117,624
2015-16	\$5,855	\$2,112	36.08%	116,169
2014-15	\$8,117	\$2,079	25.61%	482,707
2013-14	\$7,101	\$2,013	28.35%	90,784
2012-13	\$7,616	\$1,801	23.66%	105,617
2011-12	\$7,399	\$1,796	24.28%	165,523
Source: DGS Statewide Consolidated Annual Reports for the contracting periods				

<b>Chart 14 – DVBE Five-Year Contracting Activity of Mandated Reporters</b> (dollars in millions)				
Fiscal Year	Total Contract Dollars	Total DVBE Dollars	Total DVBE Percent	Total DVBE Contracts
2018-19	\$10,531	\$340	3.23%	23,782
2017-18	\$8,314	\$387	4.7%	19,174
2016-17	\$6,329	\$259	4.1%	19,823
2015-16	\$5,855	\$274	4.6%	18,638
2014-15	\$8,105	\$314	3.8%	16,192
2013-14	\$6,566	\$241	3.6%	12,777
2012-13	\$7,151	\$216	3.0%	14,907
2011-12	\$7,173	\$340	4.7%	16,246
Source: DGS Statewide Consolidated Annual Reports for the contracting periods				

Based on the data displayed above, the state appears to be have consistently met its 25% small business (except in 2018-19) and 3% DVBE procurement participation goals. This is, however, only part of a program assessment and these numbers may be misleading. Although DGS works diligently to gather and aggregate this information, the data is not consistently reported by state agencies, nor do all of the agencies report annually. As an example, in 2012-13, only 79% of the mandatory reporting entities reported their contracting activity to DGS.

The data is further compromised by the lack of follow-up by awarding departments to ensure that small business and DVBE procurement participation commitments have been kept or that these subcontractors were paid. A state audit of the DVBE Program, released in 2019, suggests that very few state agencies have implemented practices to monitor and report DVBE procurement participation violations for follow-up by DGS.

### **Procurement Opportunities During COVID-19**

Procurement reporting for the period of COVID-19 pandemic is difficult to track. Being under a state of emergency, allows the state to use alternative contracting protocols. Many small business groups have expressed concern over the lack of access to new procurement opportunities.

There is good evidence that small business and DVBE participation in 2019-20 and 2020-21 will not meet the 25% and possibly the 3% goal. DGS reported in its most recent report that the “primary reason departments gave for not meeting the SB or DVBE participation goals was the large number of emergency contracts related to the 2018 wildfires, such as the Camp Fire.”

Small businesses and DVBE have tried to address this challenge and have made recommendations to the DGS Small Business and DVBE Advisory Committee. One of the ad hoc working groups that formed developed a set of 3 recommendations, which were later shared with the Assembly Jobs Committee. These recommendations include the following:

- Recommendation # 1 – Increase pre-bid prime engagement with new SB and DVBE partners. BART currently mandates online speed dating as part of their procurement process.
- Recommendation # 2 – Expand state outreach activities to include industry-specific events.
- Recommendation # 3 – Host online meet and greets between state agencies and groups of small business vendors. Establish a State Mentor/Protégé program, similar to the Feds.

During the hearing, Members will have an opportunity to hear from Tracy Stanhoff who runs a Procurement technical Assistance Center (PTAC). PTACs provide free training to entrepreneurs who want to contract with federal, state, and/or local governments, as well as investor-owned utilities regulated by the California Public Utilities Commission.

## Framing the Issues

California is still in the midst of addressing the immediate needs of workers, small businesses, and communities impacted by the COVID-19 pandemic. Waiting to determine a renewed path forward can, however, not wait. Major decisions are currently being negotiated at the federal level, the Governor's proposed budget for 2021-22, offers an important opportunity that can be seized by the Members of the Assembly Jobs Committee.

*Appendix E* (page 45) includes highlights of the Governor's proposed budget for 2021-22, including a \$14 billion economic recovery and jobs package. *Appendix J* (page 69) displays economic development highlights from the recently enacted federal American Rescue Plan.

The Assembly Jobs Committee regularly engages with a broad range of small business, workforce development, and economic groups. The committee routinely produces COVID-19 updates and maintains a website with useful resources. Based on these discussions the following six issues continue to rise to the top:

1. Small businesses, especially women- and BIPOC-owned businesses, must be a priority in the state's recovery efforts. Data continues to suggest these businesses are having the greatest challenges in accessing technical and financial assistance.
2. Guidance on business operations continues to evolve making it difficult to identify, understand, and implement. Small businesses are concerned about COVID-19-associated legal liability.
3. State contracting opportunities remain limited and with traditional procurement outreach methods on hold, small businesses are finding it difficult to meet prime contractors who may be bidding on state contracts. It is not clear as to all the factors resulting in small businesses and DVBs being excluded from this important source of revenue.
4. COVID-19 is creating many new business operation challenges, including accessing PPE, testing kits for employees, local broadband capacity, and additional costs of operation during the pandemic.
5. COVID-19 is amplifying old business operation challenges, including local broadband capacity, access to capital, and the cost of meeting regulations.
6. Small businesses need grants, even low-interest loans are not sufficient. Eligible entrepreneurs face major hurdles in accessing Pandemic Unemployment Insurance, which has lagged behind traditional UI payments.

Beyond the unique challenges brought by COVID-19, moving forward also means addressing systemic dysfunctions that have historically impeded the state's global competitiveness, limited ongoing upskilling of workers, impeded the free flow of investment capital, and hindered business start-ups.

While not the only driver, state government has an important role in establishing the conditions that support a vibrant and inclusive economic economy where both workers and entrepreneurs are prosperous.

## **Committee Contact Information**

The Assembly Committee on Jobs, Economic Development, and the Economy is the standing committee of the California State Legislature responsible for overseeing issues related to business formation, foreign trade and investment, industrial innovation and research, and state and local economic development activities. The Committee Office is located in the Legislative Office Building at 1020 N Street, Room 359. The phone number for the Committee is (916) 319-2090.

# Appendices



# Appendix A

## Inclusive Economic Recovery Priorities for 2021

*March 16, 2021, at the California State Capitol in Room 4202 at 9:30 am*

### PRELIMINARY AGENDA

The Assembly Committee on Jobs, Economic Development, and the Economy is convening the second in a series of hearings to examine the impact of the COVID-19 pandemic on the California economy. A successful economic recovery is dependent on addressing systemic barriers to entrepreneurship and upward mobility, as well as leveraging new federal resources to ensure an inclusive economic recovery. Building a more equitable and resilient economy will, however, require a commitment to sound economic policies and an openness to update programs and services to address current market needs. Committee members will also adopt committee rules for the 2021-22 legislative session.

#### **I. Welcome, Introductions, and Opening Statements**

*Chair and Members of the Assembly Committee on Jobs, Economic Development, and the Economy will give opening statements and frame the key issues to be examined during the hearing.*

#### **II. Adoption of the Committee Rules**

*The Committee will review and consider the operating rules for 2021-22.*

#### **III. Preparing for an Inclusive Economic Recovery**

- **Brian Uhler**, Deputy Legislative Analyst

*In February 2021, the California Legislative Analyst's Office (LAO) released a [framework for evaluating state economic stimulus proposals](#), which emphasizes timeliness, targeting, and ensuring that recovery actions do not inadvertently exacerbate pre-existing inequities. The LAO framework also recommends choosing the source of funding wisely, such as federal funds, state surplus moneys, and the proceeds from previously approved bonds, when the state undertakes stimulus activities. Brian Uhler, Deputy Legislative Analyst, will discuss his office's perspectives on how this framework applies to the Governor's proposed \$14 billion economic recovery package, as well as providing a preliminary look at how the \$1.9 trillion American Rescue Plan and the proposed \$2 trillion federal climate mitigation and public infrastructure plan could be leveraged for a more inclusive economic recovery in California.*

#### **IV. Economic Recovery Priorities of the California Workforce Development Board**

- **Tim Rainey**, Executive Director, California Workforce Development Board

*The [California Workforce Development Board](#) (Board) is responsible for the state's implementation of the federal Workforce Innovation and Opportunity Act (WIOA). The Board also provides advice to the Governor and Legislature, and generally serves as the [state's primary place where labor, business, industry, and education stakeholders come together](#).*



## **V. Economic Recovery Priorities of Businesses, Workers, and Entrepreneurs**

- **Lance Hastings**, President, [California Manufacturers and Technology Association](#)
- **Ron Miller**, Executive Secretary, [Los Angeles/Orange Counties Building and Construction Trades Council](#)
- **Tracy Stanhoff**, President, [American Indian Chamber of Commerce of California](#)

*California's economic dominance is supported through a range of robust business and industry sectors. California workers and owners produced \$3.1 trillion of economic value in 2019, ranking the state as the 5th largest economy in the world. Even with these advantages, COVID-19 has placed unique economic challenges on the state, impacting workers, small business, and manufacturers. In this panel, Members will hold an open dialogue with stakeholders on their policy and legislative priorities for an inclusive economic recovery.*

## **VI. Public Comment**

*Thirty minutes has been scheduled for public comment. Information on how participate is posted on the [Committee website](#). Written comments may also be submitted to the [JEDE Committee Office](#).*

## **VII. Closing Remarks**

*Assemblymembers will make closing remarks and offer recommendations on further actions by the Assembly Committee on Jobs, Economic Development, and the Economy.*

## Appendix B

### Fast Facts on the California Economy

#### **California Gross Domestic Product (GDP)**

- California had a \$3.1 trillion economy in 2019. Compared to GDP of nations, this ranks California's 2019 GDP as 5<sup>th</sup> largest in the world.<sup>vi</sup>
- Real GDP decreased in all 50 states (-31.4%) in the second quarter of 2020. California real GDP in the second quarter was -31.5%.<sup>vii</sup>
- New business applications, considered a leading indicator, were up 53.6% at the end of January 2021, as compared to the same time period in 2020.<sup>viii</sup>

#### **Firms, Employment, and Wages**

- There were 3,453,769 establishments in California that had no employees in 2018, representing 78.3% of all establishments in California (4,408,401 in total). These nonemployer businesses received \$189.3 billion in revenues. There were 954,632 establishments that employed 15,223,664 workers and paid over \$1 billion for payroll in 2018.<sup>ix</sup>
- 2017 is the most recent data available by state and size of business by employment. Of the 763,803 employer firms (including 941,377 total establishments), 62% had 1 to 4 employees, 88.6% had less than 20 employees, 97.3% had less than 100 employees, and 99.1% had less than 500 employees (federal small business definition). Approximately 6,345 firms in California had 500 employees or more.<sup>x</sup>
- There were 18.6 million workers in the California labor force in January 2021, *based on seasonally adjusted data*, with 16.9 million individuals employed, a month-over increase of 136,000 (+0.2%). This represents a decrease of 1.6 million jobs (-8.7%) compared to January 2020.<sup>xi</sup>
- Nonfarm employment decreased in all 11 industry sectors between January 2020 and January 2021. *Seasonally adjusted* year-over decreases based on number of jobs are as follows: leisure and hospitality employment fell by 799,400 jobs (-38.8%); trade, transportation, and utilities fell by 109,900 (-3.5%); professional and business services fell by 143,500 jobs (-5.2%); education and health services fell by 134,500 jobs (-4.7%); government fell by 208,400 jobs (-7.9%); other services fell by 150,100 jobs (-25.5%); manufacturing fell by 85,300 jobs (-6.4%); information fell by 53,700 jobs (-9.3%); construction fell by 28,100 jobs (-3.1%); financial activities fell by 36,800 jobs (-4.3%); and mining and logging fell by 3,100 jobs (-14.0%).<sup>xii</sup>
- California exported \$156.1 billion in goods in 2020 to over 225 foreign markets, representing 11.2% (\$1.4 trillion) of total US exports.<sup>xiii</sup> This is 897 million than 2019<sup>xiv</sup>. California's largest export market in 2020 was Mexico (\$24.1 billion), followed by China and Hong Kong (\$21.4 billion) and Canada (\$15.9 billion).<sup>xv</sup> California imported \$396 billion in products from other countries, accounting for 16.9% of total US imports in 2020. China (\$130.3 billion) and Mexico (\$47.9 billion) are the state's largest import markets.<sup>xvi</sup>
- California's 2019 median household income was \$80,444 for all households (\$68,703 for US) and \$51,676 for nonfamily households.<sup>xvii</sup> 11.8% of Californians' households (12.3% in the US) lived on incomes at or below the federal poverty designation in 2019.<sup>xviii</sup> Using the federal Supplemental Poverty Measure, which accounts for the cost of living using a range of family needs and resources,

