

Date of Hearing: April 26, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 2376 (Petrie-Norris) – As Amended March 17, 2022

SUBJECT: Small business assistance: one-stop capital shop platform

POLICY FRAME: Entrepreneurship offers one of the most effective means of helping individuals and families achieve financial security. Family-owned and other small businesses play essential roles in stabilizing neighborhoods and creating local job opportunities. Research shows that net new job growth is highest among small businesses, especially those with 20 or fewer employees.

While there are many advantages to having small businesses within our state, these same businesses face unique challenges in accessing capital. In 2022, California is slated to begin receiving upwards of \$1.1 billion to help mitigate these challenges and leverage these funds into longer-term economic growth for the state's 4.1 million small businesses. However, money is not enough. Two of the largest challenges facing the deployment of these funds is how to help small businesses become finance-ready and then link them to the appropriate lenders. AB 2376 proposes the development of a One-Stop Capital Shop to help prepare businesses to be credit-worthy and use technology to create tailored searches of loan programs.

The analysis includes information on the federal SSBCI funds, current state lending programs, California small business economy, and related legislation. There is no known opposition to the program. Suggested amendments are included in Comment 11.

SUMMARY: AB 2376 requires the GO-Biz to establish, on or before July 1, 2023, a “one-stop capital shop” online platform to assist small businesses in accessing safe funding opportunities and reduce barriers in access to affordable capital. Specifically, **this bill:**

- 1) Makes Legislative findings and declarations:
 - a) Small businesses are the backbone of California's economy, employing nearly one-half of all workers in the state.
 - b) Access to capital is central to the longevity of any small business and programs aimed at increasing such access have been in place for years.
 - i) Eliminating barriers in access to affordable capital, especially for small business owners from underrepresented backgrounds, remains a challenge.
 - ii) Record levels of small business registrations were filed during the pandemic as the needs and wants of the workforce shifted, further increasing the amount of capital needed to keep small businesses open.
 - c) Access to affordable capital remains a stumbling block for many small business owners in starting or expanding their business, particularly those business owners from underrepresented backgrounds.
 - d) One of the barriers to accessing safe and transparent capital is the time-intensive process of researching and applying for various sources of funding one at a time, as many small business owners have little to no administrative support in this process.

- i) Mission-driven and nonprofit community lenders may not have access to sophisticated technology and platforms enjoyed by for-profit lenders on the private market, creating an additional barrier for small business owners to access affordable capital.
 - e) While there are numerous programs, tools, and organizations supporting small businesses in meeting their needs for capital, a lack of coordination among these sources increases the time and resources required for a small business to ultimately secure the capital they seek.
- 2) Defines “SBIC” or “small business investment company” as a privately owned and managed investment fund licensed and regulated by the United States Small Business Administration.
 - 3) Establishes the “One-Stop Capital Shop Act of 2022,” which is administered by the Governor’s Office of Business and Economic Development (GO-Biz).
 - 4) Requires the creation, on or before July 1, 2023, a “one-stop capital shop” online platform to assist small businesses in accessing safe funding opportunities and reduce barriers in access to affordable capital.
 - 5) Requires the one-stop capital shop platform to include all of the following provisions:
 - a) Creation of a loan marketplace that allows small businesses to compare and shop, both from government programs and affordable private programs, with actual loan structures and annual percentage rates in one place.
 - b) Consolidation of grants, SBIC, and other small business grants and investment-financing information in one place.
 - c) Creation of a small business profile feature permitting small businesses to create a platform profile uploading basic information integrated into both (1) a universal intake form that may be submitted to multiple funding sources at once, including indicators of lender-readiness and completed technical assistance, and (2) a database that is searchable by state agencies when soliciting small business submissions for procurement opportunities.
 - d) Educational materials, which include basic information describing and differentiating the various available funding mechanisms, shall be provided in frequently asked questions (FAQ) and other easily digestible formats.
 - 6) Requires GO-Biz to submit a report to the Legislature on or before January 1, 2028, regarding its implementation of the one-stop capital shop pursuant to this article, as specified.

