



SMALL BUSINESS ROUNDTABLE

APRIL 30, 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
- III. Significant Issues Facing Small Businesses, and Service and Program Delivery Challenges in Meeting Those Needs
- IV. Discussion on Legislation and Budget Proposals
- V. Collecting Discussion Topics for Next Meeting
- VI. Final Comments and Adjournment



WELCOME AND OVERVIEW

Agenda Item I

SUMMARY OF THE APRIL 16, 2020 ROUNDTABLE

- A. 55 individuals participated in the April 16, 2020, convening.
- B. Main discussion points included economic recovery strategies and small business challenges during the Stay-at-Home Order and restarting in the Post-Coronavirus Era.
- C. Major Take-Aways:
 - The coronavirus and the steps the state has taken saved lives, and has laid bare the inequities of our society.
 - California businesses, especially the smallest size businesses, were 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 16 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 - has 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.



STRATEGIES FOR ECONOMIC RECOVERY

Agenda Item II

DATA POINTS

FEDERAL Unemployment – 4.4%
(March 2020)

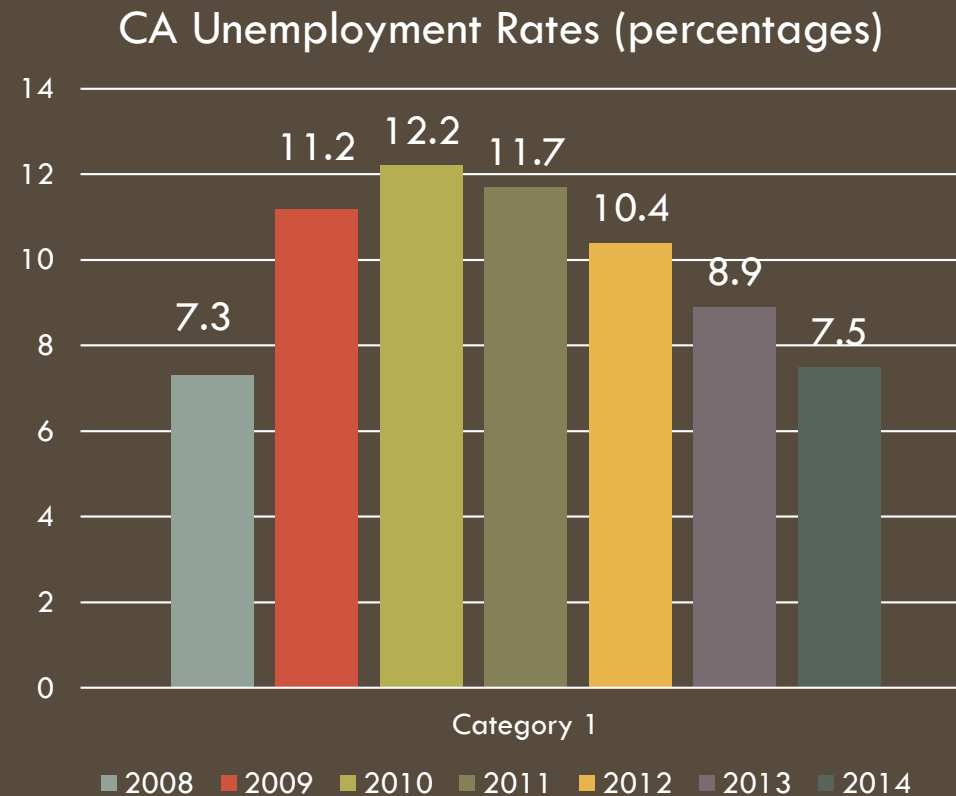
- ❖ Total nonfarm payroll employment fell by 701,000 in March 2020.
- ❖ This is the largest over-the-month increase in the unemployment rate since January 1975.
- ❖ Employment in leisure and hospitality fell by 459,000 jobs.
- ❖ 30 million Americans filed UI claims between mid-March to April 30.

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.
- ❖ 660,966 UI claims were filed for the week ending April 16.
- ❖ Since March 12, 3.3 million UI claims have been filed.
- ❖ California paid over \$3.9 billion in UI between March 12 and April 22.

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.

