



# SMALL BUSINESS ROUNDTABLE

JULY 9, 2020 CONVENING

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

# AGENDA

- I. Welcome and Overview
- II. Strategies for Economic Recovery, Including the Work of the Legislature and Governor Task Force
- III. COVID-19 Program Delivery Challenges
- IV. State Budget
- V. Pending Legislation
- VI. Collecting Discussion Topics for Next Meeting
- VII. Final Comments and Adjournment



# WELCOME AND OVERVIEW

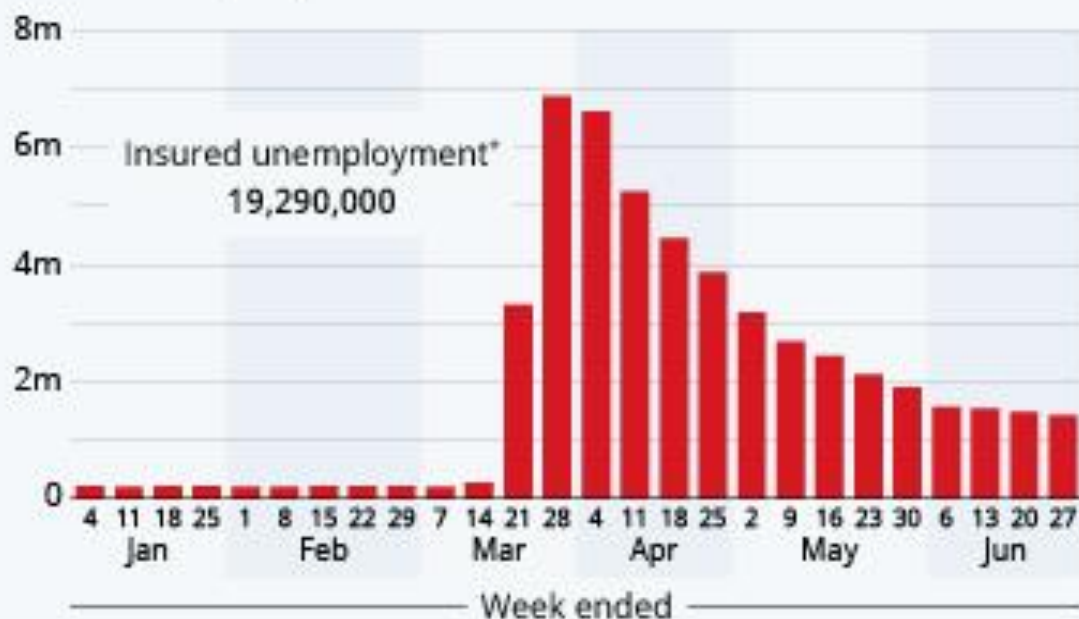
Agenda Item I

# SUMMARY OF THE JUNE 9, 2020, ROUNDTABLE

- ❑ 35+ individuals participated in the June 9, 2020, convening.
- ❑ Main discussion points included economic recovery strategies, small business challenges in accessing resources, state budget, and legislation.
- ❑ Major Take-Aways:
  - The coronavirus pandemic has laid bare the inequities of our society.
  - Independent contractors need assistance in applying for Pandemic Unemployment Assistance funds. CAMEO, Women's Business Centers, and Invest in Women Entrepreneurs are engaging.
  - Small businesses face challenges in accessing and getting payouts from insurance, especially true for losses associated with looting. CalAsian wants to dig deeper on this issue.
  - Full funding for state technical and financial assistance programs is very important. There are concerns over the delay in funding consumer protections for small business financial activities.
  - The language of the re-opening guidance makes it difficult to easily understand. Small businesses technical assistance centers continue to work with businesses on re-opening. More work needs to be done to get clarity, as not every business will have an opportunity to talk with a SBDC.

