

Date of Hearing: April 30, 2013

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY

Jose Medina, Chair

ACR 48 (Allen) – As Introduced: April 18, 2013

SUBJECT: Start a Small Business Month

SUMMARY: Declares May 2013 as "Start a Small Business Month," expresses the Legislature's support of the Governor's efforts in supporting small businesses, and recognizes that there are key actions that the Legislature can take to further the success of small businesses in California. Specifically, this bill:

- 1) Makes statements which declare, among other things:
  - a) California is home to the most innovative and competitive firms in the world, placing the state consistently among the top-10 economies;
  - b) Small businesses embody the entrepreneurial spirit that has driven the economy of our state where over half of our private-sector workforce is employed by small businesses;
  - c) Policymakers need to better align workforce and college readiness courses, ensure career technical education is high quality and aligned with academic standards, and promote state and private investments in science, technology, engineering, and mathematics education;
  - d) The simple threat of litigation, rather than the actual adjudication of a lawsuit, under the California Environmental Quality Act, can be all that is required to create uncertainty for various projects;
  - e) Policymakers need to take approaches that recognize and encourage California's leadership and innovation in the environmental arena;
  - f) California has one of the highest tax rates in the nation and was ranked 47th for the fairness of its litigation environment in 2012, both of which are significant considerations when a company decides where to locate;
  - g) California, like 19 other states, is struggling with the Unemployment Insurance Trust Fund insolvency and the Governor signed a workers' compensation reform package negotiated by employers and labor in September 2012;
  - h) The Governor, in his 2012 small business proclamation, reaffirmed the state's commitment to seeing small businesses thrive and prosper and that supporting small-scale private-sector job creators is among our most promising strategies to enhance California's human capital, expand job opportunities, and increase our competitive advantage in the global marketplace;
- 2) Resolves that the Assembly and the Senate of the State of California proclaim May 2013 as "Start a Small Business Month" and expresses the Legislature's:
  - a) Support of the Governor's efforts in promoting small businesses and making California a more friendly business climate; and

- b) Recognition that there are key opportunities to relieve the uncertainty of doing business in this state including, by keeping taxes low, fair, stable, and predictable; by reducing the regulatory and litigation costs of operating a business; by reducing the cost and improving the certainty and stability of investing in new equipment and technology; by investing in public and private works that provide the backbone for economic growth; and by ensuring the availability of high quality skilled employees.

EXISTING LAW:

- 1) Finds and declares that it is in the public interest to aid, counsel, assist, and protect the interests of small business concerns in order to maintain a healthy state economy.
- 2) Finds and declares that the complexity and lack of clarity in many regulations put small businesses, which do not have the resources to hire experts to assist them, at a distinct disadvantage.
- 3) Establishes the Office of the Small Business Advocate (OSBA) within the Governor's Office of Business and Economic Development (GO-BIZ) for the purpose of advocating for small businesses including responding to complaints from small businesses concerning the actions of state agencies and the operative effects of state laws and regulations.

FISCAL EFFECT: None

COMMENTS:

- 1) Framing the Policy Issue: This resolution seeks legislative support for declaring May 2013 as "Start a Small Business Month." In making the case for honoring small businesses with a month, the author cites the importance of small businesses to the California economy, the challenges small business face in undertaking business in the state, and the positive steps the Legislature has already made toward making the state a more business friendly state.

This analysis provides information on the role of small businesses within the California economy and a list of the key small business legislation approved by the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) in 2013. Comment 3 includes a list of suggested amendments.

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

Business owners, with no employees make up the single largest component of businesses in California, 2.8 million out of an estimated 3.5 million firms in 2010. As these businesses grow, they continue to serve as an important component of California's dynamic \$1.9 trillion economy. Microenterprises, meaning businesses with less than five employees, represent approximately 93% of all businesses in the state, or approximately 3.2 million of all businesses. Businesses with 99 or less

employees comprise nearly 98% of all businesses and employee approximately 38% of all workers. Businesses with less 500 employees, which is the federal definition of a small business, comprise 99% of all businesses in the state and employ more than half of all workers. These non-employer and small employer firms create jobs, generate taxes, and revitalize communities.

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

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

- 3) Suggested Amendments: Below is a list of suggested amendments.
- a) Clarify the linkage between Fortune 500 companies and business start-ups;
  - b) Reinforce the importance of policymakers remaining focused on economic recovery;
  - c) Modify the order of the "whereas" clauses;"
  - d) Modify the workers compensation clauses to emphasize the importance of the Legislature remaining vigilant in ensuring that the promises of 2012 reforms are realized; and
  - e) Make other technical and conforming changes.
- 4) Related Legislation: Below is a list of key small business legislation approved by JEDE this session. In total, these measures assist start-up and small businesses in the areas of technical assistance, access to capital, and regulatory reforms.
- a) AB 172 (Weber) Microenterprise Procurement Incentives: This bill increases the microbusiness procurement preference from 5% to 7% for state contracts to purchase goods, services, and information technology. The preference may be awarded to either a microbusiness bidder or a non-microbusiness bidder that uses a microbusiness subcontractor. Status: Pending in the Assembly Committee on Appropriations.
  - b) AB 285 (Brown) Self Employment Training: This bill requires the California Workforce Investment Board to make recommendations and provide technical assistance on entrepreneurial training opportunities that could be made available through local workforce investment boards. Status: Pending in the Assembly Committee on Appropriations.
  - c) AB 305 (V. Manuel Pérez) New Market Tax Credit: This bill establishes a \$200 million New Market Tax Credit Program for the purpose of stimulating economic development within California's lower income neighborhoods. Status: Pending in the Assembly Revenue and Taxation Committee.

- d) AB 550 (Brown) Microbusiness Preferences: This bill sets an annual 25% small business participation level for each state agency's contracting activity. Status: Pending in the Assembly Committee on Appropriations.
- e) AB 653 (V. Manuel Pérez) Innovation Jobs Act: Establishes the California Innovation and Jobs Act, which increases the maximum value of the research and development credit, eliminates state sales tax on manufacturing equipment, authorizes a new tax credit for private investments in postsecondary institutions, and codifies the California Innovation Hub Program. Status: Pending in the Assembly Revenue and Taxation Committee.
- f) AB 780 (Bocanegra) FDC Administrative Funds: This bill appropriates \$2 million from the General Fund for the purpose of providing administrative funding to the small business financial development corporations (FDC). Each FDC is eligible to receive \$150,000. The bill also states that it is the Legislature's intent that the FDCs are to be under the jurisdiction of GO-Biz. Status: Pending in the Assembly Committee on Appropriations.
- g) AB 837 (Compos) Small Business Development Centers: This bill requires annual reporting to GO-Biz on Small Business Development Center activities in any year that the state contributes funds. Status: Pending in the Assembly Committee on Appropriations.
- h) AB 1098 (Quirk-Silva) Small Business Regulation Report: This bill requires the OSBA to commission a study regarding the costs of state regulations on small businesses. Status: Pending in the Assembly Committee on Appropriations.
- i) AB 1247 (Medina) Restructure of the FDC Programs: This bill repeals and recasts the provisions of the FDC small business financing programs from the Business Transportation and Housing Agency to GO-Biz. Status: Pending in the Assembly Committee on Appropriations.

REGISTERED SUPPORT / OPPOSITION:

Support

None received

Opposition

None received

Analysis Prepared by: Toni Symonds and Edith Gonzalez / J., E.D. & E. / (916) 319-2090