



Challenges in Reopening California: Minority- and Women-Owned Small Businesses

Assembly Select Committee on Small Business & Entrepreneurship

August 18, 2021

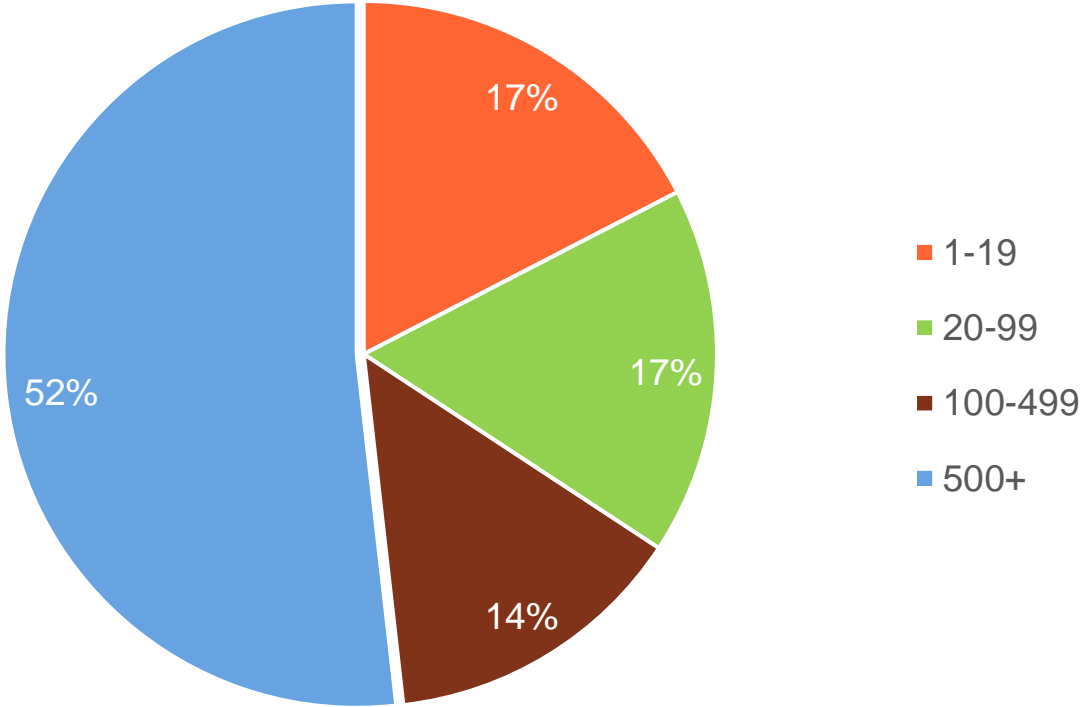
Small Businesses in California

California Small Businesses – By the Numbers

- Civilian labor force: **18,949,731**
- Number of small businesses: **4,131,508**
- Small businesses with employees: **757,458**
- Workers employed by small businesses: **7,224,945** (**38%** of all workers)
- Nonemployer small businesses: **3,374,050** (**82%** of all small businesses)
- **99.8 percent** of all employers in the state are small businesses
- Three leading small business industries: **accommodation & food services**; **health care & social assistance**; and **professional, scientific, & technical services**
- Small businesses contribute to **44%** of US GDP



