



SMALL BUSINESS ROUNDTABLE

JUNE 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

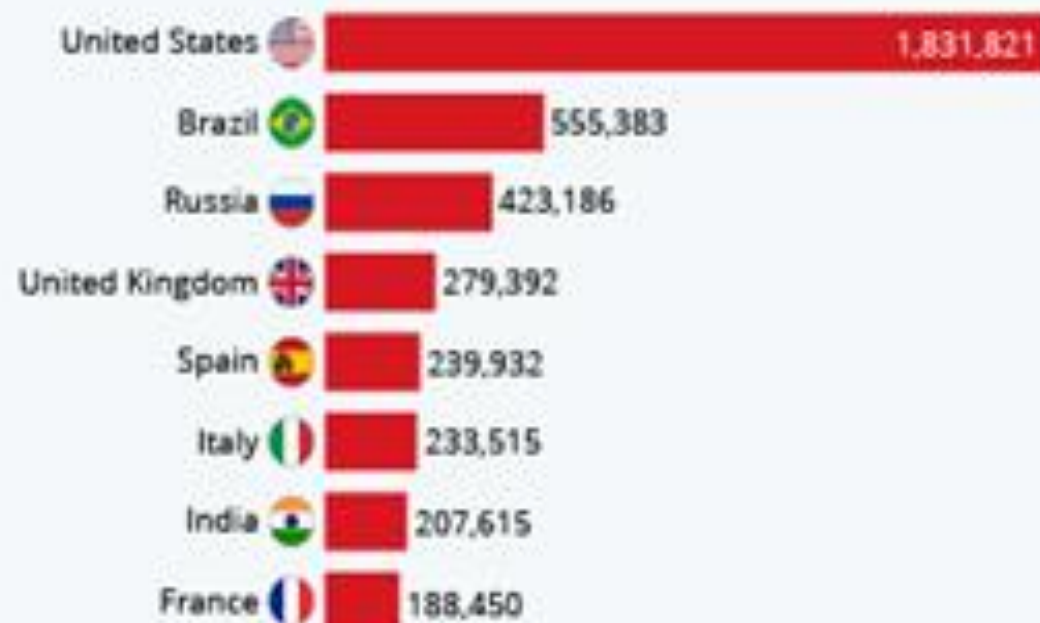
Agenda Item I

SUMMARY OF THE MAY 18, 2020, ROUNDTABLE

- ❑ 41 individuals participated in the May 18, 2020, convening.
- ❑ Main discussion points included economic recovery strategies, small business challenges in accessing resources, Governor's May Revision Budget, and legislation.
- ❑ Major Take-Aways:
 - The coronavirus and the steps the state has taken to save lives have laid bare the inequities of our society.
 - SBDCs & WBCs are assisting small businesses to reopen and meet safety protocols.
 - There is a big push to help independent contractors apply for Pandemic Unemployment Assistance funds.
 - Local communities are trying to fill gaps in federal disaster assistance with their own small business loan programs. SBDCs are coordinating.

The Countries With The Most COVID-19 Cases

Total number of confirmed COVID-19 cases by country*



* As of June 3, 2020 at 03:30 EDT
Source: Johns Hopkins University



statista

Confirmed COVID-19 Cases in the U.S.

