



# SMALL BUSINESS ROUNDTABLE

MAY 18, 2020 CONVENING

Hosted by the Assembly  
Committee on Jobs, Economic  
Development, and the Economy  
Assemblymember Sabrina  
Cervantes, Chair

# AGENDA

- I. Welcome and Overview
- II. Strategies for Economic Recovery, Including the Work of the Small Business Advocate
- III. COVID-19 Program Delivery Challenges
- IV. May Revise and Pending Legislation
- V. Collecting Discussion Topics for Next Meeting
- VI. Final Comments and Adjournment



# WELCOME AND OVERVIEW

Agenda Item I

# SUMMARY OF THE APRIL 30, 2020, ROUNDTABLE

- ❑ 47 individuals participated in the April 30, 2020, convening.
- ❑ Main discussion points included economic recovery strategies and small business challenges during the Stay-at-Home Order and restarting in the Post-Coronavirus Era.
- ❑ Major Take-Aways:
  - The coronavirus and the steps the state has taken to save lives have laid bare the inequities of our society.
  - California businesses, especially the smallest size businesses, continue to be frustrated by the process of identifying and accessing PPP loans and other resources.
  - There is no clear understanding of how programs and services work together to meet the needs of small businesses.
  - Financial programs serving the state's smallest businesses have big liquidity problems.

# Findings From the April 30 Roundtable

- Economic inequities must be addressed, as they are already being exacerbated by the Stay-At-Home Order.
- Traditional financial sources of income for the nonprofit sector - a major source of assistance for small businesses, entrepreneurs, and lower-skilled workers - have been deeply damaged in this coronavirus emergency.
- There is a substantial need to develop regional service and program delivery strategies that maximize new funding and more effectively reach underserved groups and geographic areas.
- Independent contractors, homebased businesses, and workers in the gig economy need greater focus.
- The full range of small business stakeholders are not being engaged in the state's response and recovery efforts, including employment social enterprises and justice groups with missions that include entrepreneurship as an upward mobility tool.

# REMEMBERING THE END GAME

## How Vaccines Eradicated Common Diseases

Annual 20th century morbidity and 2019 morbidity of selected diseases in the U.S.