California Employment by Size of Firm



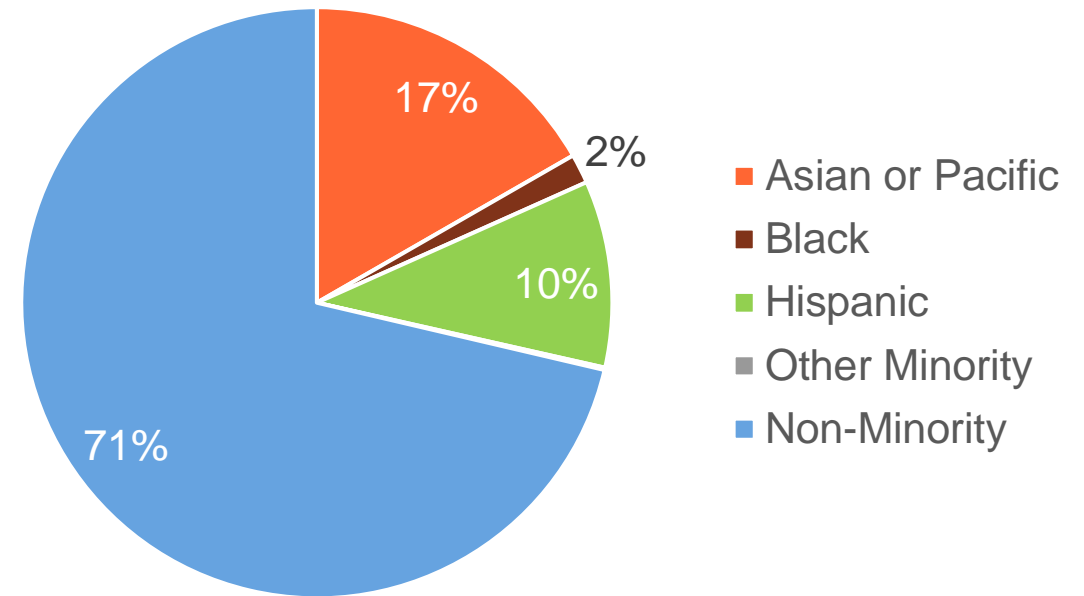
SBA Loan Programs

504 Loans

<i>California</i>	2019	2020	2021*
Gross Approval Amount	\$1.2 billion	\$1.4 billion	\$1.4 billion
Percent of National	24.1%	24.0%	24.2%

*Through March 9, 2021

Percentage of SBA 504 Loans to Minority Owners by \$ Value - National

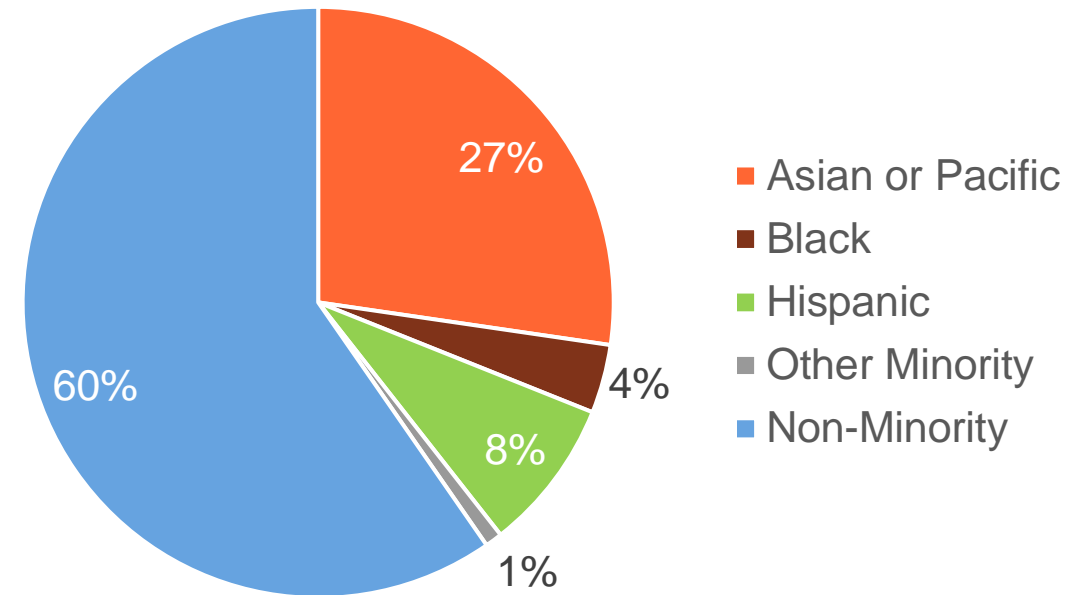


7a Loans

<i>California</i>	2019	2020	2021*
Gross Approval Amount	\$3.5 billion	\$3.7 billion	\$3.2 billion
Percent of National	15.0%	16.1%	16.3%