# Jobless Claims Level Off Amid Fears of New Closures

Weekly initial jobless claims in the United States  
(seasonally adjusted)



\* Insured unemployment refers to the week ended June 20, 2020

Source: U.S. Department of Labor



statista

# Surge in U.S. COVID-19 Cases

Daily number of newly confirmed COVID-19 cases  
in the United States



Source: The COVID Tracking Project



statista



# STRATEGIES FOR ECONOMIC RECOVERY

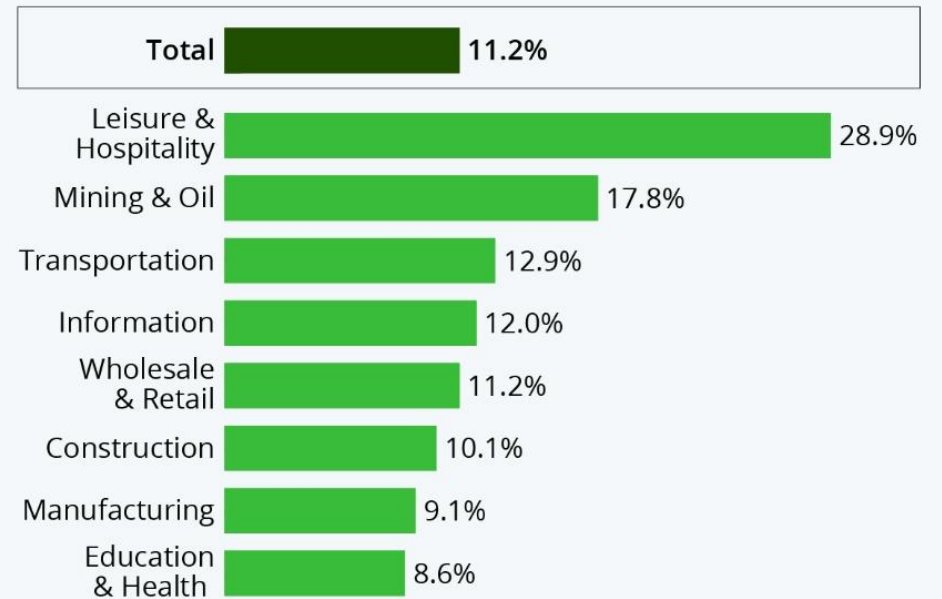
Agenda Item II

# SPEAKERS — AGENDA ITEM II

- ❑ Toni Symonds, JEDE Committee
- ❑ Isabel Guzman, Small Business Advocate
- ❑ Matt Horton, Milken Institute
- ❑ Lisa Countryman-Quiroz, Jewish Vocational Services
- ❑ Betty Jo Toccoli, CSBA
- ❑ Cherly Slobodian/James Watson, CMTA
- ❑ Other Presenters Welcome

## Industries with the Highest Rate of Unemployment

Unemployment rates by industry and class of worker for June 2020



Note: Data as of July 2

Source: Bureau of Labor Statistics



# DATA POINTS

## FEDERAL Unemployment – 11.1% (June 2020)

- ❖ Total nonfarm payroll employment increased by 4.8 million in June 2020.
- ❖ The number of unemployed persons fell by 3.2 million to 17.8 million
- ❖ 1.4 million people filed for unemployment in the US for the week ending June 27.
- ❖ The largest increases in initial claims for the week ending June 20 were in California.
- ❖ 40+ million Americans filed UI claims between mid-March to early June.

## CALIFORNIA Unemployment – 16.3% (May 2020)

- ❖ Total nonfarm employment in California for April 2020 was 15.4 million, reflecting 141,600 more jobs from the prior month.
- ❖ Job losers comprised the largest group of unemployed persons categorized by reason (788,000 persons or 66.9% of all unemployed.)
- ❖ California reported over 3 million unemployed individuals for the month of May 2020.
- ❖ 196,616 UI and Pandemic Unemployment Assistance (PUA) claims were filed for the week of June 27.
- ❖ Between March 14 and week of June 27: 5.9 million UI and PAU claims have been filed.
- ❖ \$37.5 billion paid to out of work Californians since start of pandemic