Number of confirmed COVID-19 cases, by U.S. state*



* as of June 03, 2020, 2:30 AM EDT
Sources: Johns Hopkins University, CDC



statista



STRATEGIES FOR ECONOMIC RECOVERY

Agenda Item II

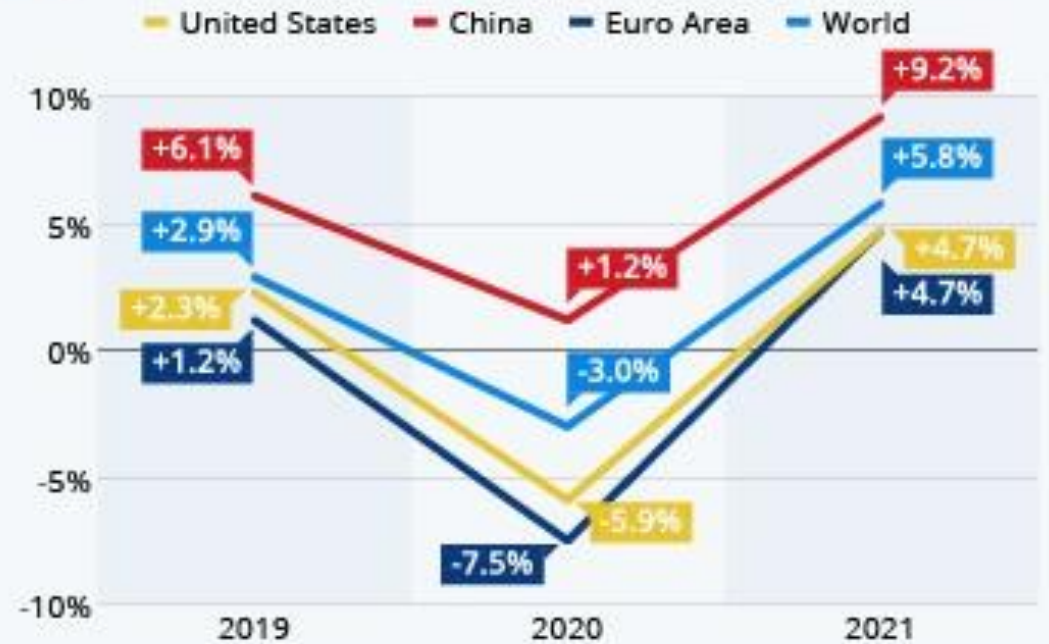
SPEAKERS — AGENDA ITEM II

□ Toni Symonds, JEDE Committee

□ Other Presenters Welcome

Hoping for a V-Shaped Recovery

GDP growth forecast for selected economies
(as of April 2020)



Source: IMF



DATA POINTS

FEDERAL Unemployment – 16.3%

(May 2020 - corrected)

- ❖ Total nonfarm payroll employment fell by 20.5 million in April 2020.
- ❖ This is the largest over-the-month increase in the unemployment rate since January 1975.
- ❖ Employment in leisure and hospitality increased by 1.2 million, following losses of 7.5 million in April and 743,000 in March.
- ❖ Correction - April Unemployment Rate: 19.7%
- ❖ 40+ million Americans filed UI claims between mid-March to mid-May.

CALIFORNIA Unemployment – 15.3%

(April 2020)

- ❖ Total nonfarm employment in California for April 2020 was 15.6 million, reflecting a reduction of 2.3 million jobs from the prior month.
- ❖ The Leisure & Hospitality sector reported the largest number (-934,900) and percentage (46.1%) of jobs lost relative to the prior month.
- ❖ California reported over 2.8 million unemployed individuals for the month of April 2020.
- ❖ 191,116 UI and Pandemic Unemployment Assistance (PUA) claims were filed for the week ending May 30.
- ❖ Between March 14 and May 30: 5.1 million UI and PAU claims have been filed.