EXISTING LAW:

- 1) Establishes the Governor’s Office of Business and Economic Development (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 investments, and economic growth.
- 2) Establishes the Office of the Small Business Advocate within GO-Biz to serve as the principal advocate in the state on behalf of small businesses, including, but not limited to, advisory participation in the consideration of all legislation and administrative regulations that affect small businesses, and

advocacy on state policy and programs related to small businesses. Among other duties, the Small Business Advocate is to maintain a website that includes the following:

- a) Information on how to receive assistance in identifying and understanding the state's regulatory requirements, including linkage to the GO-Biz website that identifies licensing, permitting, and registration requirements of state agencies, as specified.
 - b) Information on how to receive assistance in certifying as a small business and identifying and participating in state procurement opportunities.
 - c) Information about emergency preparedness, responses to emergencies, and recovery strategies for small businesses.
 - d) A link to the Energy Upgrade California internet website to assist small business owners in accessing information on the availability of various programs promoting the efficient use of energy.
 - e) Information on programs administered through the statewide network of small business financial development corporations. Programs covered shall include loan guarantees, direct lending, surety bond guarantees, and disaster loans. Information shall be presented in a manner appropriate to address the needs of both small businesses and existing and potential financial institutions and financial companies.
 - f) Information on how to identify and access services provided through the statewide network of small business technical assistance centers, including, but not limited to, small business development centers, women business centers, veteran business outreach centers, procurement technical assistance centers, and the Manufacturing Extension Partnership.
- 3) Establishes the IBank within GO-Biz and authorizes it to undertake a variety of infrastructure-related financial activities, including, but not limited to, the administration of the Infrastructure State Revolving Fund (ISRF), the oversight of the Small Business Finance Center, and the issuance of tax-exempt and taxable revenue bonds.
 - 4) Establishes the Small Business Finance Center within the IBank for the purpose of offering a range of financial capital to small businesses, including direct loans, loan guarantees, and bond insurance. Program delivery is provided through state-designated small business financial development corporations (FDCs).
 - 5) Establishes the CPCFA with specified powers and duties, and authorizes it to approve financing for pollution control projects and facilities, administer a loss reserve program to serve the credit needs of small businesses, and provide grants and loans to remediate brownfields, among other activities.
 - 6) Establishes CalCAP for the purpose of providing a small business loss reserve account program through participating financial institutions. In implementing the program, CPCFA is authorized to establish a loss reserve account for each financial institution with which the authority makes a contract. The loss reserve account shall consist of moneys paid as fees by borrowers and the financial institution, moneys transferred to the account from CPCFA's Small Business Assistance Fund, any matching federal moneys, and any other moneys provided by the authority or other source.

FISCAL EFFECT: Unknown

COMMENTS & CONTEXT:

- 1) **Joint Hearing – Member Priorities:** On March 29, 2022, the Assembly Budget Subcommittee on State Administration and the Assembly Committee on Jobs, Economic Development, and the Economy, held a [joint informational hearing](#) on the state’s implementation of SSBCI and its potential contribution to a more inclusive economic recovery from the COVID-19 pandemic.

During the course of the hearing, the Members heard from the State Treasurer, the Legislative Analyst’s Office, IBank, and CPCFA, as well as stakeholders with professional expertise on the needs of small businesses and the barriers they are currently facing to access capital.

Among other issues and recommendations discussed, stakeholders emphasized the need to consider new ways of connecting with those small business owners who have been most impacted by the pandemic and have historically faced barriers to accessing traditional lending programs. In particular, Members noted the importance of SSBCI funded program reaching undercapitalized small business owners in rural areas, as well as women-business owners and business-owners of color.

The federal Payment Protection Program (PPP) was cited as an example of government intention, which was not backed up by program outcomes. While the US Congress intended that the US Small Business Administration takes steps to ensure PPP loans prioritized small businesses in “underserved” markets, a term that includes low-income communities, rural areas and businesses owned by people of color, women and veterans,” the delivery system and other program requirements which prioritized speed resulted in underserved markets received comparatively few loans.

“(P)(iv) Sense of the senate.--It is the sense of the Senate that the Administrator should issue guidance to lenders and agents to ensure that the processing and disbursement of covered loans prioritize small business concerns and entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals (as defined in section 8(d)(3)(C)), women, and businesses in operation for less than 2 years.” [*Section 1102, of Public Law 116-136*]

In response to the hearing, Members called for the establishment of a written outreach and technical assistance strategy, as well as making changes to existing small business lending programs to best meet the current needs of all California small businesses. This includes small business owners who face documented barriers to accessing capital, whether those barriers be geographically or demographically expressed.