*Through March 9, 2021

Percentage of SBA 504 Loans to Minority Owners by \$ Value - National

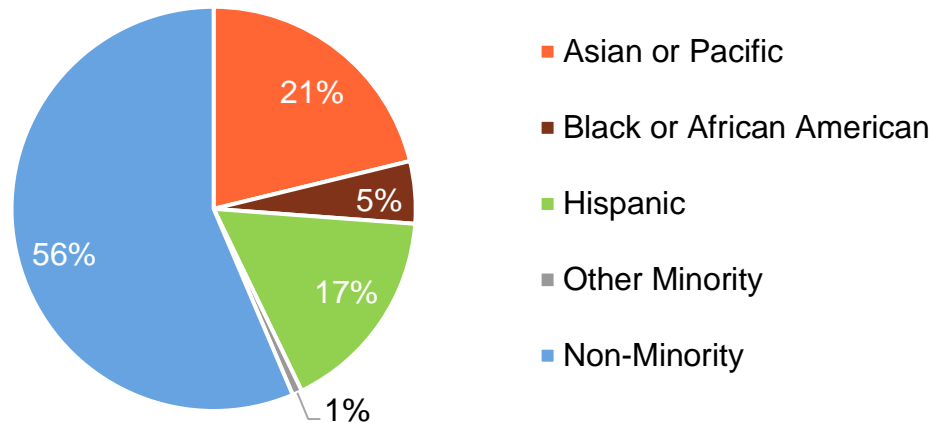


PPP Loans in California

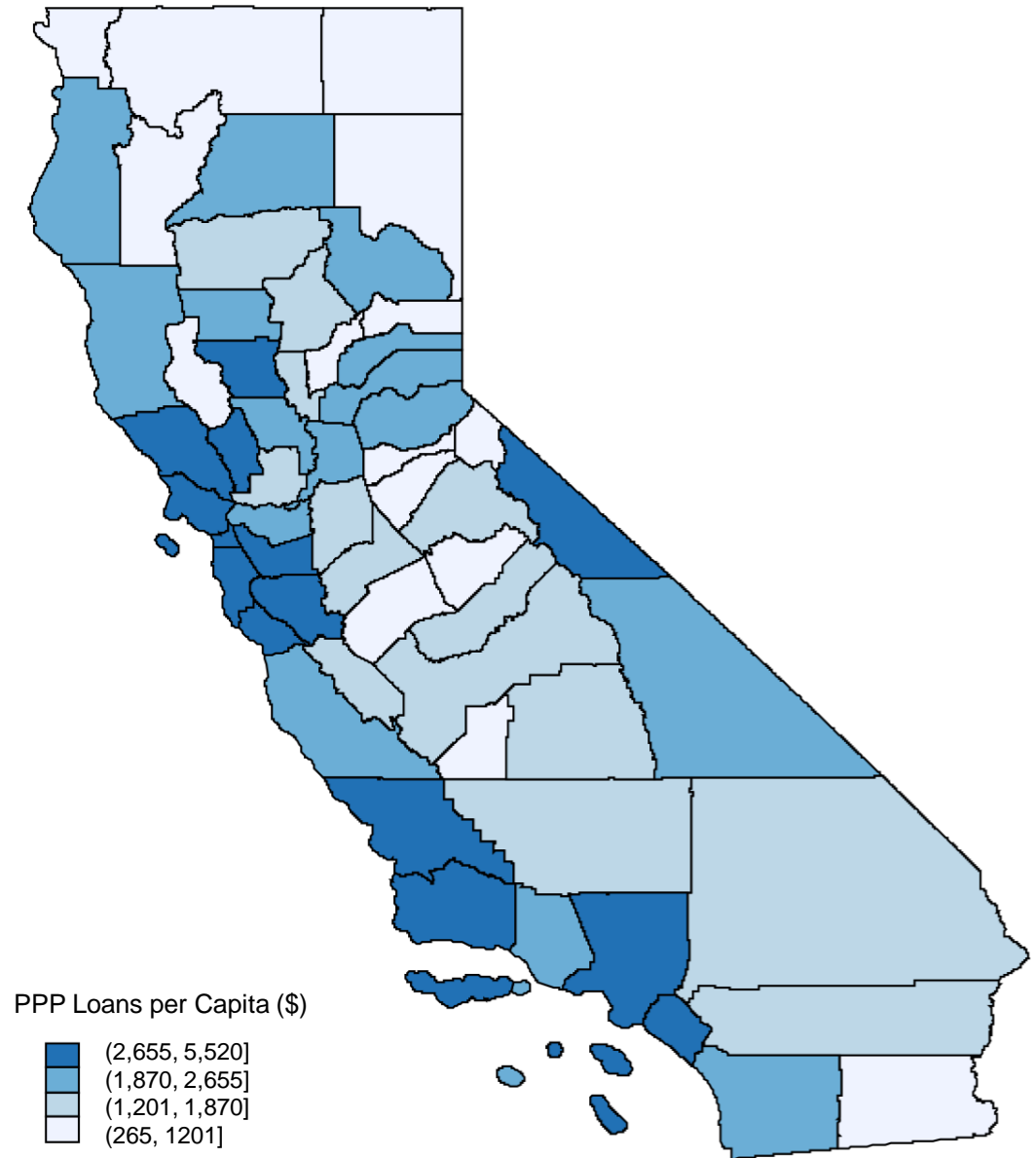
Loans through July 1, 2021

Jobs Supported	8.4 million
Gross Approval Amount	\$103.9 billion
Percent of National	13.4%
Number of Businesses Awarded	1.1 million