17.2% of Californians (12.5% for US) had income insufficient to meet their basic housing needs.<sup>xix</sup>  
An estimated 151,278 individuals experienced homelessness in 2019, based on the single-night survey method.<sup>xx</sup>

### **Future California Job Market**

- The Employment Development Department estimates that between 2016 and 2026 total civilian employment (including self-employment, farm employment, and private household workers) will reach 19.7 million, an increase of 1.9 million jobs (10.7%) over the 10-year projected period of 2016-2026. The chart at the top of the page displays details of this estimate.<sup>xxi</sup>

<b>Projected Job Growth in Employment 2016-2026 (ranked by number of jobs and including new and replacement jobs)</b>							
	<b>Industry Sector</b>	<b>Percent Change</b>	<b>Increase in Jobs</b>		<b>Industry Sector</b>	<b>Percent Change</b>	<b>Increase in Jobs</b>
1	Educational Services, Health Care, and Social Assistance	23.9%	607,400	7	Information	14.6%	76,600
2	Professional and Business Services	11.1%	280,200	8	Other Services (excludes private household services)	10.1%	55,900
3	Leisure and Hospitality	13.3%	252,300	9	Financial Activities	5.2%	42,600
4	Trade, Transportation, and Utilities	6.7%	200,000	10	Total Farm	3.5%	15,000
5	Construction	20.5%	158,600	11	Manufacturing	0.1%	1,300
6	Government	4.6%	116,100	12	Mining	-8.0%	-1,800

### **January 2021 Unemployment**

- In January 2021, the California *seasonally adjusted* unemployment rate was 9.0%, down from 0.3% from the prior month with an increase in total civilian employment of 31,800 jobs. This unemployment rate represents approximately 1.6 million unemployed workers. Over the same period, the comparable national unemployment rate was 6.3%<sup>xxii</sup>.
- The unemployment rate in 14 of the 58 counties increased in January 2021. The counties with the highest *non-seasonally adjusted* unemployment were Imperial (16.5%) and Colusa (15.6%). The lowest unemployment rates in California in January 2021 were Marin (5.4%), Santa Clara County (5.7%), San Mateo County (5.7%). The comparable state overall unemployment rate for January 2021 was 9.2%.<sup>xxiii</sup>
- The highest unemployment rates in January 2021 by race and ethnicity were among individuals identified as black (13.0%), Hispanic (12.1%), and white (10.3%). The comparable state *12-month moving average* unemployment rate was 10.6%.<sup>xxiv</sup>
- The majority (83.2%) of employed individuals in January 2021, *12-month moving average*, reported working full time. There were 1,088,000 persons in California who worked part time involuntarily, comprising 6.5% of all employed workers during the survey week.<sup>xxv</sup> California's labor participation rate was 60.3% in January 2021, representing 19 million people. Individuals not in the labor force but want a job has increased by 1,058,000 from January 2021.<sup>xxvi</sup>
- By age group, the highest unemployment group in January 2021, *12-month moving average*, were workers 16 to 19 years of age (24.3%).<sup>xxvii</sup> The largest group of unemployed persons, when sorted by duration, were individuals unemployed for 5 to 14 weeks, 697,000 individuals (34.9% of all unemployed).<sup>xxviii</sup>

## Appendix C

### Small Businesses Drive the California Economy

California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$3.1 trillion economy. Two separate studies, one by the US Census Bureau and another by the Kaufman Foundation, found that net job growth was strongest among businesses with less than 20 employees. Among other advantages, small businesses are crucial in the state's international competitiveness and are an important means for dispersing the economic positive impacts of trade within the California economy.

- In 2017 (most recent full set of data), of the 4.1 million firms in California, there were 3.3 million nonemployer firms as compared to 763,803 employer firms.
- Total revenues for nonemployer sole proprietorships, across all industry sectors, were \$118 billion in receipts in 2017.
- Businesses with less than five employees are classified as microenterprises. In 2017, there were 473,641 microenterprises which had one or more employees.
- Microenterprises, including both nonemployer and up-to-5-employee businesses, comprise the single largest segment of the California business community, representing 92.9% (3.8 million) of all businesses in the state.

**Chart California Employer Business by Size**, displays 2017 data (most recent full set of data) on California employer businesses, including payrolls, employment, and number of firms, which may be comprised of one or more establishments.

<b>California Employer Businesses by Size (2017)</b>				
<b>Enterprise Employment Size</b>	<b>Number of Firms</b>	<b>Number of Establishments</b>	<b>Employment</b>	<b>Annual Payroll</b>
0-4	473,641	474,301	737,168	\$45.0 billion
<20	676,913	682,756	2,605,213	\$125.5 billion
0-99	743,830	768,456	5,143,522	\$250.5 billion
100-499	13,628	39,757	2,081,423	\$125.0 billion
<500	757,458	808,213	7,224,945	\$375.6 billion
500+	6,345	133,164	7,671,680	\$579.4 billion
Total All Employers	763,803	941,377	14,896,625	\$955.0 billion
<ul style="list-style-type: none"> <li>▪ An establishment is a single physical location at which business is conducted or performed by one or more paid employees.</li> <li>▪ A company or enterprise may consist of one or more establishments.</li> <li>▪ An establishment with 0 employment is an establishment with no paid employees in the mid-March pay period but with paid employees at some time during the year.</li> <li>▪ This series excludes government establishments except for wholesale liquor establishments (NAICS 4248), retail liquor stores (NAICS 44531), federally-chartered savings institutions (NAICS 522120), federally-chartered credit unions (NAICS 522130), and hospitals (NAICS 622).</li> </ul>				
Source: US Census, SUSB Series				

Excluding sole proprietorships, businesses with less than 20 employees comprise over 88.6% of all businesses and employ approximately 17.4% of all workers. Businesses with less than 100 employees represent 97.3% of all businesses and employ 34.5% of the workforce.

Microenterprises have many unique features and provide important benefits to local communities, according to a recent study from the Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) at the Aspen Institute. These benefits include:

- Providing products and services tailored to meet local and neighborhood needs.
- Stimulating an inflow of revenues to and within local communities.
- Serving as catalysts for neighborhood reengagement.
- Revitalizing neighborhoods that may otherwise have vacant storefronts.
- Providing role models and support for future entrepreneurs.

These non-employer and small employer firms create jobs, generate taxes, support important industry sectors, and revitalize communities. While their small size allows them to be more flexible in meeting niche foreign and domestic market needs, it also results in certain market challenges. These challenges include having difficulty in meeting the procedural requirements of the state's complex regulatory structure and the traditional credit and collateral requirements of mainstream financial institutions. Specialized technical assistance, access to credit enhancements, and targeting of state procurement activities help many small businesses overcome or at least minimize these difficulties.

## 2012 Survey of Business Owners

In August 2015, the U.S. Department of Census published initial data from the **2012 Survey of Business Owners**. The last survey was made in 2007. While the data significantly trails real-time, it is the most comprehensive source for tracking trends in entrepreneurship, including ownership by women and individuals of color.

Gender Differences in U.S. Businesses			
	Percent Change 2007 to 2012 Women-Owned Firms	Percent of Change 2007 to 2012 Man and Women-Owned Firms	Percent Change 2007 to 2012 Men-Owned Firms
U.S. Firms	27.5%	-45.8%	7.9%
Receipts from all firms (employer and nonemployer)	35.1%	6.7%	33.8%
Employer Firms	15.7%	-25.8%	5.3%
Receipts from Employer Firms	35.4%	13.2%	34.9%
Employment	19.4%	-11.9%	11.5%
Payroll	35.3%	-0.9%	25.8%

Source: National Women's Business Council

The **Gender Differences in Business Chart** shows selected data from the 2012 Survey of Small Business Owners. Among other findings, the data shows a 27.5% increase in women-owned businesses between 2007 and 2012, as compared to a 7.9% increase in businesses owned by men and a -45.8% decrease in firms owned equally by men and women. Women-owned businesses also experienced the greatest increase in the number of people they employed and wages paid.

States with the highest percentage of women-owned firms included District of Columbia, Georgia, Maryland, New Mexico, and Florida. Delaware, Alaska, North Dakota, Maine, and New Jersey were the states where women-owned firms collected the highest amount of receipts.

Women entrepreneurs, according to the Ewing Marion Kauffman Foundation, have unique skill sets, which both set them apart from other business owners and make them successful entrepreneurs. Among

other advantages, the Kauffman Foundation states that women entrepreneurs have a more nuanced understanding of businesses risk/reward profile. Women are more comfortable with financial risks, but more sensitive about risks that may seem foolhardy. The Kauffman Foundation also believes that there is a correlation between a rise in women entrepreneurs and increased business returns and payout ratios.

In California, business ownership by women was up 13.7%, which was the highest among states with the largest number of women-owned businesses. In Texas, women-owned businesses were up 8.7%; Florida, 8.18%; New York, 7.3%; and Illinois, 4.23%. California also had the highest number of Hispanic and Asian American women-owned firms. For businesses owned by Black women, Georgia had the largest number of firms, California had the fifth largest number.

**The Comparison of Business Growth by Race, Ethnicity, and Veterans Chart** shows additional information from the 2012 Survey of Business Owners relative to race and ethnicity. The largest percentage changes in business ownership were by Hispanic women, where the number of firms grew by 87.3% between 2007 and from 20012. As a comparison, male Hispanic-owned firms grew by 39.3%.

<b>Comparison of Business Growth by Race, Ethnicity, and Veterans</b>	
<b>Business Ownership</b>	<b>Percent Change 2007 to 2012 Number of all Firms</b>
Asian American Women	44.3%
Asian American Men	25.7%
Black Women	67.5%
Black Men	18.8%
Hispanic Women	87.3%
Hispanic Men	39.3%
White Women	10.1%
Veteran Women	29.6%
Veteran Men	7.7%
Source: 2012 Survey of Business Owners	



## Appendix D

### Related Reports

This Appendix provides links to key reports related to small business and the COVID-19 pandemic. It is not an exhaustive list, rather it is intended to support further examination and discovery on this important topic.

- **Analysis of Place-Based Incentives:** Brookings Institute issued a report, *How States Can Direct Economic Development to Places and People in Need*, which “finds that the criteria that governments use to geographically target tax incentives and other place-based programs are often ill-conceived or out-of-date, with the result that initiatives end up serving wealthy locations instead of disadvantaged ones. And even when programs do reach the intended communities, they often are not well-suited to help residents.” Report recommendations include:
  - Targeting programs using quantitative measures
  - Systematically assessing geographic targeting
  - Regularly updating the set of eligible locations
  - Tailoring economic development strategies to local needs
  - Creating job opportunities for low-income residents

[https://www.pewtrusts.org/en/research-and-analysis/reports/2021/02/how-states-can-direct-economic-development-to-places-and-people-in-need?utm\\_campaign=LM+-+GP+-+SFH+-+Missing+the+Target+report+and+webinar+2+2+21&utm\\_medium=email&utm\\_source=Pew](https://www.pewtrusts.org/en/research-and-analysis/reports/2021/02/how-states-can-direct-economic-development-to-places-and-people-in-need?utm_campaign=LM+-+GP+-+SFH+-+Missing+the+Target+report+and+webinar+2+2+21&utm_medium=email&utm_source=Pew)

- **The 2021-22 Budget: Business Tax Incentives:** The Legislative Analysts Office (LAO) released its analysis of the four significant business tax incentives. Key recommendation, as stated by the LAO include:
  - Explore Alternative Approaches to Elective S Corporation Tax: The general concept behind the Governor’s proposal has merit, but alternatives warrant the Legislature’s consideration. We suggest that the Legislature consider such alternatives in the policy committee process.
  - Reject Proposed Increase in Cap on CAEATFA Exclusions: Roughly two-thirds of the cost of this proposal would be borne by local governments. Additionally, the proposal’s benefits would be neither timely nor directed towards the businesses hit hardest by the pandemic.
  - Expand Main Street Credit Proposal: Among the Governor’s proposals, this one is best suited to assisting the businesses hit hardest by the pandemic. Consequently, we suggest that the Legislature prioritize expanding this program. For example, the Legislature could broaden eligibility and increase the value of the credit.
  - Reject Proposed Expansions of California Competes: These proposals would not assist the businesses hit hardest by the pandemic. The idea of adding grants to California Competes raises questions that require significant Legislative deliberation. Due to these concerns and others, we suggest that the Legislature instead focus on expanding the Main Street Credit proposal.