- 2) **California has Many Lending Programs:** California provides a range of financing programs available through a large number of different administering state entities. Below is a selective list of programs in-which small businesses and small nonprofits in California could participate.

- ***The California Department of Resource Recycling and Recovery:*** The [Greenhouse Gas Reduction Loan Program](#); [Recycling Market development Zone Loan Program](#), and the [Organics and Recycling Manufacturing Loans](#).
- ***The California Small Business Finance Center at the IBank:*** The Small Business Loan Guarantee Program, a direct farm-loan program, the California and bond insurance guarantees for performance bonds that are required to participate in many construction projects.

- **The IBank:** The [California Lending for Energy and Environmental Needs](#), which includes the Statewide Energy Efficiency Program and the Light Emitting Diode Street Lighting Program. The [Climate Catalyst Fund Loan Program](#) which includes subprograms for agriculture
- **The California Pollution Control Financing Authority:** The California Capital Access Programs, which includes a number of subprograms, including the [On-Road Heavy-Duty Vehicle Air Quality Loan Program](#),
- **California Public Utilities Commission:** The CPUC authorized the California investor-owned utilities to collaborate with certain state agencies in the development of energy efficiency financing programs, including [GoGreen Business Energy Financing](#).
- **California Alternative Energy and Advanced Transportation Financing Authority:** CAEATFA oversees the California Hub for Energy Efficiency Financing Pilot Programs, more commonly referred to as [CHEEF](#). Many of the pilots are funded through the state agencies, as well as and investor-owned utilities that use rate-payer funds to advance energy efficiency retrofits.

Many of the climate-related programs can be found on the [Cool California Funding Wizard](#), which is intended to help identify funding for sustainability projects, including grants, loans, and other incentives administered through state, federal, and regional public and private entities. For example, PG&E is providing 0% loans for energy efficiency projects undertaken by non-residential customers, including upgrades in lighting, HVAC, electric motors, refrigeration, food service equipment, and water pumps.

The California Library hosts the [California Grants Portal](#), which is described as the “*one destination to find all grants and loans offered on a competitive or first-come basis by California state agencies.*” It features a FAQ about how to use the portal and a glossary. It also has a subscription feature, which may be useful for nonprofits and local governments that have ongoing revenue needs; it is unclear whether that feature is useful for businesses. Over 60 state agencies list grants and loans, including 41 loans. Prior to doing research for this bill analysis, committee staff had used the portal numerous times without realizing that it offered information on loans.

Amendments are proposed to use the One-Stop platform, administered by the Office of the Small Business Advocate, to help small businesses and service providers who assist them in identifying current programs and aggregated financing platforms in a manner that enhances the existing delivery systems. The Small Business Advocate website already serves as a central information access point. AB 2376 could bring these activities to the next level.

- 3) **SBA Matching Platform:** Recognizing the challenges small business owners face in accessing credit, the US Small Business Administration launched an online platform to leap over the chasm between the thousands of private lenders who participate in SBA loan programs. The platform, <https://www.sba.gov/funding-programs/loans/lender-match>, was launched in June 2020 and operates through a simple interface.

Potential borrowers provide their name, email, and phone number, which triggers a security check confirming the email is correct. Once confirmed, the potential borrowers are asked a clear set of questions that do not require the uploading of any information. Upon completion, the small business is told they will receive up to six lender referrals within the next two days. The platform appears to be connected to SBA’s network of lenders across the US, including community development financial institutions, minority depository institutions, certified development companies, Farm Credit System

lenders, microlenders, and other small asset lenders. In addition, the SBA Matching platform explains what kind of questions and information lenders will most likely ask and links small businesses to their local SCORE, Small Business Development Centers, Women's Business Centers and Veterans Business Outreach Centers for more assistance.

California's two largest administrators of state credit enhancement programs, the IBank Small Business Center and CPCFA, also have many lenders who use their programs, as well as other financial products. Our current system, aside from the California Rebuilding Fund Program, is to have small businesses navigate the financial ecosystem independently or use one of the state's small business technical assistance providers.

Currently, the state funds over 90 small business technical assistance centers and satellite offices through the Small Business Technical Assistance Expansion Program (SB TAEP). These small business technical assistance providers have served as the state's frontline service desk for small businesses receiving assistance during the COVID-19 pandemic. SB TAEP, however, does not currently allow grant funds to be used for IT, let alone the development of an integrated and comprehensive platforms that links eligible small business borrowers with interested commercial lenders.