# GOVERNOR ECONOMIC RECOVERY ACTIVITIES

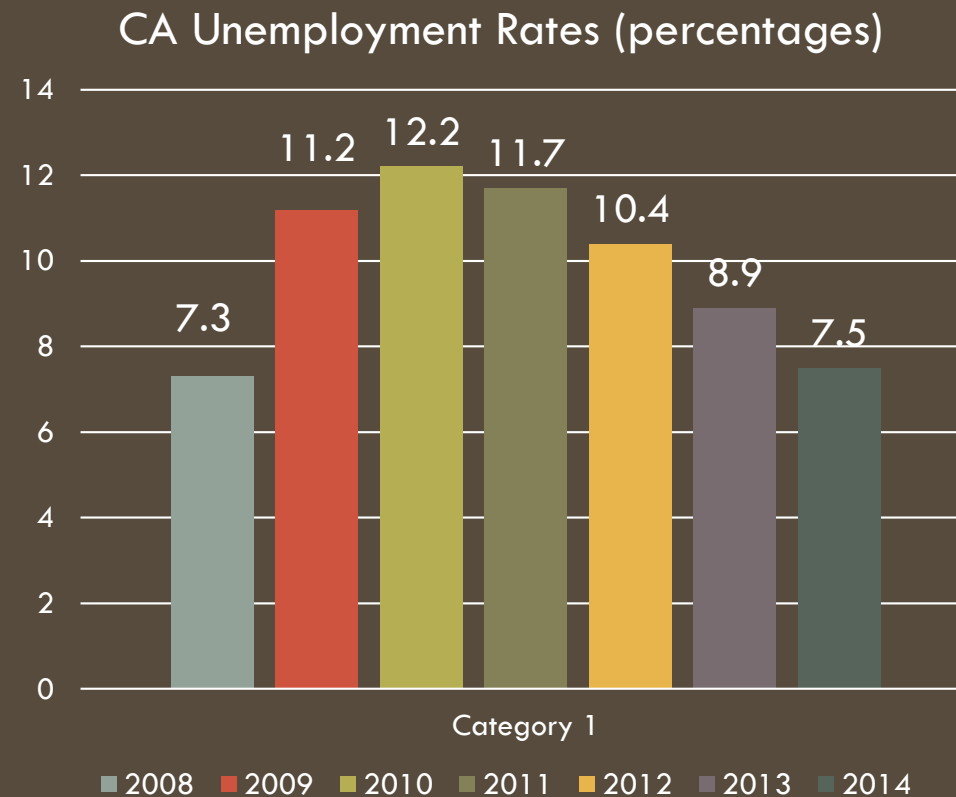
- California is in **Stage II of Re-Opening**, which allows retail, related logistics and manufacturing, office workplaces, limited personal services, outdoor museums, child care, and essential businesses to open with modifications. Recent health set-backs are slowing down the state's ability to re-open safely.
- The Governor convened an 80+ member **Governor's Task Force on Business and Jobs Recovery** in April.
- The Governor continues with his **Economic Recovery & Reinvention Listening Tour**, hosting a digital conversation with workers, small businesses, and employers. Listening tours can be viewed on the Governor's YouTube page: <https://www.youtube.com/watch?v=R-0cakx3Ni0>
- The California Small Business Advocate is hosting a **Small Business & Innovative Startups Recovery Working Group**.
- 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**. 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.
- The Governor's Task Force on Business and Jobs Recovery launched a new shop local campaign - **Calling All Californians: #ShopSafeShopLocal** and the Governor has proclaimed July - **Shop Local Shop Safe Month**.

# WHAT ARE THE KEY RECOVERY CHALLENGES?

- ❑ Small businesses are concerned about being sued by employees and customers about being exposed to COVID-19?
- ❑ Many small businesses are concerned about being able to meet re-opening health and safety protocols. It is difficult to keep-up on changes and the wording can be too vague.