Source: Centers for Disease Control and Prevention



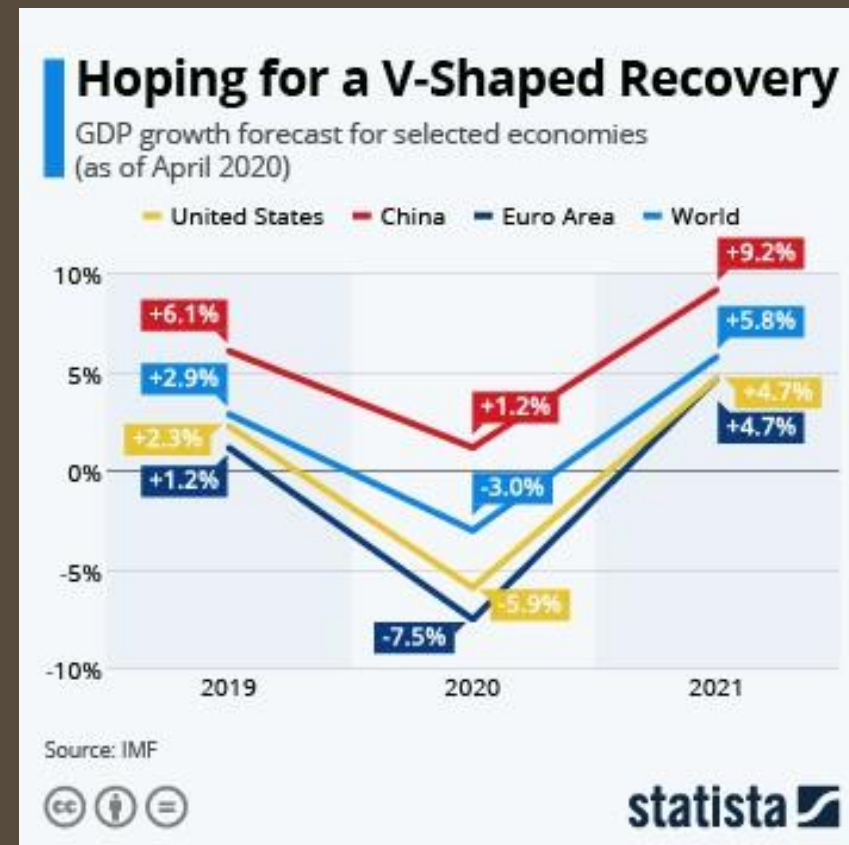


# STRATEGIES FOR ECONOMIC RECOVERY

Agenda Item II

# SPEAKERS — AGENDA ITEM II

- Isabel Guzman, California Small Business Advocate
- Toni Symonds, JEDE Committee
- Others Presenters Welcome





# DATA POINTS

FEDERAL Unemployment – 14.7%  
(April 2020)

- ❖ Total nonfarm payroll employment fell by 20.5 million in April 2020.
- ❖ This is the largest over-the-month increase in the unemployment rate since January 1975.
- ❖ Payroll fell by 881,000 in March 2020.
- ❖ Employment in leisure and hospitality fell by 7.7 million jobs (47%).
- ❖ 30 million Americans filed UI claims between mid-March to April 30.

CALIFORNIA Unemployment – 5.3%  
(March 2020)

- ❖ Total nonfarm employment in California for March 2020 was 17.5 million, reflecting a reduction of 99,500 jobs from the prior month.
- ❖ Leisure & Hospitality (-67,200) posted the largest jobs loss from the prior month.
- ❖ California reported over 1 million unemployed individuals for the month of March 2020.
- ❖ 350,687 UI claims were filed for the week ending May 9.
- ❖ Since March 12, 4.5 million UI claims have been filed, including 2 weeks of Pandemic Unemployment Assistance claims.
- ❖ California paid over \$12.3 billion in UI between March 12 and May 9.

# ECONOMIC OUTLOOK — MONDAY, MAY 18

- State-level employment data will be released for April.
- Federal Reserve Chair Jerome Powell opined that the US would have a slow recovery, likely taking into the end of 2021 to recover.
- Retail Companies will be releasing first quarter earnings, including Walmart on Tuesday and Target on Wednesday. Previously, Amazon reported a 26% increase in first quarter sales.
- Assembly and Senate Budget Committees will begin May Revision Hearings. Assembly Budget Chair Ting held a Budget Town Hall on Facebook on Monday morning, which included an extended Q&A from the LAO.
- Japan is the first major economy to officially enter a recession with first quarter annualized growth rate of -3.4%. Recession is defined by two consecutive quarters of negative growth.

# NEW NATIONAL GDP NUMBERS RELEASED (FIRST QUARTER 2020)

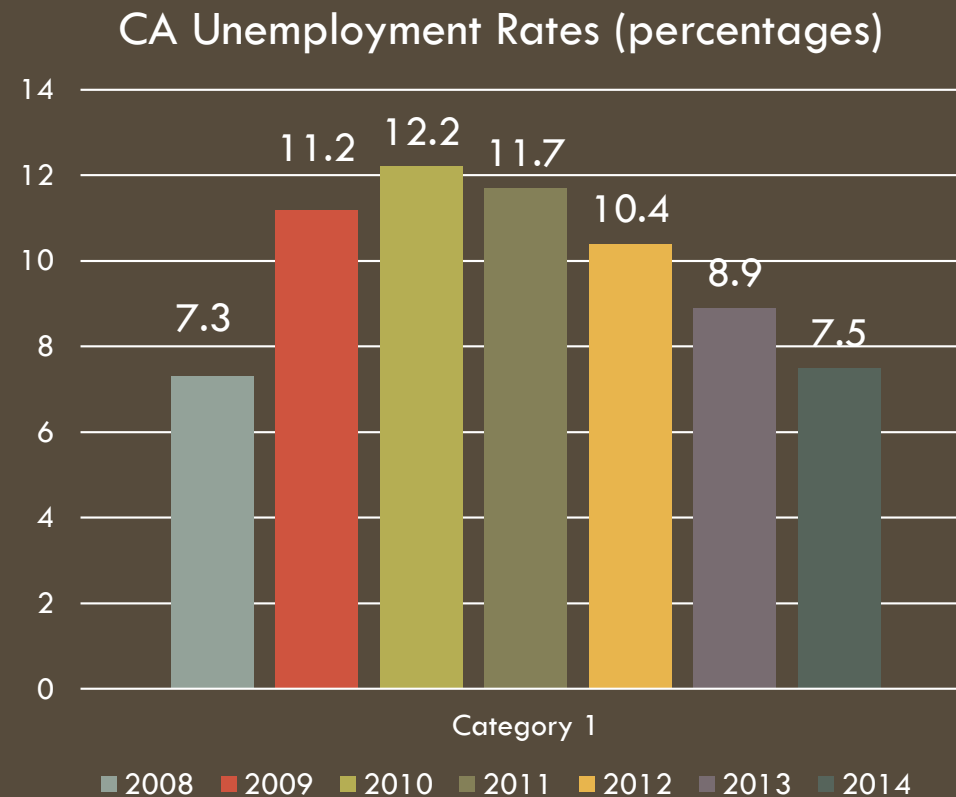
- The US Department of Commerce released its first estimate for gross domestic product (GDP) for the first quarter of 2020.
- Real gross domestic product contracted at an annual rate of -4.8%.
- The decrease in first quarter real GDP reflected decreases in consumer spending, nonresidential fixed investment, exports, and private inventory investment. Largest decrease was in automotive purchases.
- These decreases were partly offset by increases in residential fixed investment and government spending. Largest increase was in food and “other,” led by prescription drugs.
- Imports also decreased, which is subtracted in the GDP calculation.