Given the robust nature of the \$1.1 billion in credit enhancements becoming available through the SSBCI, it seems appropriate and timely for the state to have an online platform capable of facilitating new relationships between small businesses and capital.

- 4) **California's Use of Round One - Federal SSBCI Funds:** In 2011, California received a significant allocation of federal funds through the SSBCI, a program established under the federal Small Business Jobs Act of 2010. Under the initial federal Allocation Agreement, \$168.4 million was divided equally between the CalCAP for Small Business program administered through CPCFA and the Small Business Loan Guarantee Program administered through the Business, Transportation, and Housing Agency (BTH) and later the IBank under the Governor's Reorganization Plan GRP2.

Receipt of these funds was very timely as debt markets were frozen and state resources were very limited for these two small business credit enhancement programs. In fact, both CPCFA and BTH were short on revenues to operate their programs and had received General Fund appropriations in 2010, with \$6 million being approved for CalCAP and \$20 million for the Small Business Loan Guarantee Program [*AB 1632 (Budget), Chapter 731, Statutes of 2010*]. Unfortunately for small business borrowers, BTH's \$20 million budget augmentation was eliminated in the following year's budget.

Due to federal accounting practices and slight variations in federal SSBCI loss reserve and guarantee program requirements, CPCFA and the IBank each established new reserve accounts and adopted new federal versions of their programs. Once CPCFA and the IBank received the federal funds, the program priorities for each of the programs were to use the federal funds first and leave the state funds for either nonconforming loans or for use when the federal moneys had been exhausted.

Over the course of the six program years (2011 to 2017), the state amended the federal Allocation Agreement several times, and in the latter years, CPCFA sought authorization to administer a third credit enhancement program, a Collateral Support Program. CPCFA used the federal funds as follows: Loss Reserve Program (\$20 million) and a Collateral Support Program (\$65 million).

According to the Legislative Analyst's Office (LAO), between 2010 and 2016 this SSBCI funding supported 10,286 new loans, and about 40% of the dollar amount of these loans was made to businesses in low-and-moderate-income communities.

The federal Allocation Agreement expired in March 2017. Both CPCFA and the IBank report that all federal funds have been expended or allocated, meaning that as these moneys become unencumbered from their current loans the moneys can be re-deployed. As an example, funds in the Collateral Support Program could be used to continue enrolling loans under the CalCAP for Small Business program or be used to fill another small business financing gap.

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- 6) **California's Use of Round Two - Federal SSBCI Funds:** The American Rescue Plan Act of 2021 included \$10 billion for the reauthorization of the State Small Business Credit Initiative. California

anticipates receiving approximately \$1.8 billion in federal SSBCI funding. *Chart 1* outlines California’s anticipated federal SSBCI funding.

Federal law required each application to include detailed information on how SSBCI funds will provide access to capital for small businesses in underserved communities and to business owners who are from groups who meet the definition of socially and economically disadvantaged individuals, also referred to as SEDI. According to the SSBCI Guidelines:

- A “Socially and economically disadvantaged individual” means an individual who is a socially disadvantaged individual or an economically disadvantaged individual, as defined in the Small Business Act.
- “Underserved communities” mean small businesses located in low- and moderate-income, minority, and other underserved communities, including women- and minority-owned small businesses.
- “Treasury encourages states to consider the following areas when including plans regarding ‘other underserved communities’ in their report: rural communities; communities undergoing economic transitions, including communities impacted by the shift towards a net-zero economy or deindustrialization; and communities surrounding Minority-Serving Institutions.”

Under the SEDI incentive formula, California could receive up to \$99.8 million for expending 48.87% of SSBCI Capital funds in SEDI eligible businesses during the first tranche of SSBCI deployment.

States and tribal governments will receive SSBCI funds from the US Treasury in three tranches. In order to access the next tranche of funding, the state or tribal government must demonstrate that at least 80% of the current tranche of funding has been encumbered and/or used. To facilitate the drawing down of federal funding, the IBank and CBCFA have stated that they will have an MOU in place to enhance their ability to transfer moneys between programs.