# 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.



# COVID-19 PROGRAM DELIVERY CHALLENGES

Agenda Item III

# SPEAKERS — AGENDA ITEM III

- ❑ Stakeholders are invited to share perspectives.
- ❑ We are particularly interested in identifying strategies and practices in serving communities of color and business owners from underserved population groups.
- ❑ Adapting programs to reach the state's most COVID-19-impacted communities and businesses, which have historically been underserved, has consistently been identified by this group as a fundamental challenge.

# FIVE TOP PROGRAM CHALLENGES

1. Equity and the tools to address historic economic disparities must be central to the state's program and service delivery.
2. While necessary, reopening guidelines are placing new financial and management challenges on an already stressed business community. Accessing sufficient PPE to meet necessary health and safety standards is a barrier to re-opening.
3. Small businesses, especially minority- and women-owned, are still finding it difficult to access low-cost financial resources. State funding structures have resulted in too high of fees being placed on disaster loans and guarantees.
4. While the Federal Reserve has addressed liquidity issues for mainstream banks, smaller and nontraditional lenders are still experiencing significant liquidity issues.
5. State program requirements impede program delivery and should be adjusted to better serve small businesses in being successful in the post-coronavirus economy.

# US CENSUS — SMALL BUSINESS PULSE

- ❑ 82.7% of US respondents said the pandemic had a moderate to significant negative effect on their business. For CA respondents, the percentage was slightly higher with 85.5%.
- ❑ 7% of CA respondents said they shifted to other goods or services, as compared to 4.8% nationally.
- ❑ 31.2% of CA respondents said they had supply chain interruptions, as compared to 32% nationally.
- ❑ 14.1% of CA respondents reported having to reduce the number of paid employees.
- ❑ 75.6% of CA respondents reported requesting PPP loans and 71.9% said they had received it.
- ❑ 33.8% of CA respondents (28.2% nationally) said they had requested an EIDL and 25.8% of CA respondents (21.3% nationally) said they had received an EIDL.
- ❑ 17.1% of CA respondents (17.9% nationally) reported never requesting any assistance for COVID-19 related needs.
- ❑ 5.4% of CA respondents said they had missed a loan payment during the pandemic.
- ❑ 25.1% of the CA respondents said they had been closed at least one day in the prior week.

Survey results from June 21 to June 26, 2020.

<https://portal.census.gov/pulse/data/>



# RECOMMENDATIONS FROM BUDGET SUBCOMMITTEE (APRIL 27)

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

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

# SB TECHNICAL ASSISTANCE ENHANCEMENT PROGRAM

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

# SMALL BUSINESS DISASTER LOAN GUARANTEE PROGRAM

- Eliminate loan origination fees assessed by the state to be competitive with federal disaster programs. Offset the reduction in fees by an increase in the FDC annual contract.
- Allow new capitalization to be used in the disaster and the non-disaster direct loan and loan guarantee programs.
- Allow a targeted group of businesses who have received federal loans, but still need financing, to also access state finance programs.
- Check for and remove barriers to serving new forms of business, including, but not limited to, social enterprises and worker cooperatives.



# STATE BUDGET

Agenda Item IV

# SPEAKERS — AGENDA ITEM IV

Toni Symonds, JEDE Committee, will briefly discuss the state budget and then facilitate a discussion about the how the budget will impact small businesses and local communities.

Roundtable participants are encouraged to share their priorities and experiences.

# FINAL BUDGET FRAMEWORK

- CA Constitution requires the Legislature to pass a budget by June 15 and the Governor to sign a balanced budget by July 1 of each year.
- In January, there was projected to be a budget surplus, but the impact of the COVID-19 pandemic resulted in the state having the potential of a \$54 billion shortfall.
- The Legislature passed a budget on June 15. However, there were foundational differences between the approaches taken by the Governor and the Legislature.
- Areas of disagreement included how to address potential federal funding, cuts to health services to seniors, cuts to state employee salaries, and the drawdown of financial reserves.
- On June 22, 2020, a deal between the Legislature and the Governor was announced.
- The Legislature sent the revised \$202.1 billion (\$133.9 billion General Fund) budget package to the Governor on June 26, 2020.