FEDERAL RESERVE SURVEY — IMPACT OF COVID-19

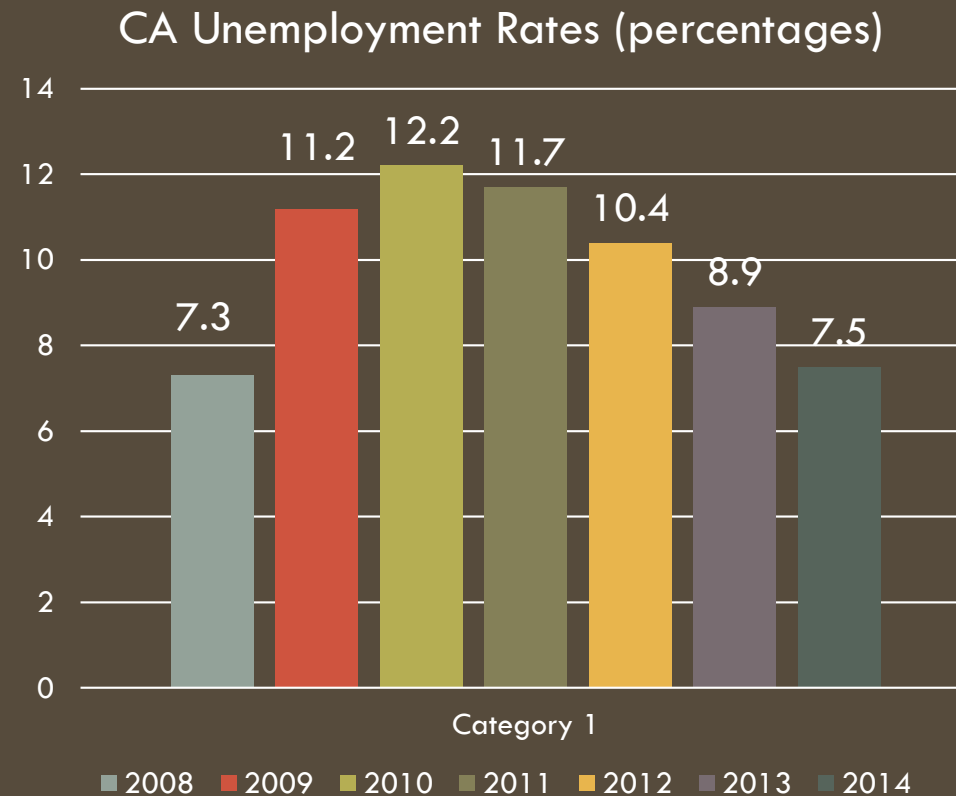
- Nearly 7 out of 10 respondents (69%) indicated COVID-19 was a significant disruption to the economic conditions of the communities they serve and that recovery is expected to be difficult.
- Income loss, business impacts, health concerns, and basic consumer needs were the most frequently cited impacts of COVID-19.
- 35% of respondents indicated it will take more than 12 months for their communities to return to the conditions prior to the disruption from COVID-19.
- 72% of respondents indicated COVID-19 is having a significant disruption on the entity they represent, with 41% expecting to bounce back quickly after recovery begins.
- Nearly 2 out of 3 respondents (66%) indicated demand for their services has increased or is anticipated to increase, and more than half of the respondents (55%) noted a corresponding decrease or anticipated decrease in their ability to provide services.
- A quarter of respondents (25%) indicated their entity could operate for less than three months in the current environment before exhibiting financial distress.

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.
- Business can provide input on re-opening the economy by completing the **California Recovery Roadmap Survey** 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. 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 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.

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.

SURVEY FINDINGS ON FEDERAL PROGRAMS

□ 12% of minority business owners who responded to the Global Strategy Group survey reported they received PPP funding, and half of these owners said they anticipated closing permanently within the next six months.

- The Global Strategy Group survey, conducted on behalf of two justice organizations, Color of Change and UnidosUS, included 500 business owners and 1,200 workers from April 30 to May 11.

□ The Federal Reserve recommends that relief efforts and resources should be focused on these five challenges: (1) Reduced income is a heavier burden for low-wage workers and small businesses; (2) Essential workers, which are most often people of color, face higher exposure risks; (3) Families are in a bind due to school and daycare closures; (4) Low-income communities and communities of color are more susceptible to COVID-19 complications; and (5) Community service providers are feeling the strain, too.

- Federal Reserve Bank of San Francisco issued a white paper, *Coronavirus Compounds Challenges for Low-Income Communities and Communities of Color*.

What are your findings?

US CENSUS — SMALL BUSINESS PULSE

- ❑ 85% 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 86%.
 - ❑ 6.8% of CA respondents said they shifted to other goods or services, as compared to 5.8% nationally.
 - ❑ 38% of CA respondents said they had supply chain interruptions, as compared to 37% nationally.
 - ❑ 73% of CA respondents reported requesting PPP loans and 68.1% said they had received it.
 - ❑ 34.1% of CA respondents (28.4% nationally) said they had requested an EIDL and 19.9% of CA respondents (17.5% nationally) said they had received EIDL.
 - ❑ 2.2% of CA respondents (2% nationally) reported requesting other assistance.
 - ❑ 18% of CA respondents said they had not requested any financial assistance during the COVID-19 emergency.
- Data from May 25 to 30, 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 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 discuss the State Budget and then facilitate a discussion from others about the next few weeks of this process.