Chart 1 - California’s Estimated SSBCI Funding*		
Categories of Funding	Funding Available	
Total Federal Funding Authorized	\$10,000,000,000	
Total CA SSBCI Allocation	\$1,181,997,613	
Subtotal CA Prorated SSBCI Allocation	\$894,973,879	
Subtotal CA SSBCI SEDI Allocation	\$187,189,392	
Subtotal CA SSBCI SEDI Performance Allocation	\$99,834,342	
Funding is Distributed in Three Tranches. States Must Encumber 80% of their Funds to Access Next Tranche of Funding	Funding in Tranche	80% Target
Tranche 1	\$357,113,879	\$285,691,104
Tranche 2	\$407,031,050	\$661,315,944
Tranche 3	\$417,852,683	
*This is based on California’s allocation as of January 2022.		
Source: Document submitted to the Legislature by the IBank and CPCFA, January 7, 2022		

California’s application proposes to fund three existing small business capital programs and create at least one additional program. *Chart 2* provides details on California’s proposed allocation plan.

Chart 2 - California’s Proposed SSBCI Allocation Plan*	
Existing Programs Funded	Funding Allocated

Small Business Loan Guarantee (IBank)	\$390,998, 806
California Capital Access Program (CPCFA)	\$118,199,762
California Capital Access – Collateral Support Program (CPCFA)	\$472,799,045
New Program(s) Funded	Funding Allocated
Venture Capital (IBank)	\$200,000,000
Loan Participation (CPCFA) – under consideration	
Total CA SSBCI Allocation	\$1,181,997,613
*This is based on California’s allocation as of January 2022.	
Source: Document submitted to the Legislature by the IBank and CPCFA, January 7, 2022	

Another key aspect of SSBCI are the leverage ratios. At a minimum, \$1 of public expenditure must result in \$1 of new private investments. In the aggregate, the state’s SSBCI programs are required to target an overall leverage ratio of at least \$10 of new private investment for each \$1 of public funds. These leverage requirements, coupled with a drive to utilize SSBCI funds quickly in order to access the next tranche of funds, create tension between undertaking strategic actions to reach small business borrowers in underserved communities and from SEDI-eligible businesses. The Legislature, as the policy-making body, should send clear signals about how to approach these multifaceted goals.

- 7) **Potential Reduction in SSBCI Funds:** California’s application is based on information provided by the US Treasury as of January 2022. Recent conversations at the federal level, including those involving the US Congress, propose reallocating some portion of SSBCI funding to pay for other COVID-19 expenses. Any change in SSBCI’s overall program funds will likely impact California’s allocation and possibly the mix of programs.
- 8) **California Capital Access Program for Small Businesses:** The CalCAP for Small Business program was established under the administrative control of the CPCFA through legislation enacted in 1994 for the purpose of incentivizing financial institutions to provide small businesses with the capital to maintain and grow their businesses.

The program uses a portfolio-based credit enhancement model, whereby a loss reserve account is established to offset losses incurred in connection with small business loans enrolled in the program. Funding in the loss reserve account consists of moneys paid by the participating borrower and financial institution, with CPCFA matching these contributions.

Unlike a loan guarantee that ensures payment on a certain percentage of the defaulted loan [*80% to 90% in the guarantee program*], under the loss reserve fund model, the amount of the default payment is based on the amount of funds available in the reserve account. This means a lender could potentially recover 100% of the value of the defaulted loan to the extent that there are sufficient moneys in the account. The model encourages lenders to maintain good underwriting practices because utilization of the loss reserve too often can quickly draw-down the reserve, leaving little for other potential defaults of enrolled loans within the portfolio.

CalCAP loans can be used for working capital and to finance the acquisition of land, construction or renovation of buildings, purchase of equipment, and other capital projects. There are some limitations on real estate loans and loan refinancing. The maximum loan amount is \$2.5 million. Lenders set the terms and conditions of the loans and decide which loans to enroll into CalCAP. Loan fees, which are used to capitalize the loss reserve account, are set by the lender and are in the range of 2% to 3.5% of

the total loan amount. Loans can be short- or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule.

CalCAP was initially funded through excess fees from the issuance of CPCFA pollution control tax-exempt bonds. The Legislature appropriated \$6 million in 2010 to expand the program, and in 2011 CalCAP received approximately one-half of the state's \$168 million SSBCI allocation based on a joint application to the US Treasury. Later, California amended its SSBCI application to re-direct \$65 million to a collateral support program.

CPCFA contracts with several state agencies, including the California Air Resources Board and the California Energy Commission, to provide lenders with loan loss reserve accounts to finance new, cleaner-burning, heavy-duty, diesel trucks and buses and the acquisition of electric vehicle charging station equipment.

