

Date of Hearing: April 21, 2015

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Eduardo Garcia, Chair

AB 184 (Eduardo Garcia) – As Introduced January 26, 2015

SUBJECT: Small Business Technical Assistance Act of 2015

SUMMARY: Recognizes the importance of the federal small business technical assistance programs and designates the Governor's Office of Business and Economic Development (GO-Biz), as the lead state entity for overseeing the state's participation and collaboration with the specified federal programs.

Specifically, **this bill:**

- 1) Makes findings and declarations on, among other things, the importance of the federal small business technical assistance programs in expanding and supporting California's small businesses.
- 2) Defines the federal small business technical assistance centers to include:
 - a) The Small Business Development Centers (SBDC), where a small business owner or an aspiring entrepreneur can receive free one-on-one consulting and low at-cost training on a variety of topics including starting, operating, and expanding a small business. The California SBDC Program is administered through six regional networks of SBDCs which operate under a contract between the six Administrative Lead Centers and the federal Small Business Administration (SBA). The Administrative Lead Center is the entity which the federal government contracts with and is directly accountable for all aspects of the California SBDC Program including staffing, program outreach, and securing the required federal match.
 - b) Women's Business Centers, designated by the SBA, delivers business training, coaching, mentoring and other assistance geared toward women, particularly those who are socially and economically disadvantaged.
 - c) SCORE, sponsored by the SBA, is a national network of over 14,000 entrepreneurs, business leaders, and executives who volunteer as mentors to America's small businesses.
 - d) Veteran Business Outreach Center, designated by the SBA, delivers entrepreneurial development services to eligible veterans owning or considering starting a small business.
 - e) Procurement Technical Assistance Centers, designated by the federal Department of Defense, offer training on how to contract with federal, state, and local governments
- 3) Codifies the existence of five federally designated small business technical assistance center programs and grants them all rights and responsibilities as authorized under federal law.
- 4) Recognizes that the federal small business technical assistance centers offer a range of services including, but not limited to, providing specialized counseling and technical assistance, offering expert start-up business advising, commercialism assistance, mentoring, conducting workshops and seminars, and coordinating employee training and placement programs.
- 5) Requires GO-Biz to serve as the lead state entity for overseeing the state's participation with the California small business technical assistance center programs.

- 6) Authorizes GO-Biz and other state entities to contract with any of the federal small business technical assistance centers.
- 7) Requires annual reporting on any activities that are the result of state funds being contributed to one or more of the small business technical assistance centers, including, the number of businesses assisted, number of jobs created and retained as a result of assistance, estimated amount of tax dollars generated, increase in sales reported as a result of the assistance, the amount of capital infusion obtained by the assistance, and the amount of total federal funds allocated to each region. For general tracking purposes, these reports are also required to provide information on the businesses assisted including industry sector and size of the business based on employment. Sunsets the reporting requirements on January 1, 2020.

EXISTING LAW:

- 1) Establishes GO-Biz within the Governor's Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth. GO-Biz also serves as the administrative oversight for the Office of the Small Business Advocate (OSBA), and the California Infrastructure and Economic Development Bank (I-Bank).
- 2) Establishes the OSBA for the purpose of advocating on the behalf of small businesses. Among other duties, the Office responds to complaints from small businesses concerning the actions of state agencies and the operative effects of state laws and regulations adversely affecting those businesses.
- 3) Establishes the Small Business Finance Center within GO-Biz under the direct administrative oversight of the I-Bank for the purpose of addressing the capital needs of California small businesses through a statewide network of small business financial development corporations.

FISCAL EFFECT: Unknown

POLICY ISSUE FRAME:

In the last decade, federal money that could have gone to support California small businesses was re-directed to other states because California was unable to fully match the allocated federal dollars.

AB 184 designates the GO-Biz as the lead state agency for facilitating the state's engagement with the federally-sponsored technical assistance centers serving California small businesses.