## Background

- ❑ A majority of the decline is attributed to government issued “stay-at-home” orders in March.
- ❑ The Department of Commerce reports that this action led to rapid changes in demand, as businesses and schools switched to remote work or canceled operations, and consumers canceled, restricted, or redirected their spending.
- ❑ Economy was already showing signs of slowing at the end of 2019 with the final quarter having GDP growth of 2.1%.
- ❑ These first quarter numbers are an estimate based on incomplete reporting of some indicators for late March. The Department of Commerce made assumptions based on prior economic disruptions in making this estimate. Complete data will be available for the second estimate, released May 28, 2020.

# COMPARISON TO JOBS LOST IN GREAT RECESSION

- 8.7 million jobs were lost nationally during the Great Recession.
- California is reported to have lost 1.1 million jobs, with its highest statewide rate of unemployment of 12.9% in 2009.
- Historical perspectives are useful. The COVID-19 recession is expected to be shorter overall, but more impactful for certain industry sectors.



# HISTORICAL OUTLOOK: THE GREAT RECESSION

## National Economic Expansion

February 2020 marks the end of the US's longest economic expansion of over 128 months without any significant declines in economic activity, according to the National Bureau of Economic Research.

During this time period, 22.2 million jobs were created in the US. Economic expansion includes multiple economic indicators, including job growth.

## Job Growth in California

California job gains in February 2020 contributed to a record job expansion of 120 consecutive months, with the state gaining 3.4 million jobs.

From the period of February 2010 through February 2020, California job gains represented 15% of the national job gain.

# BUSINESSES ARE STARTING TO BE HEARD

- Governor Newsom is seeking feedback on physical and environmental adaptations that can make workplaces safer and protect our communities.
- The California Recovery Roadmap Survey can be found at: <https://covid19.ca.gov/recovery-input/>
- In addition to the survey, the Governor launched an **Economic Recovery & Reinvention Listening Tour**, hosting a digital conversation with workers, small businesses, and employers. First meeting was Tuesday with the retail sector. Outside of Task Force members, only the press can listen.
- The California Small Business Advocate is hosting a **Small Business & Innovative Startups Recovery Working Group**. The first meeting was on Thursday, April 30.
- In addition to the small business working group, the Office of the Small Business Advocate has been asked to support the **Governor's Task Force on Business and Jobs Recovery**. Working through a **subcommittee of the Task Force**, the Office of the Small Business Advocate will put forward the best short-term and long-term recovery solutions.