According to the 2020 Annual Report, through the end of December 2020, the total number of loans enrolled in each CalCAP program is as follows:

- 23,209 - CalCAP for Small Business since 1994 (*proposed to receive SSBCI funds*)
- 29,883 - CalCAP/CARB since 2009
- 329 - CalCAP Collateral Support Program since 2013 (*proposed to receive SSBCI funds*)
- 3 - CalCAP Electric Vehicle Charging Station Financing Program since 2015
- 3 - CalCAP Seismic Safety Program since 2016
- 0 - CalCAP American with Disabilities Act Program.

- 9) **The Small Business Finance Center:** The Small Business Finance Center was established in 2013 following the implementation of the Governor's Reorganization Plan GRP2, which transferred the IBank and the Small Business Loan Guarantee Program from the soon to be defunct Business, Transportation, and Housing Agency to GO-Biz.

That same year, AB 1247 modified the GRP2 proposal for the placement of the Small Business Loan Program and established the Small Business Finance Center within the IBank [*AB 1247 (Medina and Bocanegra), Chapter 537, Statutes of 2013*]. It was the authors' intent that the center become a multipurpose small business financing entity. To accomplish this objective, the statutory framework of the Small Business Finance Center was drafted to reflect existing programs, as well as the potential need for new financial products. As an example, the Small Business Loan Guarantee Program was specifically codified within the administrative control of the Small Business Center and general statutory authority was also provided for the IBank board to approve and modify a range of financial products, including loans and other debt instruments, as well as loan guarantees and other credit enhancements.

According to information on the IBank website (2/24/2022):

- More than 20,000 loan guarantees have been issued under this program since the early 2000s.
- IBank loan guarantees have helped to create or retain 412,000 jobs.
- During 2019-20, the Small Business Finance Center guaranteed 470 loans, resulting in \$165 million in loan guarantees that supported \$240 million in small business loans.

The IBank and the California Small Business Finance Center have very broad statutory authority to meet the evolving needs of small businesses. In addition to the general loan guarantee program, the Governor has the authority to activate a disaster-specific loan guarantee program. During the early months of the COVID-19 pandemic, the Disaster Loan Guarantee Program was activated for microloans, as well as new financing initiative launched, the California Rebuilding Fund.

10) **The Role of Small Businesses 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 \$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 they are an important means for dispersing the economic positive impacts of trade within the California economy.

- In 2018 (most recent full set of data), of the 4.4 million firms in California, there were 3.4 million nonemployer firms as compared to 954,632 employer firms.
- Total revenues for nonemployer sole proprietorships, across all industry sectors, were \$189 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 89.0% (3.9 million) of all businesses in the state.

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.

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.

The chart below displays 2018 data (the most recent full set of data) on California employer businesses, including payrolls, employment, and number of firms, which may comprise one or more establishments.

2018 Business Profile by Size <i>(excludes nonemployer firms)</i>						
Area Description	Employment Size	Number of Firms	Percent of Firms	Employees	Percent of Jobs	Annual Payroll (\$1,000)
United States	Total	6,075,937		130,881,471		\$7,097,310,272

California	Total	779,825	12.8% U.S. Firms	15,223,664	11.6% U.S. Jobs	\$1,020,958,926
United States	0-4	3,757,163	61.8% of U.S. Firms	5,967,955	4.5% of U.S. Jobs	\$287,379,518
California	0-4	485,387	62.2% of CA Firms	746,240	4.9% of CA Jobs	\$46,663,550
United States	<20	5,411,180	89.0% of U.S. Firms	21,337,272	16.3% of U.S. Jobs	\$898,874,051
California	<20	692,139	88.7% of CA Firms	2,650,204	17.4% of CA Jobs	\$130,748,308
United States	0-99	5,962,057	98.1% of U.S. Firms	42,918,809	32.7% of U.S. Jobs	\$1,859,572,577
California	0-99	759,654	97.4% of CA Firms	5,214,752	34.2% of CA Jobs	\$261,490,973
United States	<500	6,055,421	99.6% of U.S. Firms	61,244,031	46.7% of U.S. Jobs	\$2,819,089,905
California	<500	773,386	99.1% of CA Firms	7,339,390	48.2% of CA Jobs	\$395,286,015
United States	500+	20,516	0.33% of U.S. Firms	69,637,440	53.2% of U.S. Jobs	\$4,278,220,367
California	500+	6,439	0.82% of CA Firms	7,884,274	51.7% of CA Jobs	\$625,672,911
Source: https://www.census.gov/data/tables/2018/econ/nonemployer-statistics/2018...1						

These nonemployer 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 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.