While AB 184 does not appropriate funding for the federal match, the bill does lay the foundation for the Legislature and the Governor having a more meaningful discussion regarding financial support for small business technical assistance. Among other things, the bill sets stringent reporting requirements for any state moneys used to finance projects undertaken by the small business technical assistance centers.

The Comment section of this analysis includes information on California small businesses, each of the technical assistance providers, and related legislation. Amendments are described in Comment 9.

COMMENTS:

- 1) **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 \$2.2 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.

Nonemployer firms make up the single largest component of businesses in California, 2.9 million out of an estimated 3.6 million firms in 2012, representing over \$149 billion in revenues with the highest number of businesses in the professional, scientific, and technical services industry sector. As these nonemployer businesses grow, they continue to serve as an important component of California's dynamic economy. Excluding nonemployer firms, businesses with less than 20 employees comprise nearly 90% of all businesses and employ approximately 18% 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. The trend continued in this most recent recession 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, results in certain challenges in meeting regulatory requirements, accessing capital, and marketing their goods and services. California's network of technical assistance providers assist businesses with a range of services, including access to quality training, one-on-one counseling, mentoring, marketing data, and other business development resources.

- 2) **Small Business Development Center Program:** The SBDC program is sponsored by the federal SBA and functions as a cooperative effort of the private sector, the educational community, and federal, state, and local governments. In California, SBDCs are administered through a partnership between the California State Universities at Chico, Humboldt, and Fullerton; the University of California at Merced; Long Beach City College; and Southwestern Community College, Chula Vista.

Formal management of the partnership is provided through the six Administrative Lead Centers that are designated by, and responsible to, the SBA. Each Administrative Lead Center serves a specific geographic area comprised of several SBDCs. The California SBDC network serves businesses throughout California with over 30 permanent and satellite office.

The SBDCs facilitate the creation, expansion, and retention of businesses. Each SBDC provides one-on-one counseling, workshops, advice, and referrals to prospective and existing business owners. The SBDCs assist with financing, government contracting, business planning and management, marketing, international trade, energy efficiency and sustainability, disaster preparedness and other business issues. Each Administrative Lead Center has its own resources and maintains links with other public and private small business service providers in the region, such as financial institutions, local workforce investment boards, economic development corporations, and federal, state, and local government entities.

There are also SBDCs which specialize in assisting technology based companies with advice and training on angel and venture capital presentation preparation, funding strategies, product positioning, market launch strategies, applications for federal grants, technology transfers with research universities, intellectual property issues, and strategic partnerships.

Last year the California SBDC network reported that they had advised more than 60,000 clients and helped small businesses raise over \$500,000 in capital through its core small business advising and training program, as well as through its array of specialty programs.

Funding for the program is provided through a federal SBA population-based grant. In order to draw down these funds, each Administrative Lead Center must provide a dollar-for-dollar match. The federal government sets aside approximately \$12 million for California SBDCs annually, which represents slightly more than 11% of the national program. Since the demise of the Technology, Trade, and Commerce Agency in 2003, California has only received the full amount of eligible federal funds once.

In 2010, Speaker John A. Pérez negotiated \$6 million for the SBDCs as part of the final budget negotiations with the Governor. [*AB 1632 (Assembly Budget Committee) Chapter 731, Statutes of 2010*] In 2010-11 federal fiscal year, the for-once fully funded California SBDCs consulted with 50,000 business including 50% women, 48% minorities, and 12% veterans. In addition, the SBDCs:

- Created and retained 7,944 jobs, which was a 38% increase over the prior year;
- Assisted in 740 business startups, which was a 23% increase over the prior year;
- Help small business clients to increase sales by \$220,000, which was a 71% increase over the prior year; and
- Help small business clients raised \$176 million in new capital, which was a 22% increase over the prior year.