Percentage of PPP Loans to Minority Owners by \$ Value - California



PPP Loans Per Capita by \$ Value



Source: U.S. Small Business Administration (2021); California Department of Finance population estimates (2021)

The Impact of COVID-19 on California's Small Businesses

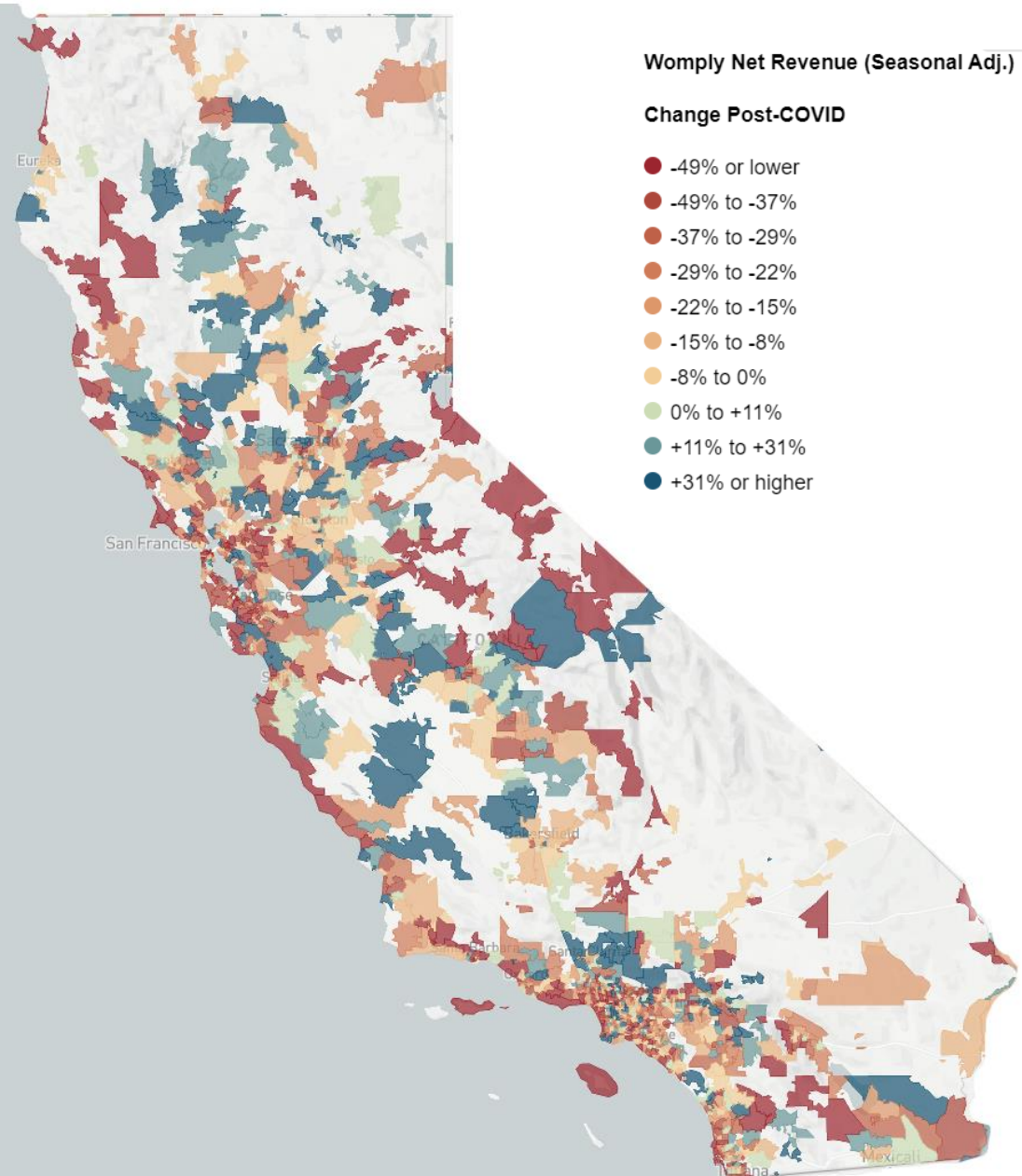
Share of Small Business Closures from January 2020 to March 2021