- 11) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- a) Change the administrator from GO-Biz to the Office of the Small Business Advocate.
 - b) Relocate the code sections to reflect the new administrator.
 - c) Designate the Office of the Small Business Advocate as the lead state government entity for helping small businesses become finance-ready relative to state programs utilizing SSBCI funds.
 - d) Brand the One-Stop-Shop as a tool for creating a pipeline of finance-ready small businesses.
 - e) Narrow the scope of the One-Stop-Shop to debt finance.
 - f) Expand the primary client base of the One-Stop-Shop to include small business technical and financial assistance providers.
 - g) Provide that information related to grants, investment capital, procurement, and other activities are linked to the One-Stop-Shop platform.
 - h) Clarify that the platform builds on the existing requirements for the Office of the Small Business

Advocate to maintain a robust website.

- i) Modify the reporting requirements so that the information can be included within an already required annual report of the Office of the Small Business Advocate, as specified.

12) **Related Legislation Current Session:** Below is a list of bills from the current session that are related to the state's implementation of the SSBCI program.

- a) **AB 2314 (Petrie-Norris) Transparent and Ethical Financial Practices:** This bill sets fair and ethical lending standards for loans issued guarantees under the California Small Business Loan Guarantee Program and financial institutions that participate in the California Capital Access Program. These changes are especially timely as the state anticipates receiving nearly \$1.2 billion in federal State Small Business Credit Initiative funds. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
- b) **AB 2376 (Petrie-Norris) One-Stop Capital Shop:** This bill establishes an online platform, the One-Stop Capital Shop, in preparation for the state's receipt of nearly \$1.2 billion in federal State Small Business Credit Initiative funds. The One-Stop Capital Shop will assist small businesses in accessing safe funding opportunities and to reduce barriers in access to affordable capital. Among other objectives, the One-Stop Capital Shop platform is intended to serve as a loan marketplace that allows small businesses to compare and access public and private financing programs. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
- c) **AB 2400 (Cervantes) California Capital Access Program:** This bill modifies California Capital Access Program in preparation for the state's receipt of nearly \$1.2 billion in federal State Small Business Credit Initiative funds. Proposed changes reflect issues that arose during the first round of SSBCI funding. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.

12) **Related Legislation Prior Sessions:** Below is a list of bills from prior sessions.

- a) **AB 29 (John A. Pérez, Feuer, and V. Manuel Pérez) Office of Business and Economic Development:** This bill establishes GO-Biz to include a newly codified California Business Investment Services Program and the existing Office of the Small Business Advocate. Status: Signed by the Governor, Chapter 475, Statutes of 2011.
- b) **AB 796 (Blumenfield) Matching Funds:** This bill, as it related to the CPCFA, would have increased the maximum contribution by the financial institution to \$200,000, if the matching contribution made by CPCFA were funded exclusively from funds made available pursuant to the federal Small Business Jobs Act of 2010. The bill would also have limited the amount of matching funds used for deposits exceeding \$100,000 to not more than 50% of the available funds. Status: Vetoed by the Governor, 2012, for provisions unrelated to CPCFA.
- c) **AB 901 (V. Manuel Pérez) Expand Financial Partners and Reporting Requirements:** This bill expanded the CalCAP definition of a financial institution and increased reporting requirements. CalCAP is one of the programs which received millions of dollars in federal and state funding for small businesses through the federal Small Business Jobs Act of 2010. Status: Signed by the Governor, Chapter 483, Statutes of 2011.
- d) **AB 964 (Calderon, Gonzalez Fletcher, Gomez, and Cervantes) California Affordable Clean Vehicle Program:** This bill would have changed the name of an article within the Health and Safety Code from "Capital Access Program for Small Business" to "Capital Access Program." Consistent with this change, the bill would have established the California Affordable Clean

Vehicle Program within the Capitol Loan Access Program to assist low-income individuals in purchasing or leasing zero-emission vehicles or plug-in hybrid electric vehicles for personal or commercial use by providing affordable financing mechanisms. Status: Died in the Senate Committee on Appropriations, 2017.