The 2013-14 Budget Act included \$2 million in General Fund assistance for contracts with the SBDCs to assist small businesses in accessing capital. Initial awards were granted to 34 SBDCs, who will work regionally to deliver the program. Quarterly progress reports are required, but no information on outcomes are currently available. Given this state support, the SBDCs may fully match for the related federal fiscal year.

- 3) **Women's Business Center Program:** The Women's Business Center program is sponsored by the federal SBA and was established to provide in-depth, substantive, outcome-oriented business services to women entrepreneurs, both nascent and established businesses, including a representative number of which are socially and economically disadvantaged.

The Women's Business Center program is administered through a regional network of 11 nonprofit organizations who are required to assist businesses make a substantial economic impact in their communities, as measured by successful business startups, job creation and retention, and increased company revenues.

California's network of women's business centers include: Anew America Women's Business Center/Anew America Community Corporation (Berkeley); Mendocino Women's Business Center West Company (Fort Bragg); Asian Pacific Islander Small Business Program WBC/LTSC Community Development Corp. (Los Angeles); PACE Women's Business Center/Pacific Asian Consortium Employment (Los Angeles); University Enterprises Corporation at CSUSB (Coachella Valley); California Capital Financial Development Corporation (Sacramento); Inland Empire Women's Business Center University Enterprise Corp. at California State University, San Bernardino (San Bernardino); Renaissance Entrepreneurship Center (San Francisco); Women Business Partners Program Mission Community Services Corp. (San Luis Obispo); Women's Economic Ventures (Santa Barbara); and Valley Economic Development Center (Sherman Oaks).

In federal fiscal year 2014, assistance from the Women's Business Centers resulted in the creation of 63 new jobs, and the retention of 80 retained jobs in California. The Women's Business Centers assisted 80 business start-ups, and helped clients access over \$1 million in capital, which included \$67, 625 in SBA loans, \$729,400 in non-SBA loans, and \$238,240 in equity.

- 4) **The Veteran Business Outreach Center program:** The Veteran Business Outreach Center program in California is one of only four in the U.S. The Veteran Business Outreach Center program is designed to play a significant role in meeting the unique needs of veterans in starting and operating businesses. The program is funded by through federal SBA. The Veteran Business Outreach Center program provides statewide small business consulting and workshops for veteran owners of small businesses, and veterans wishing to start a small business.

According to information on its website, the Veteran Business Outreach Center program offers outreach through its network of related nonprofit veteran service centers in the California Cities of Santa Rosa, Eureka, Menlo Park, and Redding, and in Reno, Nevada. Below are 2014 outcomes for all four Veteran Business Outreach Centers.

Activities at all Veteran Business Outreach Centers	1/1/2014 to 12/31/2014
(1) <i>Number of Clients Counseled</i>	2,395
(a) Small Businesses Counseled	1,636
(b) Large Businesses Counseled	759
(2) <i>Number of Initial/Follow-up Counseling Sessions</i>	5,433
(a) Small Business Sessions	3,482
(b) Large Business Sessions	1,951
(3) <i>Number of Training Events</i>	201
(a) Sponsored Training Events	198
(b) Non-sponsored Training Events	3
(4) <i>Number of Training Event Attendees</i>	10672
(a) Sponsored Training Event Attendees	10656
(b) Non-sponsored Training Event Attendees	16
(5) <i>Number of Awards (Fed+DoD+State)</i>	13
(a) Small Business Awards (Fed+DoD+State)	13
(b) Large Business Awards (Fed+DoD+State)	0
(6) <i>Dollar Value of Awards (Fed+DoD+State)</i>	\$38,782.69
(a) Small Business Dollars (Fed+DoD+State)	\$38,782.69
(b) Large Business Dollars (Fed+DoD+State)	\$0.00
(7) <i>Number of Prime Contract Awards (Fed+DoD+State)</i>	11
(a) Small Business Prime Contracts (Fed+DoD+State)	11
(b) Large Business Prime Contracts (Fed+DoD+State)	0
(8) <i>Dollar Value of Prime Contract Awards (Fed+DoD+State)</i>	\$22,455.00
(a) Small Business Prime Contract Dollars (Fed+DoD+State)	\$22,455.00
(b) Large Business Prime Contract Dollars (Fed+DoD+State)	\$0.00
(9) <i>Number of Sub-Contract Awards (Fed+DoD+State)</i>	2
(a) Small Business Sub-Contracts (Fed+DoD+State)	2
(b) Large Business Sub-Contracts (Fed+DoD+State)	0
(10) <i>Dollar Value of Sub-Contract Awards (Fed+DoD+State)</i>	\$16,327.69
(a) Small Business Sub-Contract Dollars (Fed+DoD+State)	\$16,327.69
(b) Large Business Sub-Contract Dollars (Fed+DoD+State)	\$0.00