# AMERICA'S RECOVERY FUND COALITION

- American business associations have come together asking for additional federal financial support. It is called the American Recovery Fund – no specific amount of dollars is identified.
- America's Recovery Fund Coalition brings together more than 100 members across retail, restaurants, theaters, the travel industry, and financial services to advocate for a fund to help businesses recover. Together, they represent 58 million American workers – 45% of the American workforce.
- Copy of Full Letter: [https://www.icsc.com/uploads/t07-subpage/ARFC\\_Launch\\_Letter.pdf](https://www.icsc.com/uploads/t07-subpage/ARFC_Launch_Letter.pdf)
- Website: [www.AmericasRecoveryFund.org](http://www.AmericasRecoveryFund.org)

Many California chambers participating. A selection includes the chambers of commerce representing: Corona, Tulare, Beverly Hills, Brea, Calabasas, Century City, Culver City, Encino, Fresno, Hesperia, Hollywood, Long Beach, and Santa Monica, as well as the Greater Riverside Chambers of Commerce and the Greater San Fernando Valley Chamber of Commerce.

# RECOMMENDATIONS FROM BUDGET SUBCOMMITTEE (APRIL 27)

- Increasing the financial scale of the state's small business loan guarantee program;
- Placing a moratorium on new regulations that do not relate to COVID-19 or the immediate health and safety of Californians;
- Implementing a specific strategy to support re-opening businesses' access to PPE;
- Placing AB 5 enforcement actions on hold; and
- Exempting businesses from having to repay the state's Unemployment Insurance Fund loan with the federal government.

Another cross-cutting issue was the need to identify and address gaps in federal and state programs that were intended to meet the needs of workers and businesses.





# COVID-19 PROGRAM CHALLENGES

Agenda Item III

# SPEAKERS — AGENDA ITEM III

- Nancy Swift, Women's Business Centers
- David Nelson, CalAsian Chamber
- Claudia Viek, Invest in Women Initiative

# FIVE TOP PROGRAM CHALLENGES

1. While necessary, reopening guidelines are placing new financial and management challenges on an already stressed business community. Accessing sufficient PPE to meet necessary health and safety standards is a barrier to re-opening.
2. Small businesses, especially minority- and women-owned, are still finding it difficult to access low-cost financial resources. State funding structures have resulted in too high of fees being placed on disaster loans and guarantees.
3. While the Federal Reserve has addressed liquidity issues for mainstream banks, smaller nontraditional lenders are still experiencing significant liquidity issues.
4. State program requirements impede program delivery and should be adjusted to better serve small businesses to meet the coronavirus challenge.
5. The lack of clarity about the post-coronavirus economy. It is clear, however, that prior economic disparities will have even greater impacts.

# SURVEY FINDINGS ON FEDERAL PROGRAMS

□ 12% of minority business owners who responded to the Global Strategy Group survey reported they received PPP funding, and half of these owners said they anticipated closing permanently within the next six months.

- The Global Strategy Group survey, conducted on behalf of two justice organizations, Color of Change and UnidosUS, included 500 business owners and 1,200 workers from April 30 to May 11.

□ US Census survey of small businesses reported 75% of the respondents had requested a federal loan and 38% of those business owners received loans.

**What are your findings?**

# SB TECHNICAL ASSISTANCE ENHANCEMENT PROGRAM

- Allow up to 20% of funds to be applied to administrative costs, including mileage reimbursement to business counseling appointments more than 30 miles from the contractor's office.
- Allow up to 20% of supplemental moneys to be applied toward outreach activities, including digital technology.
- Reduce program reporting to every six months for contracts over \$750,000 and annually for smaller contracts. For contracts under \$750,000, reporting is annual. Financial reports remain quarterly.
- Allow SBDCs and CMTCs to subcontract with other grantees. Require separate accounting.

# SMALL BUSINESS DISASTER LOAN GUARANTEE PROGRAM

- How do the interest rates compare to those charged by the federal disaster programs?
- Can loan origination fees be competitive with federal disaster programs?
- Does the annual FDC contract need to be increased to reflect the higher volume of technical assistance required to serve businesses during the pandemic?
- Can the new capitalization be used to refinance loans within the existing portfolio?
- If the PPP only covers the eight weeks of payroll and associated costs, is there a need for additional financing to address small business recovery needs?
- Are there barriers to serving new forms of business, including, but not limited to, social enterprises and worker cooperatives?