ASSEMBLY AND SENATE BUDGET PROPOSAL (SLIDE 1)

- Provides a **\$202.2 billion** expenditure plan, including **\$133.9 billion** in General Fund.
- Defers and separates “Economic Stimulus” proposals from the June 15 budget package.
- Retains the Governor’s January Budget proposal to waive the \$800 minimum franchise tax for small and medium-size businesses during their first year of business creation.
- Retains the \$100 million to operate the Small Business Disaster Loan Guarantee Program. Half of these funds were from the State Disaster Fund.
- Retains the \$20 million to GO-Biz for the Small Business Technical Assistance Expansion Program and Capital Infusion Program.
- Retains the \$10 million one-time General Fund for the establishment of the Entrepreneurship Pathways Grant Program.

ASSEMBLY AND SENATE BUDGET PROPOSAL (SLIDE 2)

- Retains the state's 2019-20 expansion of the California Earned Income Tax Credit program and expands the eligibility to all income-eligible families, including those with Individual Taxpayer Identification Numbers, with children under age 6.
- Rejects the May Revision proposals to reduce funding for the Strong Workforce and K12 Strong Workforce programs, keeping the programs at 2019-20 spending levels.
- Reinstates and provides \$20 million one-time Proposition 98 General Fund to support costs associated with apprenticeship instructional hours.
- Restores all May Revise reductions to K-12 categorical programs to fully fund Career Tech, after school, and Adult Education programs.

ASSEMBLY AND SENATE BUDGET PROPOSAL (SLIDE 3)

- ❑ Eliminates Calbright College and redirects those moneys to other CCC purposes.
- ❑ Defers action without prejudice on trailer bill language and related resources to expand consumer financial protection activities as the new Department of Consumer Financial Protection and Innovation.
- ❑ Defers action without prejudice on creating the Department of Better Jobs and Higher Wages.
- ❑ Retains the \$5 million tax incentive limitation in tax years 2020, 2021, and 2022. Excludes Low-Income Housing Tax Credit from this calculation.
- ❑ Retains the three year suspension of the Net Operating Loss, aka NOL, for tax years 2020, 2021, and 2022. Excludes taxpayers with businesses income under \$1 million.
- ❑ Retains the Paid Family Leave requirements to all businesses with 50 or more employees.
- ❑ Defers action without prejudice on resources to levy an additional, nicotine-based tax of \$1 per 20mg of nicotine tax on e-cigarettes.

SUPPORT LETTERS FOR BUDGET ITEMS

- ❑ \$50 million for the Small Business Expansion Fund – 39 letters/signatories from business owners and organizations serving small businesses
- ❑ \$20 million for the Small Business Assistance Enhancement Program and Capital Infusion Program – 498 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 the State Legislation and then facilitate a discussion from others about the next few weeks.
- ❑ Advocates that are tracking bills are invited and encouraged to share their legislative priorities.

ASSEMBLY FLOOR — THIS WEEK

- AB 3205 (Salas) Regions Rise Together Grant
- AB 3307 (E. Garcia and Cervantes) Manufacturing Disaster Loan and Guarantee Program

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 TO SBA RESOURCES (SAN DIEGO AND IMPERIAL

SBA Training Calendar

https://www.sba.gov/events/find/?dateRange=all&distance=50&=Submit&address=92101&distance%5Bpostal_code%5D=92101&distance%5Bsearch_distance%5D=50&field_event_date_value%5Bvalue%5D%5Bdate%5D=2019-03-05&field_event_date_value2%5Bvalue%5D%5Bdate%5D=2019-06-01&field_event_is_virtual_value%5B%5D=0&pageNumber=1&utm_medium=email&utm_source=govdelivery

SCORE San Diego

http://events.r20.constantcontact.com/calendar/monthview?eso=001nZkfxGQ8wJeHi7BeFyr0NQ%3D%3D&llr=upmnz5eab&utm_medium=email&utm_source=govdelivery

SBDC Trainings Sponsored by the San Diego and Imperial Valley Network

https://sdsbdc.ecenterdirect.com/events?utm_medium=email&utm_source=govdelivery

San Diego & Imperial Women's Business Center https://sdwbc.ecenterdirect.com/events?utm_medium=email&utm_source=govdelivery

SOCAL Veterans Business Outreach Center

https://sba-vboc.ecenterdirect.com/events?centerid=27&utm_medium=email&utm_source=govdelivery

Procurement Technical Assistance Center https://sdcoc.ecenterdirect.com/events?utm_medium=email&utm_source=govdelivery

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>