Source: SBA tracking system, 2014

- 5) **The Service Corps of Retired Executives (SCORE):** The Service Corps of Retired Executives (SCORE) is managed by the SCORE Association “Counselors to America’s Small Business” and is organized as a nonprofit association comprised of over 13,000 volunteer business counselors working in 348 SCORE chapters throughout the U.S. and its territories. SCORE members are trained to serve as counselors, advisors, and mentors to aspiring entrepreneurs and business owners. Services are offered at no fee, as a community service. SCORE was formed in 1964 and nearly 10 million Americans have utilized SCORE services.

SCORE is considered a resource partner with the SBA, which administers a congressional grant that provides SCORE funding. SCORE volunteers work with the Small Business Administration and small business development centers to provide small business mentoring and training to entrepreneurs through the Small Business Administration and small business development center offices. There are 19 SCORE offices in California, as well as a range of online services.

In federal fiscal year 2014, SCORE counseled 15,698 clients and provided a range of training workshops where 37,913 small business owners attended.

- 6) **The Procurement Technical Assistance Cooperative Agreement:** The Procurement Technical Assistance Cooperative Agreement program is administered by the Department of Defense for the purpose of helping small businesses access public contracts at the federal, state, and local levels. The program provides matching funds through cooperative agreements with state and local governments and nonprofit organizations for the establishment of procurement technical assistance centers

Some procurement technical assistance centers are administered directly by state governments; others partner with universities, community colleges, local economic development corporations, or other local institutions. Some procurement technical assistance centers operate within Bureau of Indian Affairs areas and serve exclusively Native American-owned businesses. Many are affiliated in some way with small business development centers and other small business programs.

Procurement technical assistance centers are staffed with counselors experienced in government contracting and provide a wide range of services including classes and seminars, individual counseling, and easy access to bid opportunities, contract specifications, procurement histories, and other information necessary to successfully compete for government contracts.

There are 98 procurement technical assistance centers in the U.S. including all 50 states, Washington D.C., Puerto Rico, and Guam. Total funding for the program was \$63.5 million in federal fiscal year 2014 (federal and nonfederal funds combined.) California 6 centers operated under contract by California Capital CDFI (Sacramento), Los Angeles Office of Small Business (Los Angeles), Monterey County Business Council (Seaside), Northern California Small Business Development Center (Arcata), Riverside Community College District (Corona), and San Diego County (San Diego). The American Indian Chamber of Commerce has a contract that serves Native Americans throughout the state.

Centers are funded based on, among other things, the service areas level of distress including having a median income at or below 80% of statewide average, an unemployment rate 1% higher than the national average for the most recent 24 months, or serving Native American Indian reservations. Proposed new annual reporting will include: number of clients served, number of new clients; amount

of counseling time; and number events the procurement technical assistance center participated during the report year.

- 7) **Accountability and Transparency:** Public accountability of state expenditures is very important, as is having clear strategic objectives and measurable outcomes. The reporting requirements in AB 184 represent best practices and ensure, according to the author, that GO-Biz will receive key information on the impact of any state funding provided, including data on the number of businesses assisted, jobs created/retained, and state tax dollars generated from assisted businesses.