# PANDEMIC UNEMPLOYMENT ASSISTANCE

- The program is designed to serve individuals who do not qualify for regular Unemployment Insurance (UI) benefits, including businesses and the self-employed.
- NEW - Webinar on June 3 hosted by Women's Business Center at JEDI.
  - Claudia Viek is leading "PUA for Self-Employed."
  - Registration: [https://us02web.zoom.us/webinar/register/WN\\_A9mOqXXiSmOpKPfFTGmGyA](https://us02web.zoom.us/webinar/register/WN_A9mOqXXiSmOpKPfFTGmGyA)
- What other opportunities are available for individuals who qualify for PUA benefits?



# MAY REVISE & PENDING LEGISLATION

Agenda Item IV



# SPEAKERS — AGENDA ITEM IV

Toni Symonds, JEDE Committee will discuss the *May Revision Budget* and then facilitate a discussion from others about the next few weeks.

# MAY REVISION BUDGET PROPOSAL (SLIDE 1)

- Provides a \$202.2 billion expenditure plan, including \$133.9 billion in General Fund.
- Maintains the Governor's January Budget proposal to waive the \$800 minimum franchise tax for small and medium size business during their first year of business creation.
- Increases from \$50 million to \$100 million the moneys available to operate the Small Business Disaster Loan Guarantee Program.
- Maintains the \$20 million to GO-Biz for the Small Business Technical Assistance Expansion Program and Capital Infusion Program.
- Retains the \$10 million one-time General Fund for the establishment of the Entrepreneurship Pathways Grant Program.

# MAY REVISION BUDGET PROPOSAL (SLIDE 2)

- Retains the \$758,000 proposed in the Governor's January Budget to provide four permanent positions to the California Business Investment Program at GO-Biz.
- Retains Earned Income Tax Credit (EITC) at \$1 billion.
- Reduces support for the CCC Strong Workforce Program by \$135.6 million.
- Limits the application of more than \$5 million in total tax incentives in any single tax year during 2020, 2021, and 2022.
- Suspends the NOL for three years 2020, 2021, and 2022.

# APPROPRIATIONS HEARING — JUNE 3

## Bills Passing JEDE

- AB 3101 (B. Rubio and Cervantes) New Market Tax Credit
- AB 3205 (Salas) Regions Rise Together Grant
- AB 3307 (E Garcia and Cervantes) Manufacturing Disaster Loan and Guarantee Program
- AB 3368 (JEDE) Regulatory Reform Act of 2020

What other bills are stakeholders watching?



# COLLECTING DISCUSSION TOPICS FOR NEXT MEETING

Please email suggestions if not  
already raised during today's  
discussion



# CLOSING THOUGHTS

Links to Useful Information

# STAY CONNECTED WITH GO-BIZ AND OPR

GO-Biz and OPR are partnering on a range of activities, including weekly webinars and videos. You can stay connected through the following channels below:

- Subscribe to GO-Biz's Newsletter for COVID-19: <https://tinyurl.com/wqzi9pt>
- Subscribe to OPR's Federal Grants E-List: <https://tinyurl.com/y9du7fg3>
- Follow @CAGOBIZ on Twitter: <https://twitter.com/CAGoBiz>
- Follow @Cal\_OPR on Twitter: [https://twitter.com/cal\\_opr?lang=en](https://twitter.com/cal_opr?lang=en)
- Subscribe to the GO-Biz YouTube Channel: <https://www.youtube.com/channel/UCregW8KZRE4k1sXVZs2bPxw>
- Questions can be submitted to: [calbis@gobiz.ca.gov](mailto:calbis@gobiz.ca.gov)

# JEDE FACILITATION TOOLS

**Conference Calls:** JEDE is sponsoring bi-weekly conference calls where stakeholders can share program and service delivery challenges in real time and seek resolution and mitigation actions within the broader business, economic, and workforce development community.

**COVID-19 Updates:** JEDE regularly sends economic and business development updates to professionals engaged in meeting the needs of small businesses and local communities caused by the coronavirus emergency.

## **Resource Webpages:**

- JEDE COVID-19 Resource Page: <https://ajed.assembly.ca.gov/content/covid-19-resources>
- Small Business Roundtable: <https://ajed.assembly.ca.gov/content/small-business-roundtables>