# SMALL BUSINESS PROVISIONS

\*Economic Stimulus proposals were not included in the June budget package. These proposals will be addressed in August when 2020-2021 tax revenue data is available.

- Approves \$50 million for use by the Small Business Finance Center at the IBank. The Governor previously transferred \$50 million from the State Disaster Fund to the Small Business Finance Center for financial assistance to small businesses impacted by the coronavirus pandemic.
- Approves the third year of a five-year commitment to provide \$20 million annually to GO-Biz for the Small Business Technical Assistance Expansion Program (\$17 million) and Capital Infusion Program (\$3 million).
- Waives the \$800 minimum franchise tax for small and medium-size businesses during their first year of business creation.
- Retains and expands eligibility under the California Earned Income Tax Credit to individuals who file taxes through independent identifier numbers with small children.

# NEW AUTHORITY FOR THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK)

- Rejects the \$250 million proposal to fund the Climate Catalyst Revolving Loan Fund and, instead, establishes a Climate Catalyst Revolving Loan Program at the IBank.
  - Funding will be provided through non-state governmental entities and private sources.
  - The Strategic Growth Council will advise the Legislature on categories to fund, and a report on the projects funded will be annually presented to the Legislature.
- Appropriates \$25 million for the IBank to expand underserved small business lending in the state by establishing funds to support California Community Development Financial Institutions and mission-based lender liquidity.
- Authorizes the IBank to establish one or more programs administered by the bank directly, in conjunction with financial companies or financial institutions, in direct or indirect participation with special purpose entities established for small business finance or under contract with small business financial development corporations.



# EDUCATION PROPOSALS

- Appropriates the Proposition 98 General Fund minimum guarantee (\$70.5 billion) for K-12.
- Appropriates \$300 million to support the K-12 career tech programs, including \$150 million to the California Career Technical Education Incentive Grant Program and \$150 million to the Strong Workforce Program.
- Reduces funding for Calbright Community College by \$5 million ongoing and \$40 million one-time. These funds are redirected to other community college programs.
- Appropriates \$5.8 million to support Dreamer Resource Liaisons and student support services through the community colleges, including services related to career pathways and economic mobility for immigrant students.
- Rejects the May Revision Budget proposal for 10% cuts to all child care programs.
- Maintains funding levels to after school and adult education programs.
- Reduces funds for the California State University and University of California systems by a combined \$1 billion.

# TAX PROVISIONS

- Suspends the Net Operating Loss (NOL) tax provision for tax years 2020, 2021, and 2022.
  - Applies the suspension to both corporate and personal income taxes, pursuant to this budget.
  - Extends the carryover period for up to three years, as specified, for any net operating loss for which a deduction is denied pursuant to this budget.
  - Excludes taxpayers with business income under \$1 million from the NOL suspension.
- Limits the application of business tax credits to offset tax liability to \$5 million in each of the following tax years: 2020, 2021, and 2022.
  - Extends the carryover period for up to three years, as specified, for any net operating loss for which a deduction is denied pursuant to this budget.
  - Excludes the Low-Income Housing Tax Credit from this limitation.
- Requires a licensed car dealer, other than new vehicle dealer, to collect and remit to the DMV the applicable sales tax at the same time the dealer submits the vehicle registration fee.

# ADDITIONAL BUSINESS BUDGET ACTIONS

- Authorizes the state to access the Federal-State Extended Benefit program using the Total Unemployment Rate, which would potentially provide up to 20 weeks of total Unemployment Insurance Extended Benefits to unemployed workers, funded 100% by the federal government.
- Makes statutory changes necessary for the California Public Utilities Commission to provide matching funds, administered through the California Advanced Services Fund, to help California broadband providers pursue funding through the federal Rural Digital Opportunity Fund.
- Maintains \$37 million for the Adult Reentry Grant Program.
- Appropriates \$10 million to fund the Social Entrepreneurs for Economic Development initiative, administered by the California Workforce Development Board to assist economically disadvantaged groups who face significant barriers to employment, including, but not limited to, individuals with limited English proficiency.