While top level oversight remains in Washington D.C. for these small business technical assistance programs, the six SBA district directors actively participate with the SBDC Lead Centers, SCORE, the Women's Business Centers, and the Veteran Outreach Center on both program and administrative issues. The federal programs are also independently reviewed to ensure management and accounting methods are accurate.

While prior legislation proposed to codify and make the SBDC program a state program, AB 184 takes a different approach. This bill establishes a state lead entity for collaborating with the range of federal small business technical assistance programs and sets ground rules for state collaborative actions. Nothing in the bill would **require** the state to become responsible for activities or actions of the technical assistance centers operated by any SBDC, Women's Business Center, SCORE, PTAC, or Veteran Center.

- 8) **Governor's Office of Business and Economic Development:** In April 2010, the Governor's Office of Economic Development was established to provide a one-stop-shop for serving the needs of businesses and economic developers. While initially established through Executive Order S-01-10, the office was later codified and renamed GO-Biz. [AB 29 (John A. Pérez), Chapter 475, Statutes of 2010]

In 2014, GO-Biz assisted over 7,500 companies. This number includes assistance provided by the six GO-Biz service units: California Business Investment Services, Permit Assistance, the Office of the Small Business Advocate, International Affairs and Business Development, the California Competes Tax Credit Program, and the Innovation and Entrepreneurship Program.

Among other programs, GO-Biz provides permit and other business assistance for new and expanding businesses, as well as administering the California Innovation Hub Program under an initial partnership with the statewide network of SBDCs. GO-Biz also oversees the OSBA, who advocates for and provides key information to small businesses.

The Governor's 2012 reorganization plan (GRP2), further aligned the state's economic development-related administrative structure. Key changes included dismantling of the Business, Transportation and Housing Agency and the shifting of a number of programs and services to GO-Biz including:

- The Small Business Loan Guarantee Program;
- The California Travel and Tourism Commission;
- The California Film Commission;
- The Film California First Program; and
- The I-Bank.

AB 184 codifies the state's relationship with the federal small business technical assistance programs within the specific responsibilities of the I-Bank and designating GO-Biz as the state lead entity for overseeing the state's participation and collaboration with the statewide network of federal small business technical assistance providers. In doing so, this would further GO-Biz' ability to serve as a strategic resource for start-ups, small businesses, and entrepreneurs in California.

- 9) **Amendments:** Staff understands that the author will offer amendments to expand the federal technical assistance programs covered under the bill to include Hollings Manufacturing Extension Partnership, administered through the National Institute of Standards and Technology, an agency of the U.S. Commerce Department. California has two centers with the Corporation for Manufacturing Excellence (Manex) serving northern California and the California Manufacturing Technology Consulting serving southern California. Services at the centers include assistance on issues relating to new technology acceleration, supply chain management, lean processing, export development, sustainable manufacturing practices, and other issues related to innovation.
- 10) **Related Legislation:** Legislation related to this measure includes the following:
- a) **AB 837 (Campos) Economic Development Program Reporting:** As passed by JEDE, this bill would have required annual reporting to GO-Biz from the Small Business Development Center Leadership Council on its activities in any year that the state contributes funds. Amendments taken in the Senate deleted the content of the bill and added language relating to CalPERS with Assemblymember Wieckowski as the author. Status: Vetoed by the Governor, 2014. The veto message reads: "This measure creates an exemption to the California Public Employees' Pension Reform Act of 2013. I am unwilling to begin chipping away at these reforms."
 - b) **AB 1632 (Assembly Budget Committee) Financing and Technical Assistance Funds for Small Businesses:** This bill provided \$32.35 million in funds for small business finance and technical assistance, which leveraged \$174 million in federal and in-kind funding. The \$32.35 million was allocated as follows: \$20 million was appropriated for use within the state Small Business Loan Guarantee Program; \$6 million to provide a federal match for California SBDCs to draw-down federal dollars; \$6 million for the California Capital Access Program for loss reserve programs; and \$350,000 to the Federal Technology Program to draw-down federal dollars. Status: Signed by the Governor, Chapter 731, Statutes of 2010.
 - c) **AB 2206 (Price) Small Business Development Centers:** This bill would have re-established the California Small Business Development Center Program through the auspices of the Business, Transportation, and Housing Agency. Status: Held in Assembly Committee on Appropriations, 2008.
 - d) **AB 2670 (Medina) Small Business Technical Assistance Centers:** This bill would have designated the Governor's Office of Business and Economic Development as the lead state entity for overseeing the state's participation and collaboration with the federal small business technical assistance programs. Status: Held on the Suspense File in the Assembly Committee on Appropriations, 2014. As a result of this bill and AB 2717, \$2 million dollars was provided in the budget to the SBDCs for assisting small businesses access capital.
 - e) **AB 2717 (Bonta) Funding for Small Business Development Centers:** This bill would have appropriated \$6 million for the purpose of assisting SBDC Administrative Lead Centers provide the mandatory match to draw down federal funds. Status: Held on the Suspense File in the Assembly Committee on Appropriations, 2014. As a result of this bill and AB 2670, \$2 million dollars was provided in the budget to the SBDCs for assisting small businesses access capital.

