

Date of Hearing: June 4, 2013

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY  
Jose Medina, Chair  
HR 17 (Medina) – As Introduced: May 29, 2013

SUBJECT: June as "Small Business Month"

SUMMARY: Declares June 2013 as "Small Business Month," and expresses the Legislature's support for small business and continuing commitment to key investments in infrastructure, new technologies, and an education system that makes California an even better place to do business. Specifically, this bill:

- 1) Makes statements which declare, among other things:
  - a) California is home to 3.5 million small businesses, which account for 99% of the state's employers and 52% of the state's workforce;
  - b) California is home to the most innovative and competitive businesses in the world, placing it consistently among the top 10 economies in the world;
  - c) California has been responsible for one in every six jobs created nationwide in the last year, ensuring that California remains the leader in the nation's ongoing economic recovery;
  - d) California has received the most venture capital financing of any state in the U.S. in 2011, representing more than 50% of venture capital investments;
  - e) California is the number one state for foreign direct investment in the U.S.;
  - f) California, through the Governor's Office of Business and Economic Development, assists local and regional governments in the attraction, retention, and expansion of small businesses as well as site selection, permit streamlining, trade development, and regulatory requirements;
  - g) California administers the Small Business Loan Guarantee Program and the California Capital Access Program that assist small businesses obtain loans from private sector financial institutions;
  - h) Small businesses, and the state's support for small-scale private sector job creators is among our most promising strategies to enhance California's human capital, expand job opportunities, and increase the state's competitive advantage in the global marketplace.
- 2) Resolves that the Assembly of the State of California proclaims June 2013 as "Small Business Month" and expresses the Legislature's commitment to:
  - a) Support the Governor's efforts in promoting small businesses and making California a home to even more small business start-ups;
  - b) Promote investments in infrastructure, new equipment and technology, and most importantly, the state's educational system to make California an even better place to do business.

FISCAL EFFECT: None

COMMENTS:

- 1) Framing the Policy Issue: This resolution seeks legislative support for declaring June 2013 as "Small Business Month." In making the case for honoring small businesses with a month, the author cites the importance of small businesses to the California economy, the state programs and services available to assist small businesses, and the effectiveness of using small businesses as a core component of the state's economic competitiveness strategy.

This analysis provides information on the role of small businesses within the California economy and a list of the key small business legislation approved by the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) in 2013.

- 2) The Role of Small Business within 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 \$1.9 trillion economy. Among other advantages, small businesses are crucial to the state's international competitiveness and are an important means for dispersing the positive economic impacts of trade within the California economy. California small businesses comprised 96% of the state's 60,000 exporters in 2009, which accounted for over 44% of total exports in the state. Nationally, small businesses represented only 31.9% of total exports. These numbers include the export of only goods and not services.

Business owners, with no employees make up the single largest component of businesses in California, 2.8 million out of an estimated 3.5 million firms in 2010. As these businesses grow, they continue to serve as an important component of the state's economy. Microenterprises, meaning businesses with less than five employees, represent approximately 93% of all businesses in the state, or approximately 3.2 million of all businesses. Businesses with 99 or less employees comprise nearly 98% of all businesses and employ approximately 36% of all workers. Businesses with less 500 employees, which is the federal definition of a small business, comprise 99% of all businesses in the state and employ 59.5% of all workers. These non-employer and small employer firms create jobs, generate taxes, and revitalize communities.

In hard economic times, smaller size businesses often function as economic engines. In this most recent recession the trend continued, with the number of nonemployer firms increasing from 2.6 million firms (\$137 billion in revenues) for 2008 to 2.8 million firms (\$138 billion in revenues) for 2010. In the post-recession economy, small businesses are expected to become increasingly important due to their ability to be more flexible and better suited to meet niche market needs.

Their small size, however, also results in certain challenges in meeting regulatory requirements, accessing capital, and marketing their goods and services. Specialized technical assistance, credit enhancements for private sector loans, state procurement incentives, and collaborative marketing opportunities all help small businesses overcome or at least minimize these difficulties.

- 3) Related Legislation: Below is a list of key small business legislation approved by JEDE this session. In total, these measures assist start-up and small businesses in the areas of technical assistance, access to capital, and regulatory reforms.
  - a) AB 172 (Weber) Microenterprise Procurement Incentives: This bill increases the microbusiness procurement preference from 5% to 7% for state contracts to purchase goods, services, and information technology. The preference may be awarded to either a microbusiness bidder or a non-

microbusiness bidder that uses a microbusiness subcontractor. Status: Held on the suspense file in the Assembly Committee on Appropriations.

- b) AB 285 (Brown) Self Employment Training: This bill requires the California Workforce Investment Board to make recommendations and provide technical assistance on entrepreneurial training opportunities that could be made available through local workforce investment boards. Status: Pending in the Senate Committee on Business Professions and Economic Development.
- c) AB 305 (V. Manuel Pérez) New Market Tax Credit: This bill establishes a \$200 million New Market Tax Credit Program for the purpose of stimulating economic development within California's lower income neighborhoods. Status: Held on the suspense file in the Assembly Committee on Appropriations.
- d) AB 550 (Brown) Microbusiness Preferences: This bill sets an annual 25% small business participation level for each state agency's contracting activity. Status: Held on the suspense file in the Assembly Committee on Appropriations.
- e) AB 653 (V. Manuel Pérez) Innovation Jobs Act: This bill establishes the California Innovation and Jobs Act, which increases the maximum value of the research and development credit, eliminates state sales tax on manufacturing equipment, authorizes a new tax credit for private investments in postsecondary institutions, and codifies the California Innovation Hub Program. Status: Pending in the Assembly Committee on Revenue and Taxation.
- f) AB 780 (Bocanegra) FDC Administrative Funds: This bill appropriates \$2 million from the General Fund for the purpose of providing administrative funding to the small business financial development corporations (FDC). Each FDC is eligible to receive \$150,000. The bill also states that it is the Legislature's intent that the FDCs are to be under the jurisdiction of GO-Biz. Status: Pending in the Senate Committee on Rules.
- g) AB 837 (Compos) Small Business Development Centers: This bill requires annual reporting to GO-Biz on Small Business Development Center activities in any year that the state contributes funds. Status: Pending in the Senate Committee on Rules.
- h) AB 1098 (Quirk-Silva) Small Business Regulation Report: This bill requires the Office of the Small Business Advocate to commission a study regarding the costs of state regulations on small businesses. Status: Pending in the Senate Committee on Rules.
- i) AB 1247 (Medina) Restructure of the FDC Programs: This bill repeals and recasts the provisions of the FDC small business financing programs from the Business Transportation and Housing Agency to GO-Biz. Status: Pending in the Senate Committee on Rules.

REGISTERED SUPPORT / OPPOSITION:

Support - None received

Opposition - None received