<https://lao.ca.gov/reports/2021/4327/business-tax-incentives-012821.pdf>



- **California Small Businesses Face Difficult Decisions:** Small Business Majority released the results of a California survey in December 2020, “*California Small Businesses Face Difficult Decisions As Pandemic Continues And Funding Freezes.*” The survey of 418 California small business owners (nearly evenly split between white entrepreneurs and business owners of color) taken between November 10 and 23, 2020. found:
  - 17% of entrepreneurs of color report they are likely to permanently close their business in the next three months, compared to 12% of white business owners.
  - Nearly half say operating capacity has decreased, with 16% reporting their capacity has decreased by more than 50%.
  - Despite efforts to reopen local economies and “get back to normal,” small business owners have had to reduce the number of employees during the height of the pandemic, with more than 60% reporting that they have not restored their headcount to pre-pandemic levels.
  - While about half of small businesses say they applied for PPP loans. Of those who didn’t apply, they largely attributed their reasons to confusion about how to apply, fear over taking on debt, inability to secure a loan through their bank or thinking they were ineligible.
  - 28% of entrepreneurs of color report they may be forced to temporarily close their business in the next three months. Of those, 27% say they may lay off employees permanently, compared to 15% of white entrepreneurs.
  - More than 80% of small business owners support providing direct grant assistance to small businesses, and 76% support another round of PPP loan dispersal.

<https://smallbusinessmajority.org/our-research/california-small-businesses-face-difficult-decisions-as-pandemic-continues-and-funding-freezes>

- **The 2021-22 Budget: Cap and Trade Expenditure Plan:** The Legislative Analyst Office released its analysis of the Governor’s Cap and Trade Expenditure Plan. Among other comments, the report stated:
  - Revenue is down from a high of \$3.2 billion in 2018-19 to an estimated \$2.1 billion in 2020-21 and \$2.3 billion in 2021-22.
  - Discretionary spending in 2021-22 is only about half of what was provided in 2019-20 (\$1.4 billion).
    - Funding would go to a mix of programs that commonly receive discretionary GGRF funding. The administration is not proposing funding for any new programs.
    - Notably, the plan does not include funding for the Clean Vehicle Rebate Project (CVRP). The expenditure plan has included funding for CVRP every year from 2014-15 to 2019-20.
    - Other programs that have frequently received substantial annual GGRF allocations, but that are not included in this year’s plan include waste diversion, dairy methane emission reductions, and Transformative Climate Communities
  - Under the Governor’s proposal, the GGRF fund balance would be slightly more than \$100 million at the end of current year and budget year—roughly 5 percent of estimated annual revenue. ,,
  - The Legislature will have to weigh many different priorities when considering how to allocate funds, including GHG reductions, local air quality improvements, safe drinking water, and forest health.

- The state has multiple funding and regulatory programs designed to achieve many of these goals. So, once the Legislature determines its priorities for GGRF funds, it will want to try to identify the mix of programs that achieve those goals most effectively and, therefore, where GGRF funds can best be targeted.

<https://lao.ca.gov/handouts/resources/2021/The-2021-22-Budget-Cap-and-Trade-Expenditure-Plan-021021.pdf>

- **COVID-19's Outsized Toll on Minority-Owned Firms:** The Federal Reserve Bank of Cleveland released a report, *An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms*. Among other findings, the report stated:
  - For firms that are still operating, cash balances are a growing concern, with minority-owned firms experiencing a more severe cash crunch than nonminority-owned firms.
  - Minority-owned firms had less financial reserves and lower average revenues prior to the severe economic downturn.
  - Business sectors with high percentages of minority-owned firms were the same industry sectors most impacted during the COVID-19 recession.
  - Data suggests that minority-owned firms had difficulty in accessing the federal Paycheck Protection Program, which may have been related to the lack of banking relationships prior to the pandemic.
  - The potential loss of minority-owned firms goes beyond the business and its workers and could have negative consequences to the broader US economy.

<https://www.clevelandfed.org/en/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx>

- **Economic Impact of COVID-19 on California Latinos:** The California Latino Economic Institute released a new policy brief that provides new data on the disparate and growing negative impact of COVID-19 on Latinos in California. The briefing was conducted in partnership with Mindy Romero of the Center for Inclusive Democracy (CID) at the USC Price School of Public Policy. The announcement identified the following findings from the briefing:
  - Latinos are overrepresented among California's COVID-19 cases and deaths—59% of cases and 49% of the state's deaths.
  - Latino overrepresentation in California's cases has increased since April 2020.
  - Nearly 12% of California Latinos are currently uninsured—double the rate of other groups.
  - Latino unemployment rates are double those from the same time last year.
  - Nearly two-thirds of California Latinos report experiencing a loss of employment income since March 2020.
  - Over 40% of Latinos currently report that it is somewhat or very difficult to pay their usual household expenses in the last 7 days.
  - Over three-quarters of California small business owners report that COVID-19 has had a moderate to large effect on their businesses.

<http://www.californialei.org/covid>

- **Economic Status of Small Business:** The US Office of Small Business Advocacy released an Economic Bulletin on the status of small businesses during the pandemic. A few highlights include:

- While there was little change in the total number of self-employed persons, their income declined 13% annualized in the second quarter of 2020. According to the report, this is the largest quarterly decline since quarterly data began to be tracked in 1947. Incomes, at the aggregate-level, are reported to have recovered in the third quarter.
- Net new job growth was strongest among small firms (<500 employees) from 2010 to 2019, accounting for 63% of the private net job creation. These small firms' employee about 50% of all workers. In 2020, small businesses continued play to play an important role within communities having a net job loss of 4.8 million vs 5.3 million for large firms.
- While business openings have been relatively stable for fifteen years, the number of new business applications have spiked in 2020. The specific source of this increase (new or reformation of existing business) is unclear, and the next few months will provide greater clarity.

<https://cdn.advocacy.sba.gov/wp-content/uploads/2020/12/08111415/December-Economic-Bulletin.pdf>

- **Economic Mobility for All Californians:** The California EDGE Coalition has released its policy agenda for 2021. In summary, their policy agenda includes the following:
  1. Support funding for education and workforce training programs to create pathways to quality jobs by integrating competency-based education and credit for prior learning, and better align and expand career tech and adult education programs that respond to high demand sectors of the economy.
  2. Protect, grow, and expand existing and innovative “learn and earn” opportunities by elevating blended learning, including online and hands-on training in high-demand fields, and expanding work-based training opportunities that support workers in underserved communities.
  3. Expand and secure a social safety net for underserved communities to remove barriers to quality jobs by assisting low/no-income students, adult learners, communities of color, and dislocated workers in accessing support services that address basic needs such as food, housing, transportation, childcare, and healthcare.
  4. Secure quality broadband access for all by supporting the expansion of reliable high-speed internet access, especially in underserved communities, in addition to ensuring equitable learning and training can continue while physical distancing orders are in place and close the digital divide.
  5. Support workers and employers in COVID-19 response and recovery by strengthening partnerships between business, education, workforce, and community-based organizations; supporting economic stimulus funding and employer incentives to assist businesses in rebuilding capacity and retaining/rehiring their workforce and reimagine opportunities within the Workforce Innovation and Opportunity Act.
  6. Support the development and implementation of California’s longitudinal data system by ensuring the integration of statewide data across education, workforce, and human services systems is public-facing, transparent, secure, and includes the adult learner and worker voice. Having access to quality public data will help individuals, researchers, policymakers, and advocates inform decision making through outcome transparency and can improve program/institutional effectiveness.

<https://caedge.org/policy-agenda/>

- **A Framework for Evaluating State-Level Green Stimulus Proposals:** The Legislative Analyst’s Office (LAO) released a report proposing a framework to assess state-level "green stimulus" proposals. “During economic downturns such as the one California and the United States are currently experiencing, governments often seek to help the economy recover through various initiatives—such as targeted expenditures—referred to as economic stimulus. When such initiatives also have an environmental benefit, they sometimes are labeled as green stimulus. This report is intended to provide guidance for the Legislature on how to evaluate the merits of state-funded green stimulus proposals, including the degree to which they are likely to provide significant (1) economic stimulus and (2) environmental benefits.”  
<https://lao.ca.gov/Publications/Report/4308>
  - **Evaluating State Economic Stimulus Proposals:** The California Legislative Analyst’s Office released a framework for evaluating state economic stimulus proposals. Key elements of the evaluation framework are described by the LAO as follows:
    - Recognize Limitations on State Funded Stimulus: Unlike the federal government, which can run a deficit to pay for fiscal stimulus, the state must balance fiscal stimulus with other one-time and ongoing spending priorities.
      - Ask Key Questions to Assess Stimulus Proposals:
      - What is the source of funding?
      - Does the proposal have other strong policy justifications?
      - How does the proposal interact with other federal, state, and local programs?
      - How might the expected benefits and costs be overstated or understated?
      - Will the benefits be realized when they are needed? How might the benefits be distributed?
    - Based on the Answers to these Questions, Incorporate These Elements for More Effective Stimulus
    - Given the state’s spending constraints, economic stimulus is most likely to be effective if the proposal:
      - Is funded using federal funds, a state General Fund surplus, or proceeds from previously authorized bonds.
      - Efficiently advances other legislative policy objectives.
      - Complements (and do not duplicate) other federal or state programs.
      - Can be implemented quickly.
      - Is well designed and clearly targeted.
      - Avoids making existing inequities worse.
- <https://lao.ca.gov/reports/2021/4331/Economic-Stimulus-Proposals-020121.pdf>
- **Promoting Economic Recovery After COVID-19:** The Aspen Institute and the Economic Strategy Group released a report, Promoting Economic Recovery After COVID-19. With a timeframe of between 12 and 36 months following the March 2020 declaration of a global pandemic, key recovery recommendations include:
    - **Income support for the unemployed, underemployed, and most vulnerable:** This includes extending and then phasing down UI benefits, establishing an automatic trigger for re-authorizing extended UI benefits, funding transitional work, increase Supplemental Nutrition Assistance Program (SNAP), and suspend SNAP work requirements during periods of high unemployment.