# DEFERS ACTION ON SOME PROPOSALS

- Defers action on economic recovery proposals until after July 15, the new state income tax deadline.
- Defers action without prejudice on the expansion of consumer financial protection activities under a new Department of Consumer Financial Protection and Innovation.
- Defers action without prejudice on creating the Department of Better Jobs and Higher Wages.
- Defers action on the \$965 million Cap and Trade Expenditure plan proposed in the January budget.
- Defers action without prejudice on resources to levy an additional, nicotine-based tax of \$1 per 20mg of nicotine on e-cigarettes effective January 1, 2021.
- Defers without prejudice on a proposal to collect additional information from taxpayers in order to establish the valuation of vehicles subject to private party sale. This language would require the DMV to calculate use tax for private party sales as the greater of the vehicle's sale price or the vehicle's standard presumptive value.

# SUPPORT LETTERS FOR BUDGET ITEMS

- ❑ \$50 million for the Small Business Expansion Fund – 40+ letters/signatories from business owners and organizations serving small businesses
- ❑ \$20 million for the Small Business Assistance Enhancement Program and Capital Infusion Program – 500+ letters/signatories from business owners and organizations serving small businesses
- ❑ Multiple Small Business Budget Items – 9 letters/signatories from businesses serving small businesses



# PENDING LEGISLATION

Agenda Item V

# SPEAKERS — AGENDA ITEM V

□ Toni Symonds, JEDE Committee, will discuss state legislation and then facilitate a discussion from others about the next few weeks of activity.

□ Advocates that are tracking bills are invited and encouraged to share their legislative priorities.

\*\*Assembly Speaker Anthony Rendon and Senate President pro Tempore Toni G. Atkins have amended the date of the Legislature's return from July 13 to July 27, 2020.

# ASSEMBLY BILLS JEDE IS WATCHING

- AB 1457 (Cervantes and Reyes) Training pilot based on regional assessment of skill gaps, provided through Community College Contract Education Centers
- AB 1850 (Gonzalez) Classification of Writers as Employees and Independent Contractors
- AB 2054 (Kamlager) Community Response to Strengthen Emergency Systems Grant Program
- AB 2257 (Gonzalez) Classification of Musicians as Employees and Independent Contractors
- AB 2621 (Mullen) Regional Climate Adaptation Plans
- AB 3121 (Weber) Task Force to Study and Develop Reparation Proposals for African Americans
- AB 3205 (Salas) Regions Rise Together Grant
- AB 3216 (Karla and Gonzalez) Paid Sick Leave in Pandemic
- AB 3307 (E. Garcia and Cervantes) Manufacturing Disaster Loan and Guarantee Program
- ACA 5 (Weber, Gipson, Santiago, and Gonzalez) Repeal of Section 31 of Article I relating to the prohibition against discrimination or preferential treatment, among other provisions



# SENATE BILLS JEDE IS WATCHING

SB 25 (Caballero) CEQA modifications for projects funded by qualified opportunity zone funds

SB 795 (Beall) Economic development: housing: workforce development: climate change infrastructure.

SB 895 (Archuleta) Technical assistance and support for the development of zero-emission fuels, zero-emission fueling infrastructure, and zero-emission fuel transportation technologies

SB 1103 (Hurtado) Workforce training programs: supportive services.

SB 1110 (Hurtado) Health care workforce development: California Medicine Scholars Program.

SB 1457 (Borgeas) State regulatory action: reduction or waiver of civil penalties.

SB 1320 (Stern) Climate change: California Climate Change Assessment

SB 1383 (Jackson) Paid Family Leave for businesses with five or more employees

What other bills are stakeholders watching?



# COLLECTING DISCUSSION TOPICS FOR NEXT MEETING

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



# CLOSING THOUGHTS

Links to Useful Information

# STAY CONNECTED WITH GO-BIZ AND OPR

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

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

# JEDE FACILITATION TOOLS

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

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

## **Resource Webpages:**

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