CONSUMER SPENDING (WORKING PAPER FROM US BEA)

- US Bureau of Economic Analysis (US BEA) estimates that overall consumer spending was down 13.7% within select goods and services since March 11, when the World Health Organization (WHO) declared the coronavirus a global pandemic.
- Consumer spending in restaurants and accommodation was estimated to have been down by 65% and 80% respectively within a week of the WHO declaration.
- The impact of these reductions were partially offset by a 100% increase in food and beverage store sales.
- Modeling and analysis by the US BEA estimates an aggregate “pandemic effect” of around -27.8%.

<file:///S:/ajed/2020%20-%20COVID-19%20Response/06%20-%20Recovery%20Strategy/BEA-Consumer%20Spending%20Wrk%20Paper.pdf>

Table 2. Predicted Month-on-Month Growth from February 2020 to March 2020
Based on Daily and Monthly data, Other Industries
[Seasonally adjusted]

Industry name	NAICS code	Daily data (month-on-month growth) ¹			Consistency ²
		Lower confidence interval ³	Median growth	Upper confidence interval ³	Historical R ²
Other industries					
Accommodations	721	-55.0%	-52.3%	-49.3%	97.1%
Repair and maintenance	811	-29.7%	-16.8%	-1.4%	95.0%
Amusement, gambling, and recreation	713	-41.5%	-38.0%	-34.5%	93.0%
Personal and laundry service	812	-42.8%	-36.1%	-28.7%	97.9%
Ambulatory health care services	621	-36.7%	-24.7%	-10.7%	98.4%
Hospitals	622	-20.7%	-10.5%	0.8%	97.3%
Social assistance	624	-39.0%	-28.7%	-17.0%	97.3%
Performing arts, spectator sports, and related	711	-51.3%	-47.1%	-42.6%	87.5%
Transit and ground passenger transportation	485	-51.0%	-46.9%	-42.3%	19.9%
Motion picture and sound recording	512	-58.0%	-51.5%	-44.1%	0.3%
Rental and leasing services	532	-33.8%	-28.7%	-23.3%	44.5%
Professional, scientific, and technical services	541	-15.2%	-6.4%	3.5%	84.2%
Administrative and support services	561	-30.2%	-23.2%	-15.2%	95.8%
Educational services	611	-27.7%	-19.8%	-11.3%	90.5%
Museums, historical sites, and similar	712	-53.3%	-45.6%	-36.6%	29.8%

NAICS North American Industry Classification System

1. Monthly growth rates from February 2020 to March 2020 computed after adjusting for day-of-week, month, and year effects, based on daily data.
2. Historical comparison with corresponding seasonally adjusted Quarterly Services Survey (QSS) series, log levels, based on the R² from a regression of Fiserv data aggregated to quarters on QSS data.
3. Confidence interval methodology described in paper.

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.

HIGH POINTS OF ASM BUDGET SUBCOMMITTEE (APRIL 27 – SLIDE 1)

- Jerry Nickelsburg, UCLA Anderson Forecast:
 - If the California economy is substantially re-opened in the early summer and there is no substantial return of the pandemic in the fall, the forecast is for a 10% overall decline in national GDP and a 12% decline in employment.
 - Tourism is expected to return to 2019 levels by 2022, with internal US tourism coming back in 2021. Retail, however, was already declining at the end of 2019 and it is not expected to fully rebound. Retail is permanently changed by COVID-19.
 - Lower wage workers in the retail and tourism sectors are expected to be most impacted, including undocumented individuals and independent contractors.
- Business and worker perspectives were provided by: Rodney Fong, San Francisco Chamber of Commerce; David Ahlem, Hilmar Cheese Company, Inc.; and Saru Jayaraman, One Fair Wage.
- Assemblymembers, responding to testimony and their own research, identified a number of challenges small businesses will face when re-opening in the post-COVID-19 economy.

HIGH POINTS OF ASM BUDGET SUBCOMMITTEE (APRIL 27 — SLIDE 2)

Assemblymembers recommended:

- 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.

REQUESTS FROM BUSINESS FOR MORE INPUT

- A coalition letter from business and manufacturing leaders in CA, OR, and WA was sent to the Governor and Task Force on Business and Jobs Recovery asking for direct input from the business community on re-opening the economy and setting 8 core principles.
- California Asian Pacific Chamber of Commerce sent a letter to the Governor asking for ethnic chamber representation on the Task Force on Business and Jobs Recovery.
- Governor provided an update on Issue 5 of his Re-Opening Guidance - The ability for businesses, schools, and child care facilities to support physical distancing.
 - He described CA as being within weeks of removing some restrictions on nonessential businesses.
 - Announced a new business outreach initiative.