- **Reward and facilitate work:** This includes temporary and targeted employment subsidies, such as the Earned Income Tax Credit.
- **Lending support for small and mid-size businesses:** This includes, but is not limited to, monitoring the federal Main Street Lending Program.
- **Federal support to state and local governments:** This includes block grants to states and local governments, expansion of federal matching for state Medicaid and Children’s Health Insurance Program (CHIP), block grants to states for K-12 spending, and extending federal block grants to public universities, four-year colleges, and community colleges.  
<https://www.economicstrategygroup.org/publication/promoting-economic-recovery-after-covid-19/>
- **PPIC Commentary on Recovery:** The Public Policy Institute of California released an editorial that was published in CalMatters regarding the state’s challenge in achieving an equitable economic recovery, Commentary: An Equitable Recovery for California Requires Two Key Strategies. “Given the severe economic distress, how can policymakers help our state avoid the pitfalls of previous recoveries, which left low-income Californians further behind? An equitable recovery requires two key strategies: First, target critical support to those most affected in the near term. Second, help people climb the economic ladder in the long term.”  
[https://www.ppic.org/blog/commentary-an-equitable-recovery-for-california-requires-two-key-strategies/?utm\\_source=rss&utm\\_medium=rss&utm\\_campaign=commentary-an-equitable-recovery-for-california-requires-two-key-strategies?utm\\_source=ppic&utm\\_medium=email&utm\\_campaign=blog\\_subscriber](https://www.ppic.org/blog/commentary-an-equitable-recovery-for-california-requires-two-key-strategies/?utm_source=rss&utm_medium=rss&utm_campaign=commentary-an-equitable-recovery-for-california-requires-two-key-strategies?utm_source=ppic&utm_medium=email&utm_campaign=blog_subscriber)
- **Small Business Credit Survey:** The Fed Small Business issued a report, 2021 Report on Employer Firms. Key findings include: Small businesses continue to face significant challenges amid the COVID-19 pandemic, including weak demand, heightened expenses, and limited credit availability. Nearly one-third of firms say they’re unlikely to survive without additional government aid until sales recover. The Fed Small Business is a source of small business research and analysis by the 12 Reserve Banks of the Federal Reserve System.  
<https://www.fedsmallbusiness.org/survey/2021/report-on-employer-firms>
- **The 2021-22 Budget: Small Business Grants:** The California Legislative Analysts has released its analysis of the Small Business Grant proposal in the Governor’s proposed 2021-22 budget. Highlights and findings include:
  - The California Relief Grant program was created in December 2020 with \$500 million in pandemic-related emergency funds. This program awards grants up to \$25,000 to small businesses impacted by the pandemic. The Governor proposes to expand the program by \$575 million General Fund in the current year.
  - The aim of the small business grants--providing targeted financial assistance to businesses affected by the pandemic- is good, but it is not clear whether the program is achieving that goal. The administration has not made available key details about how this program is being administered. Further, applicants and other stakeholders have raised several concerns.
  - While the rapid launch of the small business grants program was reasonable in the context of the pandemic, we think it would now be prudent to defer immediate action on expanding it until the Legislature can get more information about the existing program and consider ways to improve it, as outlined in our handout.

[https://lao.ca.gov/Publications/Detail/4316?utm\\_source=laowww&utm\\_medium=email&utm\\_campaign=4316](https://lao.ca.gov/Publications/Detail/4316?utm_source=laowww&utm_medium=email&utm_campaign=4316)

- **Small Business Pulse Survey:** The US Census Bureau released new data from the third phase of the Small Business Pulse Survey. This data was collected between November 23 and 28, 2020. A selection of results is reported below.
  - 34.8% of responding businesses in California reported that the COVID-19 pandemic has had a large negative impact on their business. This is 6% higher than the national average.
  - 13.3% of responding businesses in California reported they had less workers in the review week than the prior week.
  - 42% of responding businesses in California reported re-hiring employees that had been laid off after March 15, 2020.  
<https://portal.census.gov/pulse/data/>
- **State Roadmap for Economic Recovery:** National Governors Association issues “State Roadmap for Economic Recovery” to help state leaders respond holistically to the unemployment crisis as well as to recover and build resilience in the post-pandemic economy. The Roadmap includes, a recovery framework and a menu of policy strategies; a selection of state examples and additional resources; and four state case studies featuring new details about how state peers are implementing this framework and policy strategies. <https://www.nga.org/center/publications/roadmap-workforce-recovery/>



## Appendix E

### Selected Items in the Governor’s Proposed 2020-21 Budget

The budget presents an expenditure plan of **\$227.2 billion** with **\$164.5 billion in General Fund** expenditures, including significant investments to help catalyze an equitable, inclusive and broad-based economic recovery. A summary of the final 2020-19 budget is available [here](#).

The Governor’s proposed budget reflects a **\$16 billion** estimated budget surplus moneys. Funding levels reflect and support the increase in the state's minimum wage to \$14 per hour.

Below is a summary prepared by the JEDE Committee of key economic, community, and workforce development items included in the California Governor’s proposed budget for 2021-22.

#### **Top Level Investments in Combatting COVID-19 and Economic Recovery**

- **\$372 million** to speed up administration of **vaccines across all of California’s 58 counties**.
- **\$14.5 billion** in investments designed to **support economic recovery** with a focus on those Californians who have been most impacted by the pandemic.
- **\$90 billion** to support **California schools** – largest commitment to public K-12 education in California’s history.
- **\$34 billion** in actions to **strengthen the state’s fiscal position**, including providing for budget reserves and discretionary surplus deposits.
- According to the Governor’s budget release statement, this proposed budget plan “advances the Governor’s sustained focus on increasing opportunity through education, including early education; increasing the affordability of health care and housing, and effective governance.”

#### **Governor Calls on the Legislature to Take Four Immediate Budget Actions**

- **\$2.4 billion** to capitalize the **Golden State Stimulus** program, which would provide \$600 to low-income individuals and families excluded from the federal stimulus, such as undocumented households that file taxes with an Individual Taxpayer Identification Number (ITIN), including parents with US citizen children. This program would assist roughly four million low-income Californians.
- **\$2 billion** targeted specifically to support and accelerate **safe returns to in-person instruction** starting in February.
- **\$575 million** for the **Small Business COVID-19 Relief Grant** program, which provides grants to small-businesses and nonprofits disproportionately impacted by the pandemic. This would more than double the \$500 million allocated by the Governor in consultation with the Legislature on November 30, 2020. Funding for this program is included within the Governor’s \$4.5 billion **Equitable Recovery for California’s Businesses and Jobs** plan.
- **\$70.6 million** to provide immediate and targeted **fee relief for small businesses** including personal services and restaurants. Funding for this fee relief is included within the Governor’s \$4.5 billion **Equitable Recovery for California’s Businesses and Jobs** plan.



## **Investments in Building Budget Resiliency**

**\$34 billion in budget resiliency**, including, but not limited to:

- **\$15.6 billion** in the **Proposition 2 Budget Stabilization Account** (Rainy Day Fund) for fiscal emergencies.
- **\$3 billion** in the **Public School System Stabilization Account**.
- **\$3 billion** in additional **debt payments required by Proposition 2** in 2021-22. This includes retirement-related liabilities.
- **\$2.9 billion** in the **state's operating reserve**.
- **\$450 million** in the **Safety Net Reserve**.
- The improved revenue picture allows the state to delay \$2 billion in scheduled program suspensions for one year.
- The Budget assumes a **5% permanent reduction in state operations expenditures**, challenging departments and agencies to find more efficient means to provide services to Californians.

## **Investments in Economic Recovery**

**\$4.5 billion** for the **Equitable Recovery for California's Businesses and Jobs plan**, which includes:

- **\$777.5 million for a California Jobs Initiative**, which focuses on job creation and retention, regional development, small businesses and climate innovation. This includes:
  - **\$340 million** for the **California Competes Tax Credit**, including a new grant component dedicated to job creation and investments in infrastructure.
    - Increases the annual allocation cap from \$180 million per year to \$280 million per year.
    - The new \$250 million grant program dedicates \$50 million to "high-need, high-opportunity areas of the state."
  - **\$100 million** to expand the **Main Street Small Business Tax Credit from \$100 million to \$200 million**. This credit supports the hiring new employees and rehiring former employees.
  - Mitigating the **state and local tax deduction limitation** for S-corporation shareholders.
  - **\$35 million** to expand the **California Dream Fund**, which was authorized and appropriated \$10 million as part of the 20-21 budget deal. This program is intended to provide seed grants to social entrepreneurs and small businesses in underserved communities.
  - **\$50 million** to recapitalize the **Small Business Loan Guarantee** programs offered through the Small Business Finance Center at the IBank. The \$50 million can leverage up to \$250 million in loans.
  - **\$50 million** to the **California Infrastructure and Economic Development Bank** to undertake activities that benefit underserved businesses in California. This may include the **California Rebuilding Fund**, which offers blended loans through mission driven lenders, including community development financial institutions. The Fund was initially authorized and funded as part of the 2020-21 Budget (\$25 million). An additional \$12.5 million in capitalization was announced in November 2020.

- **\$100 million** to expand the **sales tax exclusion program** administered by the California Alternative Energy and Advanced Transportation Financing Authority. The program is intended to reduce the cost of manufacturing equipment in order to promote innovation and meet the state's climate goals.
- **\$575 million** for the **Small Business COVID-19 Relief Grant** program, which provides grants to small-businesses and nonprofits disproportionately impacted by the pandemic.
  - This would more than double the \$500 million allocated by the Governor in consultation with the Legislature on November 30, 2020.
- **\$500 million** to the **Infill Infrastructure Grant Program** to fund the development of 7,500 new permanently affordable homes. These funds will help defray the costs of sewers, roads and site preparation, while also supporting construction jobs. \$250 million of these funds are proposed for early action.
- **\$385 million** for targeted investments to build a more sustainable agricultural industry.
- **\$300 million** one-time General Fund for **deferred maintenance of state properties**, including the greening of state properties and instillation of electric vehicle charging stations at state-owned facilities.
- **\$70.6 million** for fee waivers for businesses and individuals impacted by the pandemic, including barbers, cosmetologists, manicurists, bars and restaurants.

### **Investments in Education and Workforce Development**

- **\$90 billion** to support California schools – largest commitment to public K-12 education in California's history. \$85.8 billion of these funds fall under Proposition 98. This includes:
  - **\$2 billion** to support and accelerate **safe returns to in-person instruction**.
  - **\$4.6 billion** to help **students bounce back** from the impacts of the pandemic.
  - **\$400 million** for school-based **mental health services**.
- **\$367.9 million** to support workforce training that assists California's workers as they adapt to changes in the economy brought about by COVID-19, including:
  - **\$250 million** to support "workforce development and better linkages between higher education and gainful employment, focusing on communities that have been systematically excluded from opportunities to build skills and create wealth."
  - **\$25 million** to expand existing **High Road Training Partnership Program** apprenticeship programs, and "additional funding for the **California Apprenticeship Initiative** work-based learning opportunities through the community colleges."
  - Funding for these programs is included within the Governor's \$4.5 billion **Equitable Recovery for California's Businesses and Jobs** plan.
- Proposes the establishment of a new **Department of Better Jobs and Higher Wages** and statutory changes to **consolidate the workforce functions** currently spread across the Labor and Workforce Development Agency. Consolidated workforce functions include: The California Workforce

Development Board, the Employment Training Panel, and Workforce Services Branch and Labor Market Information Division, which are currently in the Employment Development Department, and the Division of Apprenticeship Standards currently in the Department of Industrial Relations.

- **\$800 million** in early education strategies, including:
  - **\$300 million** in ongoing funds for **early intervention** for infants, toddlers and preschoolers.
  - **\$250 million** in incentive grants to school district to **expand high-quality transitional kindergarten programs** for all four-year-olds.
  - **\$200 million** for **transitional kindergarten and kindergarten facilities**.
  - **\$50 million** for **professional development** focused on preparing teachers for early childhood programs.
- **Investments in higher education** includes:
  - **Increase of \$786 million** for the **University of California** and the **California State University** “with an expectation that they focus on measurable goals to address equity gaps, further maintain online educational opportunities and expand dual admissions and other innovative strategies that reduce time to degree completion.”
  - The proposed budget **assumes resident tuition and fees remain flat** in 2021-22.
  - \$12.9 million to support and expand existing UC Medical Programs in Medical Education and to establish a new UC Program in Medical Education focusing on Native American communities.
- **\$15 million** to support the continued development of the **Cradle-to-Career Data System**.
- **\$3.8 million** to support the **California Career Guidance Initiative**.

#### **Investments in Climate Change Response, Adaption, and Mitigation**

- **\$1.5 billion** for constructing **electric charging and hydrogen fueling stations** and subsidizing purchases of **zero-emissions cars** by low-income individuals. Includes \$465 million for zero-emission vehicles and \$1 billion for zero-emission vehicle securitization.
  - Other eligible expenditures include the purchase of clean trucks, buses, and off-road freight equipment and “Clean Cars 4 All programs.”
  - Funding for these programs is included within the Governor’s \$4.5 billion Equitable Recovery for California’s Businesses and Jobs plan.
- **\$1 billion** to address a **comprehensive wildfire and forest resilience strategy**.
- **\$143 million** to support **30 new fire crews**.
- **\$48 million** to continue phasing in **Black Hawk helicopters and large air tankers**.
- **\$97 million** for the **Climate Catalyst Fund** at the Infrastructure and Economic Development Bank to support forest resilience (\$47 million) and agriculture-specific projects (\$50 million). The Climate Catalyst Fund was established in 2020 to provide a flexible financing tool for climate-related projects.