- e) **AB 981 (Hueso) Expand Financial Partners:** This bill expands the CalCAP definition of a financial institution, authorizes the withdrawal of a lower portion of the interest or other income from a loss reserve account to cover program costs, and requires additional financial assistance to qualified businesses in severely affected communities, such as areas with high unemployment. CalCAP is one of the programs which received millions of dollars in federal and state funding for small businesses through the federal Small Business Jobs Act of 2010. Status: Signed by the Governor, Chapter 484, Statutes of 2011.
- f) **AB 1247 (Medina and Bocanegra) Small Business Finance Center:** This bill establishes the California Small Business Finance Center at the IBank within the Governor's Office of Business and Economic Development and transfers the authority to administer the small business loan guarantee program and other related programs to the California Small Business Finance Center. Status: Signed by the Governor, Chapter 537, Statutes of 2013.
- g) **AB 1547 (Quirk-Silva) Community Development Financing Reforms:** This bill modifies definitions, updates eligible activities to reflect market conditions, and streamlines processes of programs administered through the California Capital Access ADA Program, California Capital Access Program Seismic Safety Program, California Industrial Development Financing Advisory Commission, California Alternative Energy and Advanced Transportation Financing Authority, Sales & Use Tax Exclusion Program, and PACE Loss Reserve Program. Status: Pending in the Senate Committee on Business, Professions, and Economic Development.
- h) **AB 1553 (Cervantes) Direct Payments to Borrowers:** This bill authorizes the use of moneys in the California Americans with Disabilities Act Small Business Capital Access Loan Program (ADA program) fund for payments to participating financial institutions or borrowers to provide incentives to participate in the ADA program. The bill also allows small business assistance funds to include contributions and nonreimbursable payments made directly to borrowers or participating programs. Status: Signed by the Governor, Chapter 644, Statutes of 2017.
- i) **AB 1632 (Blumenfeld) Small Business Capital Infusion:** This bill provides the necessary statutory changes in the area of job creation and small business development in order to implement the 2010 Budget Act. The bill transfers \$32.4 million from the General Fund to support four small business and jobs programs that exist in current law. The funding appropriated in this bill went to the Small Business Loan Guarantee Program (\$20 million); California Capital Access Fund (\$6 million); Small Business Development Centers (\$6 million); and the Federal Technology Centers (\$350,000). Status: Signed by the Governor, Chapter 731, Statutes of 2010.
- j) **AB 2252 (Limón) - State Grants Portal:** This bill requires the California State Library, on or before July 1, 2020, to create a funding opportunities Internet Web portal that serves as a centralized location to find state grant opportunities. The bill additionally requires each state agency to register grant opportunities on the portal prior to commencing a solicitation and allow for the submittal of electronic grant applications. Status: Signed by the Governor, Chapter 318, Statutes of 2018.
- k) **SB 225 (Simitian) Loss Reserve Accounts Tracking:** This bill authorizes the establishment of loss reserve accounts for the purposes of terminal rental adjustment clause leasing, if funds are

available for contribution into the loss reserve account from any source other than the authority.
Status: Signed by the Governor, Chapter 492, Statutes of 2011.

- l) ***SB 551 (Hueso) Transfer of Loan Loss Reserve Program***: This bill would have transferred certain funding and loan portfolios from the California Pollution Control Financing Authority to the Small Business Finance Center administered by the California Infrastructure and Economic Development Bank. Status: Held in the Assembly Committee on Appropriations, 2018.
- m) ***SB 832 (Senate Committee on Environmental Quality) Code Maintenance***: This bill revises the Revenue and Tax Code definitions of “project” and “pollution control facility” to conform with those used by the California Pollution Control Financing Authority Act under its sales and use tax exclusion program and includes public agencies within the definition of a “participating party” that is eligible for financial assistance in connection with the projects designed to control or eliminate environmental pollution. Status: Signed by the Governor, Chapter 643, Statutes of 2009.
- n) ***SB 1311 (Simitian) Changes in Deposits and Withdrawals***: This bill reduces the CalCAP monetary contribution of the CPCFA to an amount equal to the amount of fees paid by a participating financial institution. The bill also authorizes the withdrawal of interest or other income from the loss reserve accounts for the purpose of offsetting administrative costs and contributions. Status: Signed by the Governor, Chapter 401, Statutes of 2008.

REGISTERED SUPPORT / OPPOSITION:

Support

Milken Institute
Nextgen California

Opposition

None on File

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