REGISTERED SUPPORT / OPPOSITION:**Support**

Alameda County Small Business Development Center
Alicia K. Designs
Asian Business Association
Black Chamber of Commerce of Orange County
Cabrillo College Small Business Development Center
Cal Poly SBDC for Innovation
California Association for Micro Enterprise Opportunity
California Small Business Development Center Leadership Council
California State University, Bakersfield
Callahan Pickups
CDC Small Business Finance
City of Alameda
City of Crescent City
City of Gardena
City of Merced
City of Mission Viejo
City of Oakland
City of Torrance
College of the Canyons
Del Norte County
Del Norte Workforce Center
design LAB
Disabled Veteran Business Alliance
Doing What Matters for Jobs and the Economy
East Bay Economic Development Alliance
East Bay Leadership Council
Economic Development and Financing Corporation
Economic Vitality Corporation
El Camino Community College District
Encinitas Chamber of Commerce
Financial Development Corporations
Fresno Community Development Financial Institution
Humboldt County Board of Supervisors
Inproma, LLC.
Jefferson Economic Development Institute
Lawyers' Committee for Civil Rights of San Francisco Bay Area
League of California Cities
Local Marketing Center
Long Beach City College
Los Angeles Regional Small Business Development Center Network
Mendocino County Workforce Investment Board
Microenterprise Collaborative of Inland Southern California
Napa-Sonoma Small Business Development Center at Napa Valley College
National Federation for Independent Business

National Hispanic Business Women Association
Northern California Procurement Technical Assistance Center
Northern California Small Business Development Center
Oceanside Chamber of Commerce
Orange County Hispanic Chamber of Commerce
Rancho Santiago Community College District
Redwood Coast Rural Action
Renaissance Entrepreneurship Center
Sales Coach Now
San Diego and Imperial SBDC Network
San Diego, County
San Francisco Chamber of Commerce
San Francisco Small Business Development Center
San Gabriel Valley Economic Partnership
San Mateo Small Business Development Center
Seedles LLC
Small Business Development Center Program
Solano Community College
Sonoma County Economic Development Board
Stanislaus Business Alliance
Sundt Construction, Inc.
The Hispanic Chamber of Commerce Silicon Valley
The National Federation of Independent Business
The University of California, Merced Small Business Development Center Network
Thermo Fisher Scientific
Three Sheets Craft Beer Bar
Valley Economic Development Center
Vietnamese American Chamber of Commerce of Orange County
Vietnamese American Chamber of Orange County
West Company
Working Solutions

Opposition

None known

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