This program is included within the Governor's \$4.5 billion Equitable Recovery for California's Businesses and Jobs plan.

- **\$17.3 million** for **earthquake early warning**.



## Appendix F

### Income Inequality is Not New – Lessons from the Great Recession

This appendix includes background on the ongoing income inequality challenges California faces. Even prior to the pandemic, economic growth out of the Great recession was uneven and created conditions that often deepened the economic and social disparities.

#### The Challenge of Income Inequality

While California’s dominance in innovation-based industries is unquestionable, the divide between the middle- and lower-income households and the top income earners is accelerating. Even as California’s unemployment is at historic lows, unemployment within certain geographic regions and population groups remains significantly higher, as does the number of people in the state who are not participating within the core economy. *Chart 1A – Selected Data on Unemployment* shows unemployment-related information by selected counties and population groups for December 2018 and December 2019.

Chart 1A - Selected Data on Unemployment (2018-2019)					
	Unemployment Rate December 2019 (Not Seasonally Adjusted)	Unemployment Rate December 2018 (Not Seasonally Adjusted)		Unemployment Rate December 2019 (12-month moving average)	Unemployment Rate December 2018 (12-month moving average)
California	3.7%	4.1%	California	4.1%	4.2%
Colusa County	14.2%	15.7%	Blacks	5.4%	6.5%
Imperial County	17.0%	17.3%	Hispanics	4.8%	5.1%
Los Angeles County	4.0%	4.6%	Whites	4.0%	4.1%
Riverside County	3.6%	4.1%	16 to 19 years old	14.5%	16.2%
Sacramento County	3.2%	3.7%	20 to 24 years old	7.4%	7.1%
San Bernardino County	3.3%	3.8%	25 to 34 years old	4.1%	4.4%
San Luis Obispo County	2.5%	2.8%	*The Employment Development Department reports a December 2019 Labor Participation Rate (LPR) of 62.2% representing 11.8 million people in California who were not participating in the workforce. The LPR for veterans is 43.4 vs nonveterans LPR of 65.8%.		
San Mateo County	1.7%	2.0%			
Tulare County	9.3%	9.6%			
Source: <a href="http://www.edd.ca.gov">www.edd.ca.gov</a>					

With unemployment at 4.1%, rural areas like Imperial and Colusa County still experienced unemployment levers more than 4 times that statewide average. As noted in the Chart, with historically low unemployment, there were still 11.8 million people not participating in the labor force.

The nearly 120 months to economic growth from the Great Recession only slightly improved employment opportunities in many areas of the state, while some others fell below what economist consider appropriate structural unemployment (below 3%).

In December 2019, California reported a not seasonally adjusted unemployment rate of 3.7% as compared to the U.S. rate of [3.4%](#). From the employment side, this represents 15.3 million people, with over 82.3% being employed in full time work.

In December 2019, 13 of California's 58 counties had unemployment below 3%, with San Mateo reporting the lowest at 1.7%. The highest unemployment was reported in Imperial (17.0%). Year-over (December 2018-December 2019), [52](#) counties reported employment increases, and 6 counties experienced employment declines from the prior year.

**Chart 1B – Selected Data on Unemployment** shows unemployment-related information by selected counties and population groups for a time period that includes COVID-19, December 2019 and December 2020.

Chart 1B- Selected Data on Unemployment (2019-2020)					
	Unemployment Rate December 2020 (Not Seasonally Adjusted)	Unemployment Rate December 2019 (Not Seasonally Adjusted)		Unemployment Rate December 2020 (12-month moving average)	Unemployment Rate December 2019 (12-month moving average)
California	8.8%	3.7%	California	10.2%	4.1%
Colusa County	15.5%	14.2%	Blacks	12.2%	5.4%
Imperial County	17.7%	17.0%	Hispanics	11.7%	4.8%
Los Angeles County	10.7%	4.0%	Whites	9.9%	4.0%
Riverside County	9.1%	3.6%	16 to 19 years old	23.6%	14.5%
Sacramento County	8.5%	3.2%	20 to 24 years old	16.4%	7.4%
San Bernardino County	9.2%	3.3%	25 to 34 years old	10.7%	4.1%
San Luis Obispo County	6.7%	2.5%	*The Employment Development Department reports a December 2020 Labor Participation Rate (LPR) of 60.5% representing 12.3 million people in California who were not participating in the workforce. The LPR for veterans is 44.4 vs nonveterans LPR of 64.6%.		
San Mateo County	5.8%	1.7%			
Tulare County	11.8%	9.3%			
Source: <a href="http://www.edd.ca.gov">www.edd.ca.gov</a>					

In December 2020, California reported a not seasonally adjusted unemployment rate of 8.8% as compared to the U.S. rate of 6.5%. From the employment side, this represents 14.1 million people, with 83.1% being employed in full time work. Within nonfarm industries, six sectors saw month-over increases, including professional and business services (29,600 additional jobs) and educational and health services (6,100 additional jobs) and five sectors experienced month-over job losses.

In December 2020, 5 of California's 58 counties had unemployment below 6.5%, with Marin County reporting the lowest at 5.5%. The highest unemployment was reported in Imperial (17.7%). Year-over (December 2019-December 2020), 58 counties experienced employment declines from the prior year.

These disparities shown in these charts are driven by and also influence a range of economic and societal issues, including, but not limited to, low educational attainment, economic insecurity, poor health outcomes, lack of a safety net for the elderly and individual with special needs, negative engagements with law enforcement, and homelessness.

The California Latino Economic Institute released a new policy brief in December 2020, which provides new data on the disparate and growing negative impact of COVID-19 on Latinos in California. Among other findings, the briefing noted the following:

- Latinos are overrepresented among California's COVID-19 cases and deaths—59% of cases and 49% of the state's deaths.
- Latino overrepresentation in California's cases has increased since April 2020.
- Nearly 12% of California Latinos are currently uninsured—double the rate of other groups.
- Latino unemployment rates are double those from the same time last year.
- Nearly two-thirds of California Latinos report experiencing a loss of employment income since March 2020.
- Over 40% of Latinos currently report that it is somewhat or very difficult to pay their usual household expenses in the last 7 days.
- Over three-quarters of California small business owners report that COVID-19 has had a moderate to large effect on their businesses.

**Chart 2** provides information from the California Department of Public Health relating to COVID-19 cases in California by race and ethnicity.

<b>Chart 2 - All Cases and Deaths Associated with COVID-19 by Race and Ethnicity</b>					
<b>Race/Ethnicity</b>	<b>No. Cases</b>	<b>Percent Cases</b>	<b>No. Deaths</b>	<b>Percent Deaths</b>	<b>Percent CA population</b>
Latino	1,449,831	55.1%	21,466	46.2%	38.9%
White	526,046	20.0%	14,689	31.6%	36.6%
Asian	178,375	6.8%	5,371	11.6%	15.4%
African American	106,708	4.1%	2,891	6.2%	6.0%
Multi-Race	39,026	1.5%	578	1.2%	2.2%
American Indian or Alaska Native	8,574	0.3%	163	0.4%	0.5%
Native Hawaiian and other Pacific Islander	14,915	0.6%	280	0.6%	0.3%
Other	307,116	11.7%	1,028	2.2%	0.0%
Total with data	2,630,591	100.0%	46,466	100.0%	100.0%
California Department of Public Health: 2/20/21 <a href="https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Race-Ethnicity.aspx">https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/Race-Ethnicity.aspx</a>					

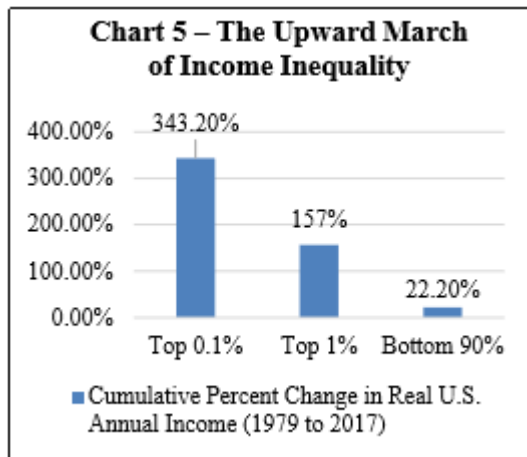
The chart above, *All Cases and Deaths Associated with COVID-19 by Race and Ethnicity*, represents data from 3,421,720 total cases with 23% of those cases missing race/ethnicity. Approximately 2% of the death data is missing race/ethnicity.



## Are these Lessons to be Learned from the Recovery of the Great Recession?

California is not unique in experiencing a rise in income inequality in the post-Great Recession era. The following is information from a September 2019 hearing JEDE held on income inequality.

National data shows that while the top 1% of income households were significantly impacted by the recession, by 2017 annual revenues had risen to the highest levels ever. Between 1979 and 2017, the income for the top 1% of income households cumulatively rose by 157%.



*Chart 5 – The Upward March of Income Inequality* is based on data from “Working Economies,” a blog of the Economic Policy Institute, and shows the significant divergent increases in income between three groups during the period of 1979 through 2017. For the top 0.1% of income households, earnings had increased by 343.2%, as compared to the earnings of the bottom 90% of households, which experienced an increase of only 22.2%.

The Economic Policy Institute also reviewed income inequality by state and major metropolitan area. Based on 2015 data, every state had a sizable gap between the top 1% and the bottom 99%, with the national average being a top-to-

bottom ratio of 26.3-to-1. In eight states, plus the District of Columbia (30.4-to-1), the top-to-bottom ratio exceeded the national average, including California which received a 30.7-to-1.

Other states with above national average income inequality included New York (44.4-to-1); Florida (39.5-to-1); Connecticut (37.2-to-1); Nevada (32.7-to-1); Wyoming (31.2-to-1); Massachusetts (30.9-to-1); and Illinois (27-to-1). These income discrepancies were also reported by metropolitan areas, where 45 of the 916 major metropolitan areas in the U.S. had income gaps wider than the national average.

In order to qualify as a top 1% household in 2015, family income needed to be above \$421,926. There were 13 states and 107 metro areas in the U.S. with 1% household incomes above the national average, themselves averaging a 1% household income of \$514,694. Further, of all income that accrued to 1% households in 2015, a full 50% accrued to households in five states, including California.

The average annual income in California for a top 1% household was \$1.69 million. The top 1% took home 23.7% of all income in California. By comparison, the average income for the other 99% of households in California was \$55,152. The San Jose-Santa Clara metro area had the most unequal income distribution in the state, with the top 1% making 34.6 times the income of the bottom 99%. Overall, California ranks 7th of all 50 states in income inequality.

According to the report, “The New Gilded Age,” these findings are particularly significant, as the rise of top incomes relative to the bottom 99% represents a reversal of the trend that prevailed in the U.S. during the mid-20th century. From 1928 to 1973, the share of income held by the top 1% declined in every state for which data was available.