BUSINESS INPUT REQUESTED BY GOVERNOR

- 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 is 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.

MOVING FORWARD ON RECOVERY STRATEGIES

- A number of groups are developing recovery strategies and it may be advantageous for groups to review each others work and potentially collaborate.
 - Action 1: JEDE will post a webpage to help groups collaborate.
 - Recovery Strategy webpage: <https://ajed.assembly.ca.gov/content/economic-recovery-strategies>
 - Re-Opening the Economy webpage: <https://ajed.assembly.ca.gov/content/re-opening-economy>
 - Action 2: Stakeholders should email JEDE to have links added. Include your organization's full name and how to connect.
- Both the Assembly Budget Committee and the Small Business Advocate are seeking recommendations. How can this group support those efforts?



COVID-19 PROGRAM CHALLENGES

Agenda Item III

FIVE TOP PROGRAM CHALLENGES

1. There is no clear understanding of how programs and services work together to meet the needs of small businesses.
2. California businesses, especially the smallest size businesses, were frustrated by the process of identifying and accessing PPP loans and other resources.
3. Limited and nonexistent banking relationships resulted in many small businesses, especially those that are minority- and women-owned, from being able to even apply for PPP loans.
4. State funding structures have resulted in too high of fees being placed on disaster loans and guarantees.
5. The CA Small Business Expansion Fund, as well as many small business lenders, are having significant liquidity issues.

ADDRESSING SMALL BUSINESS CHALLENGES (SECOND SLIDE)

1. There is no clear understanding of how programs and services work together to meet the needs of small businesses.
 - Action 1: Some small business technical assistance providers are creating Hot Lines to provide faster connections to professionals who can talk one-on-one with businesses, including Small Business Development Centers and CalAsian.
 - Action 2: GO-Biz and OPR are hosting a series of funding webinars.
2. Small businesses need help in accessing PPP loans from private lenders.
 - Action 1: Some small business technical assistance providers have established Loan Expediter Programs to be review loan application packets and make follow-up calls when lenders have questions and/or need more information, including the American Indian Chamber of Commerce of California.
 - Action 2: 4th Stimulus bill set aside \$60 billion for small- and medium-size financial institutions. SBA prioritized small loan enrollments over larger loans.

SMALL BUSINESS CHALLENGES (THIRD SLIDE)

3. The digital divide creates significant challenges for business owners from historically underserved populations.
4. Many lenders participating in the Payment Protection Program only served businesses that had a pre-existing banking relationship.
5. The fees in the state guarantee loan program are so high that it makes the program a poor alternative to the federal disaster programs.
6. The CA Small Business Expansion Fund, as well as many small business lenders, are having significant liquidity issues.



JEDE LEGISLATIVE HEARING

Agenda Item IV

AGENDA FOR MAY 12 HEARING

ECONOMIC POLICIES THAT SUPPORT UPWARD MOBILITY & INCLUSIVE PROSPERITY

- Item 1 – AB 3101 (B. Rubio and Cervantes) New Market Tax Credit
- Item 2 – AB 3205 (Salas) Regions Rise Together Grant

ENGAGING GLOBAL MARKETS TO SUPPORT ECONOMIC GROWTH

- Item 3 – AB 2135 (Muratsuchi) California Trade Office in Japan

IMPACT OF REGULATIONS ON BUSINESS

- Item 4 – AB 3368 (JEDE) Regulatory Reform Act of 2020

MAY 12 HEARING — TECH NOTES

- The May 12 JEDE Hearing will be in Room 437 in order to accommodate appropriate social distancing.
- With each audience member needing 6 feet of social distance, only a handful of people will be in the hearing room. It is recommended that stakeholders participate in the hearing through livestreaming.
- Witnesses will need to call in separately for each bill. Chair Cervantes will announce when the phone lines are available.
- In order to maintain a healthy environment, all documents will be online, including bill analyses, amendments, and supplemental support and opposition lists.
- Toni and Shane will be in the hearing room. Ben will be in the JEDE Office to help coordinate. If you run into challenges, call Ben at 916-319-2090



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
- Subscribe to the GO-Biz YouTube Channel: <https://www.youtube.com/channel/UCregW8KZRE4k1sXVZs2bPxw>
- Questions can be submitted to: 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>