## What Happened to the California Dream?

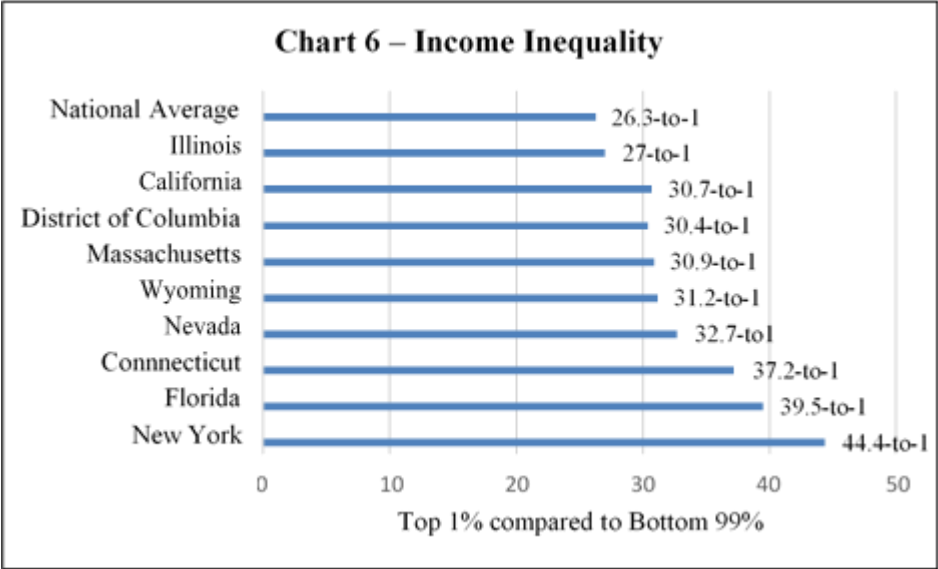
The impact of income inequality was being felt across a broad spectrum of our society in the post-Great Recession era. The ability to get an education, pursue a career, purchase a home, and live-out old age

with some level of economic security is being challenged. While median income remains above \$80,000 a year, nearly 12% of households in California have incomes below the federal poverty line, including 12.5% of all children. For too many people, a big medical bill or an unforeseen home repair, could result in a downward spiral potentially even ending in homelessness. An estimated 151,278 individuals experienced homelessness in 2019, based on the single-night survey method.

In 2016, McKinsey issued a study that found that for the first time since WWII – across the top 25 most developed economies in the world – household incomes had actually decreased. Historically, every generation had experienced an increase in income. However, between 2005 and 2014, real incomes were flat or fell for 65% to 70% of households.

The Public Policy Institute of California published data for a similar time span for households in California. **Chart 6 – Income Inequality in California** shows the growing income inequality within six major regions in the state. Between 2007 and 2014, the income gap grew most significantly in the Inland Empire, followed by the Sacramento Region.

Additional information about the California economy can be found in **Appendix B (page 31)**.





## **Appendix G**

### **California Small Business COVID-19 Grant Program**

In late November 2020, Governor Newsom reached out the California Legislative leaders to discuss the possibility of a state grant program for small businesses and nonprofits. While the state had activated its [Small Business Disaster Loan Guarantee Program](#) in the spring and authorized the development of a new blended loan program, which became the [California Rebuilding Fund](#), it was clear that for the state's smallest businesses grants would be needed. Appendix F (page 53) includes the memorandum the Chair of the Assembly Jobs Committee sent to the Administration expressing key priority and programmatic considerations.

After consultation with Assembly and Senate leadership, as well as policy and fiscal chairs, [the Governor announced](#) the new \$500 million Small Business COVID-19 Relief Program on December 4, 2020. Within weeks a competitively bid contract was awarded to Lendistry to administer the program on behalf of the Office of the Small Business Advocate and GO-Biz.

Technical assistance webinars describing the program and how to apply were held daily, sometime more often, between December 23 and January 4, 2021. The core of the webinars were hosted by the California Small Business Development Network. Webinars were offered in a range of languages, which included, in addition to English, webinars in Arabic, Armenian, English, Farsi, Korean, Mandarin, Spanish, Tagalog, Vietnamese.

Outreach was also subcontracted to many nonprofits technical assistance and advocacy organizations, including, but not limited to, statewide organizations like the American Indian Chamber of Commerce, Black Small Business Association of California, CalAsian Chamber California Association for Microenterprise Opportunity (CAMEO), California Association of Nonprofits, California Hispanic Chambers of Commerce, California Manufacturing Technology Consulting, California Small Business Development Center, and CA Women's Business Center Network. The outreach network also included local and regional partners, such as the Fresno Area Hispanic Foundation, Los Angeles County Economic Development Corporation, and the Southern California Black Chamber of Commerce.

The Lendistry online platform, <https://careliefgrant.com/> offers applicants an opportunity to apply through a nonprofit partner which indicated that it specifically served people in their county or through a nonprofit partner that offers assistance in a selected language other than English.

Grant award amounts are based on the annual revenues of eligible businesses:

- Businesses with revenues between \$1,000 to \$100,000 may receive a \$5,000 grant.
- Businesses with revenues greater than \$100,000 up to \$1,000,000 may receive a \$15,000 grant.
- Businesses with revenues greater than \$1,000,000 up to \$2,500,000 may receive \$25,000 grant.

The initial \$500 million was distributed in two rounds of \$237.5 million each:

- Round 1 applications opened on December 30, 2020, and closed January 13, 2021, following an extension to allow businesses and nonprofits who may not have heard amount the grant during the holiday season to apply. Notifications began going out on a rolling basis beginning on January 15, 2021.

- Applicants who submitted applications, including all documentation, in the first round did not need to reapply. All qualified applications were automatically rolled over into the second funding round for consideration.
- Round 2 applications opened on February 2, 2021, and closed February 8, 2021. Notifications began going out to applicants on February 11 and were intended to be completed on February 18, 2021.

### High Level of Interest in Round One

According to data provided by the California Office of the Small Business Advocate, over 334,000 applications requesting nearly \$4.4 billion in grants were successfully completed in the first round. The most recent data shows that just over 21,000 applicants were selected for award, or just over 6% of the total first round requests.

**Chart 7** includes information on Round 1 awards to underserved businesses and **Chart 8** provides Round 1 awards for highly impacted industries. **Appendix H** (page 63) includes data by county. Please note that these charts are comprised of preliminary data.

<b>Chart 7: Underserved Small Businesses Awarded CA Relief Grant Round 1</b>				
	<b>Number of Awardees</b>	<b>% of Total Selected in Round 1</b>	<b>Amount Awarded</b>	<b>% of Total Amount Awarded in Round 1</b>
<b><i>Underserved Small Businesses</i></b>	<b><i>16,240</i></b>	<b><i>77.1%</i></b>	<b><i>\$174,746,860</i></b>	<b><i>74.0%</i></b>
Minority	11,210	53.2%	\$116,987,000	49.5%
Women	10,312	48.9%	\$105,249,000	44.5%
Rural	2,998	14.2%	\$33,668,772	14.2%
Low-to Moderate Income (LMI) Tract	12,292	58.3%	\$134,503,000	56.9%
Veteran	519	2.5%	\$7,150,200	3.0%
*Please note that applicants can fit into more than one category above				
Source: Data provided by the California Department of Finance 1/25/21				

<b>Chart 8: Highly Impacted Industries Awarded CA Relief Grant Round 1</b>				
	<b>Number of Awardees</b>	<b>% of Total Selected in Round 1</b>	<b>Amount Awarded</b>	<b>% of Total Amount Awarded in Round 1</b>
<b><i>Highly Impacted Industries</i></b>	<b><i>12,878</i></b>	<b><i>61.1%</i></b>	<b><i>\$147,932,429</i></b>	<b><i>62.6%</i></b>
Personal Care	5,651	26.8%	\$49,303,826	20.9%
Restaurant and Other Eating Places	2,089	9.9%	\$36,827,533	15.6%
Child Daycare Services	670	3.2%	\$6,078,996	2.6%
Clothing Stores	653	3.1%	\$7,801,566	3.3%
Specialty Food	442	2.1%	\$5,765,500	2.4%
Other Highly Impacted industries	3,373	16.0%	42,155,008	17.8%
Source: Data provided by the California Department of Finance 1/25/21				

## Moving Forward

The Governor's proposed budget for 2021-22 proposed an additional \$575 million for the grant program. Given the high level of interest, the Legislature and the Governor negotiated for \$2.1 billion and the codification of the program. [SB 87](#) is scheduled to be voted on February 22, 2021.

The new bill would not only authorize new funding rounds, but it also authorizes the California Office of the Small Business Advocate to hold a third funding round for eligible applicants in Round 2, which were not ultimately funded. In preparation for the Legislature's consideration of SB 87, additional data, but aggregate data was provided on funding Round 1 and 2.

All Selected - For Profit Entities				
Category	Unit	Volume	Percentage by Unit	Percentage by Volume
<b>Total Grants</b>	41342	\$455,976,862.00	100.00	100.00
<i>% of total</i>	95.22%	94.81%		
<b>Demographics</b>				
Underserved & Disadvantaged	35924	\$386,251,838.00	86.89	84.71
Minority	22343	\$235,426,501.00	54.04	51.63
Non-Minority	18999	\$220,550,361.00	45.96	48.37
African-American	3334	\$31,424,876.00	8.06	6.89
Alaskan Native	10	\$75,000.00	0.02	0.02
Asian	11853	\$131,840,206.00	28.67	28.91
Hawaiian Native	37	\$375,000.00	0.09	0.08
Native American	721	\$7,080,503.00	1.74	1.55
Other Pacific Islander	886	\$9,210,948.00	2.14	2.02
Hispanic or Latino	6741	\$67,516,818.00	16.31	14.81
Women	21369	\$214,878,568.00	51.69	47.12
Rural	4719	\$51,299,206.00	11.41	11.25
LMI Tract	26780	\$291,585,853.00	64.78	63.95
Low Wealth Area	2757	\$30,371,456.00	6.67	6.66
Veteran	716	\$8,522,999.00	1.73	1.87
<b>Impacted Industries</b>				
Highly Impacted Industries	23645	\$263,386,244.00	63.87	65.37
Other Impacted Industries	17697	\$192,590,618.00	36.13	34.63
Data was provided by GO-Biz 2/20/21				

SB 87 also addresses a number of issues raised by Members, which were based on comments from constituents and questions which arose from a review of the data. Besides technology challenges during Round 1, which are reported to have been adequately addressed in the second round, two additional issues were outreach and accountability that priority underserved small business owners were, in fact, having an opportunity to receive grant funds. Outreach and accountability were addressed in SB 87, in the following ways:

- **Codification:** The grant program is being codified through enactment of SB 87, which means that related fiscal and policy committees can hold the program accountable. Knowing this will incentivize GO-Biz and the fiscal agent to fully embrace the statutorily mandated outreach.
- **General Mandated Engagement:** The bill requires that the implementation of the program include consultations with local, regional, state, and federal public and private entities.
- **Specific Outreach Activities:** SB 87 requires the Office of the Small Business Advocate to conduct marketing and outreach to ensure equitable awareness and the distribution of grants. In meeting this requirement, the Office of the Small Business Advocate is required to:
  - Engage multiple partners, including, but not limited to, business and nonprofit associations, chambers of commerce, economic development corporations, and other nonprofit mission-based organizations, and organizations with nonprofit expertise.
  - Provide access to technical assistance services covering all counties in the state and in multiple languages to reach non-English-speaking individuals in all counties in the state.
  - Build awareness throughout the state, including in underserved and underbanked communities, by collaborating with multiple community groups to distribute program information, applicant access through multiple branded partner portals, and advertising and social media outreach through owned, paid, and earned media channels.
- **Time Specific Outreach:** Each new funding round is required to be preceded by at least three weeks of outreach activities to small businesses and nonprofits.
- **Using Data to Improve Outreach:** Following each new funding round, the fiscal agent is required to assess service gaps and address outreach deficiencies as necessary to improve program equity.
- **Transparency and Accountability:** The bill requires specific reporting and timelines on awards, including a report to the Legislature.

## Next round of Funding

- **Round 3 (waitlisted applicants from Rounds 1 and 2): Friday, March 5th through Thursday, March 11th, 2021**
  - ✓ Eligible applicants: This is a closed round and only available to eligible applicants who were waitlisted in Rounds 1 and 2 – only existing applicants will be selected. If you were waitlisted, you do not need to reapply. New applications will not be accepted in this round.
  - ✓ Eligible grant award: \$5,000 to \$25,000
  - ✓ Details: This is a closed funding round; no new applications will be accepted
- **Round 4 (non-profit cultural institutions only): Tuesday, March 16th through Tuesday, March 23rd, 2021**
  - ✓ Eligible applicants: Only non-profit cultural institutions with any revenue size that meet eligibility criteria found at [CAReliefGrant.com](https://CAReliefGrant.com)
  - ✓ Eligible grant award: \$5,000 - \$25,000
  - ✓ Details: Eligible non-profit cultural institutions must complete a new application even if they already applied in Rounds 1 and 2; grants will only be available to non-profits cultural institutions that did not receive funding in Rounds 1, 2 or 3; grants will be prioritized based on the documented percentage revenue declines based on a reporting period comparing Q2 and Q3 of 2020 versus Q2 and Q3 of 2019

- **Round 5: Thursday, March 25th through Wednesday, March 31st**
  - ✓ Eligible applicants: current waitlisted small businesses and non-profits not selected in Rounds 1, 2, or 3 and new applicants that meet eligibility criteria found at [CAREliefGrant.com](https://CAREliefGrant.com)
  - ✓ Eligible grant award: \$5,000 - \$25,000
  - ✓ Details: Applicants not selected to receive a grant in Rounds 1, 2, & 3 do not need to reapply as they will be automatically moved into Round 5. New applicants will need to apply at [CAREliefGrant.com](https://CAREliefGrant.com)
- **Round 6: Date to be announced soon**
  - ✓ Eligible applicants: current waitlisted small businesses and/or non-profits not selected in Rounds 1, 2, 3, 4 or 5 and new applicants that meet eligibility criteria found at [CAREliefGrant.com](https://CAREliefGrant.com)
  - ✓ Eligible grant award: \$5,000 - \$25,000
  - ✓ Details: Applicants not selected to receive a grant in Rounds 1, 2, 3 & 5 do not need to re-apply and will be automatically moved into Round 6. New applicants will need to apply at [CAREliefGrant.com](https://CAREliefGrant.com)





# Appendix H

## Initial Data from Department of Finance on Small Business COVID-19 Grant Program

**Table 1: Geographic Distribution of CA Relief Grant Round 1**

County	Amount Requested	% of Total	Number of Requests	% of Total	Total Population	% of Total	Total Working Age Pop	% of Total
Alameda	\$10,097,744	4.3%	884	4.2%	1,671,329	4.2%	956,523	4.5%
Alpine	\$45,000	0.0%	5	0.0%	1,129	0.0%	533	0.0%
Amador	\$175,000	0.1%	17	0.1%	39,752	0.1%	20,608	0.1%
Butte	\$1,276,500	0.5%	94	0.4%	219,186	0.6%	102,943	0.5%
Calaveras	\$250,000	0.1%	24	0.1%	45,905	0.1%	22,489	0.1%
Colusa	\$102,000	0.0%	14	0.1%	21,547	0.1%	10,553	0.1%
Contra Costa	\$6,820,499	2.9%	627	3.0%	1,153,526	2.9%	614,668	2.9%
Del Norte	\$150,000	0.1%	9	0.0%	27,812	0.1%	14,804	0.1%
El Dorado	\$1,125,000	0.5%	96	0.5%	192,843	0.5%	99,125	0.5%
Fresno	\$6,070,092	2.6%	527	2.5%	999,101	2.5%	495,065	2.3%
Glenn	\$135,000	0.1%	13	0.1%	28,393	0.1%	13,756	0.1%
Humboldt	\$769,494	0.3%	78	0.4%	135,558	0.3%	67,709	0.3%
Imperial	\$1,072,500	0.5%	92	0.4%	181,215	0.5%	87,480	0.4%
Inyo	\$85,000	0.0%	5	0.0%	18,039	0.0%	8,920	0.0%
Kern	\$5,495,000	2.3%	466	2.2%	900,202	2.3%	450,207	2.1%
Kings	\$771,000	0.3%	62	0.3%	152,940	0.4%	78,999	0.4%
Lake	\$349,750	0.1%	28	0.1%	64,386	0.2%	31,676	0.2%
Lassen	\$130,000	0.1%	12	0.1%	30,573	0.1%	17,624	0.1%
Los Angeles	\$60,827,462	25.7%	5,314	25.2%	10,039,107	25.4%	5,547,860	26.3%
Madera	\$818,010	0.3%	79	0.4%	157,327	0.4%	77,006	0.4%
Marin	\$1,430,000	0.6%	116	0.6%	258,826	0.7%	131,001	0.6%
Mariposa	\$115,000	0.0%	7	0.0%	17,203	0.0%	8,437	0.0%
Mendocino	\$500,000	0.2%	37	0.2%	86,749	0.2%	42,283	0.2%
Merced	\$1,672,000	0.7%	153	0.7%	277,680	0.7%	133,782	0.6%
Modoc	\$45,000	0.0%	5	0.0%	8,841	0.0%	4,165	0.0%
Mono	\$65,000	0.0%	5	0.0%	14,444	0.0%	8,235	0.0%
Monterey	\$2,638,990	1.1%	233	1.1%	434,061	1.1%	217,745	1.0%
Napa	\$830,000	0.4%	68	0.3%	137,744	0.3%	71,192	0.3%
Nevada	\$565,000	0.2%	52	0.2%	99,755	0.3%	48,773	0.2%
Orange	\$19,070,461	8.1%	1874	8.9%	3,175,692	8.0%	1,715,453	8.1%
Placer	\$2,344,000	1.0%	214	1.0%	398,329	1.0%	202,009	1.0%
Plumas	\$92,500	0.0%	12	0.1%	18,807	0.0%	9,019	0.0%
Riverside	\$14,537,499	6.2%	1172	5.6%	2,470,546	6.3%	1,255,213	5.9%
Sacramento	\$9,338,601	4.0%	973	4.6%	1,552,058	3.9%	834,234	4.0%
San Benito	\$335,000	0.1%	34	0.2%	62,808	0.2%	32,804	0.2%
San Bernardino	\$13,112,992	5.5%	1082	5.1%	2,180,085	5.5%	1,130,499	5.4%
San Diego	\$19,929,371	8.4%	1988	9.4%	3,338,330	8.4%	1,803,720	8.5%
San Francisco	\$5,347,500	2.3%	463	2.2%	881,549	2.2%	561,258	2.7%
San Joaquin	\$4,622,997	2.0%	386	1.8%	762,148	1.9%	384,980	1.8%
San Luis Obispo	\$1,655,000	0.7%	135	0.6%	283,111	0.7%	132,075	0.6%
San Mateo	\$4,561,966	1.9%	381	1.8%	766,573	1.9%	428,936	2.0%

County	Amount Requested	% of Total	Number of Requests	% of Total	Total Population	% of Total	Total Working Age Pop	% of Total
Santa Barbara	\$2,704,999	1.1%	211	1.0%	446,499	1.1%	208,307	1.0%
Santa Clara	\$11,656,695	4.9%	1030	4.9%	1,927,852	4.9%	1,082,519	5.1%
Santa Cruz	\$1,593,993	0.7%	133	0.6%	273,213	0.7%	133,480	0.6%
Shasta	\$1,045,869	0.4%	93	0.4%	180,080	0.5%	89,623	0.4%
Sierra	\$65,000	0.0%	5	0.0%	3,005	0.0%	1,410	0.0%
Siskiyou	\$235,000	0.1%	19	0.1%	43,539	0.1%	20,474	0.1%
Solano	\$2,610,195	1.1%	232	1.1%	447,643	1.1%	237,978	1.1%
Sonoma	\$2,911,000	1.2%	252	1.2%	494,336	1.3%	257,233	1.2%
Stanislaus	\$3,304,698	1.4%	290	1.4%	550,660	1.4%	277,262	1.3%
Sutter	\$590,000	0.2%	48	0.2%	96,971	0.2%	48,591	0.2%
Tehama	\$317,500	0.1%	31	0.1%	65,084	0.2%	31,974	0.2%
Trinity	\$56,648	0.0%	5	0.0%	12,285	0.0%	6,021	0.0%
Tulare	\$2,831,500	1.2%	285	1.4%	466,195	1.2%	222,974	1.1%
Tuolumne	\$282,014	0.1%	19	0.1%	54,478	0.1%	27,064	0.1%
Ventura	\$4,954,000	2.1%	439	2.1%	846,006	2.1%	440,979	2.1%
Yolo	\$1,301,011	0.6%	105	0.5%	220,500	0.6%	101,721	0.5%
Yuba	\$450,000	0.2%	34	0.2%	78,668	0.2%	39,461	0.2%
<b>Total California</b>	<b>\$236,284,050</b>	<b>100.0%</b>	<b>21,067</b>	<b>100.0%</b>	<b>39,512,223</b>	<b>100.0%</b>	<b>21,101,432</b>	<b>100.0%</b>
Source: Provided by the Department of Finance								

# Appendix I

## Fast Facts on California Trade and Foreign Investment

If California were a country, with a 2019 state GDP of \$3.2 trillion, it would have the 5<sup>th</sup> largest GDP in the world (latest data from 2018 with California GDP of 2.9 trillion dollars).<sup>xxix</sup> In 2019, California two-way trade (imports and exports) totaled \$502.1 billion in products, representing 13.3% of total US imports and exports.<sup>xxx</sup>

### California and World Markets

- In 2019, California GDP grew from \$2.9 trillion to **\$3.2 trillion**, ranking the state's economy as the **5<sup>th</sup> largest in the world** [latest data from 2018 with California GDP of 2.9 trillion dollars], as compared to national economies. Only the economies of the US, China, Japan, and Germany are larger.<sup>xxxi</sup>
- **Exports** out of California were valued at **\$156.1 billion** in 2020, representing 10.9% of total US exports and rendering the state the 36<sup>th</sup> largest exporter in the world.<sup>xxxix</sup> For comparison of growth over time, California exported \$174 billion in 2014.<sup>xxxiv</sup>
- California's **largest export market** is **Mexico**, where the value of exports totaled \$24.1 billion in 2020. After Mexico, California's top export markets in 2020 were: China and Hong Kong (\$21.4 billion), Canada (\$15.9 billion), Japan (\$10.7 billion), South Korea (\$9.8 billion), Taiwan (\$7.4 billion), Germany (\$6.5 billion), Netherlands (\$5.7 billion), India (\$5 billion), the United Kingdom (\$5 billion), and Belgium (\$4.3 billion).<sup>xxxv</sup>
- California's **top seven exports** in 2020 were: computer and electronic products (\$37.6 billion), transportation equipment (\$17.3 billion), machinery, except electrical (\$16.8 billion), chemicals (\$14.5 billion), agricultural products (\$13.4 billion), miscellaneous manufactured commodities (\$11.1 billion), and food manufactures (\$9.8 billion).<sup>xxxvi</sup>
- California exported **\$24.1 billion in products to Mexico** in 2020. The top six exports to Mexico were: computer and electronic products (\$5.4 billion), transportation equipment (\$2.8 billion), electrical equipment, appliances, and components (\$1.9 billion), machinery, except electrical (\$1.9 billion), chemicals (\$1.5 billion), and plastics and rubber products (\$1.4 billion).<sup>xxxvii</sup>
- California exported **\$21.4 billion in products to China** (\$15.02 billion), including Hong Kong (\$6.33 billion). The top five exports to China (only) were: computer and electronic products (\$4.0 billion), machinery, except electrical (\$3.1 billion), chemicals (\$1.6 billion), transportation equipment (\$1.2 billion), and agricultural products (\$1.1 billion).<sup>xxxviii</sup>
- California's **third largest export market is Canada**, with exports totaling \$15.9 billion in 2020. The top four exports to Canada were: computer and electronic products (\$4.5 billion), agricultural products (\$2.5 billion), transportation equipment (\$1.7 billion), food manufactures (\$1.4 billion), and chemicals (\$900 million).<sup>xxxix</sup>
- **Imports into California** were valued at \$396 billion in 2020, representing 16.9% of total US imports and ranking the state the 19<sup>th</sup> largest importer in the world [latest data from 2018 when California import total was 408.3 billion].<sup>xl</sup>
- China is the **largest source of imports to California**, valued at \$130.3 billion from Mainland China and \$590.4 million from Hong Kong in 2020. Imports from Mexico ranked second (\$47.9 billion), Canada third (\$26.5 billion); and South Korea fourth (\$21.1 billion).<sup>xli</sup>

- **Largest total of products imported** in 2020 by dollar: computer and electronic products (\$113.1 billion & 28.6%), transportation equipment (\$53.9 billion & 13.6%), electrical equipment, appliances & components (\$26.8 billion & 6.8%), miscellaneous manufactured commodities (\$24.2 billion & 6.1%), machinery, except electrical (\$19.8 billion & 5.0%), apparel manufacturing products (16.9 billion & 4.3%).<sup>xlii</sup>

## **Trade and Jobs**

- In 2017, California's **763,803 businesses** (firms) employed 14.9 million employees and had payrolls totaling \$995 billion (largest payroll in the nation).<sup>xliii</sup> Of those companies, **72,665 companies exported products** from California in 2016 (latest year available) and **69,387 (96%) were small and medium-size enterprises** with fewer than 500 employees.<sup>xliv</sup>
- In 2018, more than **71,300 firms** exported goods from California. Of these, 68,022, or **95.4%, were small and medium size enterprises with fewer than 500 employees**, which generated 42.1% of California's \$165.6 billion in total exports in 2018.<sup>xlv</sup>
- **California goods exports** in 2016 (most recent) **supported an estimated 684,000 jobs**.<sup>xlvi</sup> In 2016, **92% of California export-related jobs were in manufacturing**.<sup>xlvii</sup>
- **Goods exports from Texas, California, and Washington** supported the most jobs in the nation in 2016 (910,000; 684,000; and 333,000 jobs respectively). Total exports from Texas and California combined accounted for nearly 30% of US jobs supported.<sup>xlviii</sup>

## **California and Foreign Direct Investment**

- **Foreign Direct Investment (FDI) creates new jobs, pay higher wages** than US average, stimulate overall growth and innovation that drive US competitiveness, increases US exports, strengthens US manufacturing, brings in new research, technology, and skills (R&D), and contributes to rising US productivity. FDI impacts the US economy in a positive way through all the aspects above.<sup>xlix</sup>
- In 2019, **global FDI** reached **\$1.39 trillion**, with the US receiving the largest amount of FDI in the world, totaling **\$251 billion** (18% of global FDI).<sup>l</sup>
- The **largest investing country in the US** was the **United Kingdom**, with expenditures of **\$40.4 billion**, followed by **Canada (\$35.7 billion)**, **Germany (\$21.6 billion)**, and **Japan (\$17.8%)**. By region, Europe contributed over 50% of new foreign investment into the US in 2019.<sup>li</sup>
- Expenditures by **foreign direct investors to acquire, establish, or expand US businesses** totaled **\$194.7 billion** (preliminary) in 2019. Expenditures were down 37.7% from 2018.<sup>lii</sup>
- **By industry, expenditures in manufacturing** were the largest sector receiving FDI in 2019 at **\$78.2 billion**, accounting for **40.2%** of total expenditures in the US.<sup>liii</sup>
- **By state in 2019**, the largest FDI expenditures were in **California** (\$22.7 billion), **Pennsylvania** (\$21.1 billion), and **Texas** (\$20.9 billion).<sup>liv</sup> This is down from 2017 where FDI expenditures in **California** were (\$41.6 billion), **Texas** (\$39.7 billion), and **Illinois** (\$26 billion)<sup>lv</sup>
- In 2019, foreign-owned businesses acquired 190,651 businesses in the US, including 22,347 businesses in California. In addition, 2,503 businesses were established in the US, including 322 in California, and 1,507 businesses were expanded in the US by foreign-owned firms, including 68 in California.<sup>lvi</sup>

- **US employment** at newly acquired, established, or expanded **foreign-owned businesses** in 2019 was 210,600 employees. This is down from 554,300 US employees in 2017. Minnesota had the highest employment at foreign-owned businesses in 2019 with 39,800 employees, followed by Texas (29,000) and California (21,800).<sup>lvii</sup>
- **Majority-owned US affiliates of foreign multinational enterprises (MOUSAs)** employed **7.8 million workers** in the US in 2018, a 1.9% increase from 2017.<sup>lviii</sup> MOUSAs accounted for **6.0% of total private-industry employment** in the US.<sup>lix</sup>



## **Appendix J**

### **Economic Development Highlights from the American Rescue Plan**

President Biden signed [H.R. 1319 – American Rescue Plan](#) Act of 2021 on March 11, 2021. The bill will provide \$1.9 billion in new resources to local communities, states, small businesses, and workers impacted by the COVID-19 pandemic. Below are key elements of the bill.

- \$1,400 stimulus checks for individuals making up to \$75,000 and \$2,800 for couples making up to \$150,000, plus \$1,400 for each dependent. This funding, added to the \$600 approved in December 2020, constitute the \$2,000 Economic Recovery Payments President Biden proposed in the American Rescue Plan
  - For Single Taxpayer: Full payment below \$75,000; cutoff at \$80,000
  - Taxpayers Filing Head of Household: Full payment below \$112,500; cutoff at \$120,000
  - Married, Filing Jointly: Full payment below \$150,000; cutoff at \$160,000
- Adding \$300 to weekly unemployment checks
- Extending Unemployment Insurance and Pandemic Unemployment Assistance benefits from 50 weeks to 74 weeks (March 14 to September 6, 2021)
- Expansion of the federal Earned Income Tax Credit, including certain elderly and childless adults
- Increase in qualified family leave wages under the Paid Family Leave Tax Credit from \$10,000 to \$12,000
- \$350 billion for grants to states, territories, tribal governments, cities, and counties
- \$14.9 billion for the Child Care and Development Block Grant
- \$25 billion for the Restaurant Revitalization Fund to support restaurants that have experienced a revenue loss due to COVID-19, including: a food stand, food truck, food cart, caterer, saloon, inn, tavern, bar, lounge, brewpub, tasting room, taproom, licensed facility or premise of a beverage alcohol producer where the public may taste, sample, or purchase products, or other similar place of business in which the public or patrons assemble for the primary purpose of being served food or drink
- \$15 billion for a targeted cash advance under the SBA Economic Injury Disaster Loan Program
- \$10 billion and reauthorization of the State Small Business Credit Initiative Act of 2010
  - Includes a separate allocations for tribal governments and business enterprises owned and controlled by socially and economically disadvantaged individuals
  - Requires states to provide a plan detailing how minority depository institutions and community development financial institutions will be encouraged to participate in state programs
  - Provide funds to states to carry out a technical assistance plan under which a state will provide legal, accounting, and financial advisory services, either directly or contracted with legal, accounting, and financial advisory firms, with priority given to business enterprises owned and controlled by socially and economically disadvantaged individuals, as well as to very small businesses
- \$7.25 billion for the Paycheck Protection Plan, plus changes to the definition on nonprofit, second draw loans, forgiveness
- \$3 billion Economic Development Administration
- \$1.2 billion for Shuttered Venue Operators, including \$500,000 for technical assistance



- \$175 million for the Community Navigator Pilot Program which funds community navigator services provided through nonprofits, which includes the outreach, education, and technical assistance provided by community navigators that target eligible businesses to increase awareness of, and participation in, programs of the Small Business Administration
- Provide tax exemption for student loan forgiveness previously authorized

## **Appendix K**

### **Biographies of Speakers**

#### **Witnesses Biographies (alphabetical order)**

Below are witness biographies, which were available at the time of publication.

##### **Lance Hastings, President, [California Manufacturers and Technology Association](#)**

Hastings has held several leadership roles at MillerCoors the past 15 years. He served most recently as Vice President of National Affairs for MillerCoors. Prior to that he served as Head of Regulatory & Tax Affairs for SABMiller. He also represented Miller Brewing Company and MillerCoors in Sacramento as Director of State Government Affairs, where he served on CMTA's Board of Directors.

Before his long career as a manufacturing executive Hastings was the Vice President and Director of Government Relations from 1998 to 2003 at the California Grocers Association.

Hastings also worked in the California State Legislature for almost a decade as a chief consultant, starting in 1989.

Hastings has a Bachelor of Arts in Economics and a Minor in Government from California State University at Sacramento.

##### **Ron Miller, Executive Secretary of the [Los Angeles/Orange Counties Building and Construction Trades Council](#)**

Ron Miller is the Executive Secretary of the Los Angeles/Orange Counties Building and Construction Trades Council. The Council represents 150,000 skilled construction workers in 14 Trades and 48 affiliated unions and district councils. Miller became Executive Secretary in 2012.

Miller leads the negotiations for billions of dollars' worth of Project Labor Agreements with public and private entities, which guarantee that a skilled and trained workforce from Building Trades affiliated unions will be on the job. These include SoFi Stadium, Lucas Museum of Narrative Art, Los Angeles Community College District, Long Beach City College, LA Football Club/Banc of California Stadium, LA Unified School District, LA World Airports, Ports of Los Angeles and Long Beach, LA County Metro, AEG, SunCal, NBCUniversal, the Related Companies and Paramount Pictures.

A major priority for the Building Trades is to pass on skills to the next generation through apprenticeship, and to reach out to diverse communities to join the Trades. Under Miller's leadership, the Council created the nonprofit Apprenticeship Readiness Fund, which coordinates with community programs that facilitate local residents' entry to apprenticeship and lifelong Trades careers.

Miller leads the Building Trades in fighting for important ballot measures that will benefit working people. The Building Trades were instrumental in passing ballot measures that will fund education, affordable housing and mass transit.

Miller is a Vice President of the Los Angeles County Federation of Labor. Miller serves on the Executive Board of the State Building and Construction Trades Council of California, as well as its Political Action committee.

Miller rose from the rank-and-file of the Building Trades. He is a 43-year member of the United Association, Pipe Trades, and served as Business Representative for UA Plumbers.

##### **Tim Rainey, Executive Director, [California Workforce Development Board](#)**

Tim Rainey is the Executive Director of the California Workforce Development Board, having been appointed by Governor Brown on November 22, 2011. As required by the Workforce Investment Act of 1998, the State Board is responsible for assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system.

Previously, Mr. Rainey was the Director of the Workforce and Economic Development Program (WED) of the California Labor Federation, where he was responsible for policy development at the state and local levels, and brokering industry-based training partnerships among unions, employers, community organizations, education, and public workforce agencies.

Mr. Rainey was also the Policy Director for the California Workforce Association, where he advocated on behalf of Local Workforce Development Boards in legislative, policy, and administrative deliberations in Sacramento and Washington DC.

Prior to joining CWA, Mr. Rainey was a consultant to the Senate Democratic Caucus of the California State Senate. Mr. Rainey is a co-founder and executive committee member of the EDGE Campaign, member of the California Apollo Alliance Steering Committee, and serves on several other committees and commissions related to workforce and economic development.

He holds a B.A. degree in Government from California State University, Sacramento.

**Tracy Stanhoff, President, [American Indian Chamber of Commerce of California](#)  
President & Creative Director, AD PRO, Publisher, *Indigenous Post – News From Native America*  
American Indian National Chamber of Commerce, Former Tribal Chair, Prairie Band Potawatomi Nation**

In March 1988, Tracy Stanhoff founded AD PRO, a firm located in Huntington Beach, California that is a full-service advertising, graphic design and branding firm serving Fortune 500 corporations, Tribal Enterprises, Government entities and small business clients globally.

AD PRO's "One for All" business structure provides the capacity for both branding development and design combined with a full arsenal of tools for implementing strategic marketing programs and graphic design via in-house graphic manufacturing processes. AD PRO is an ISO 9001 quality management system certified firm.

In October of 2017, Ms. Stanhoff established a Native American news publication in both print and on-line format titled, "Indigenous Post."

As a past addition to operating her enterprises, Ms. Stanhoff was appointed, and subsequently overwhelmingly elected as Tribal Chair of the Prairie Band Potawatomi Nation (PBPB), located in Mayetta, Kansas. Ms. Stanhoff currently serves as the president of the American Indian Chamber of Commerce of California and the leader of the American Indian National Chamber of Commerce.

Ms. Stanhoff graduated with a Bachelor of Arts degree from California State University, Long Beach where she was named co-Outstanding Graduate in the Journalism/Public Relations department.

She has completed several prestigious, certificated Executive Education programs including programs from: the Amos Tuck School of Business at Dartmouth College - Hanover, New Hampshire; Kellogg School of Management at Northwestern University - Evanston, Illinois; Marshall School of Business at the University of Southern California - Los Angeles, California; and at the University of California, Los Angeles Anderson School of Management - Westwood, California.

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