35.9%

Small business closures
in California between
January 2020 and March
2021

State	% of Small Businesses Still Shut Down Since January 2020	State Rank
Michigan	39.7%	1
Massachusetts	39.1%	2
Alaska	38.9%	3
Maine	38.9%	3
Colorado	38.8%	5
Connecticut	38.5%	6
New Jersey	36.9%	7
Rhode Island	36.5%	8
Illinois	36.5%	8
New Mexico	36.2%	10
California	35.9%	11
New York	35.4%	12
Louisiana	33.2%	13
Texas	32.6%	14
Georgia	32.3%	15

Percent Change in Small Business Revenue between January 2020 to March-May Avg. 2021



COVID's Impact on Small Business Revenue

Small Business Revenue Change from January 2020, California



Source: Opportunity Insights using Womply data (2021)

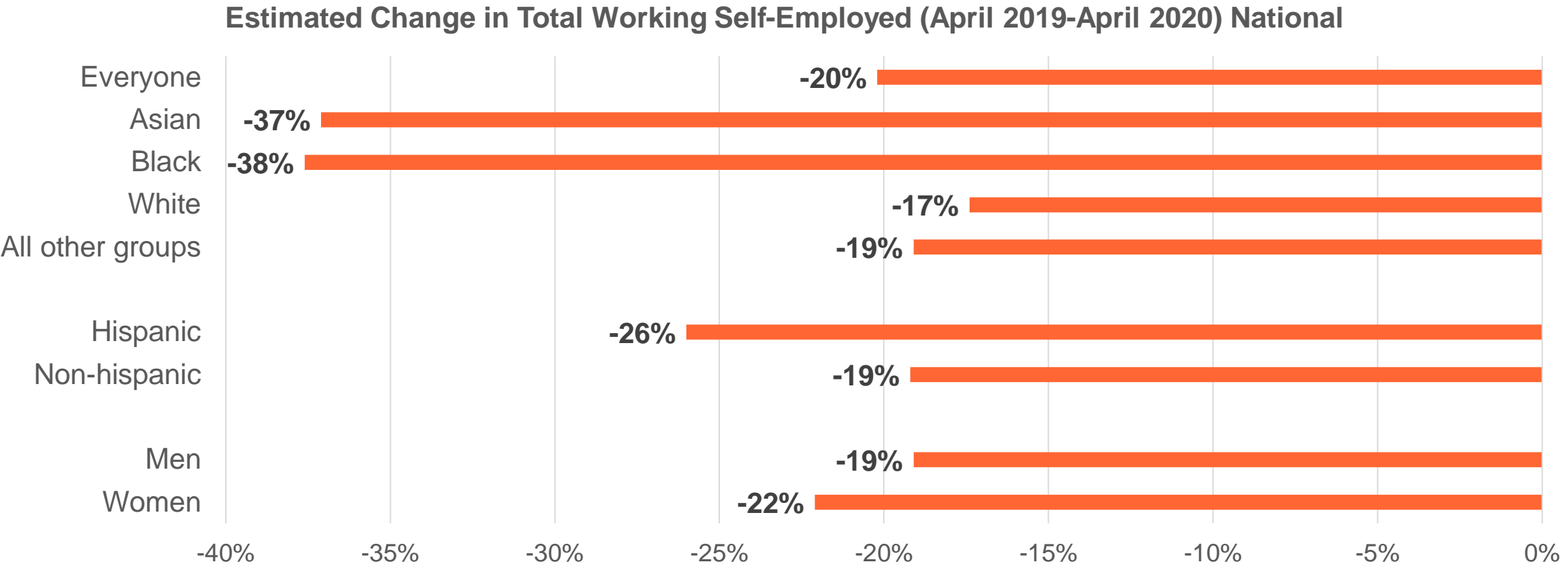
Places with large declines in self-employed business owners have relatively large shares of minority populations

Metropolitan Area	Est. Change in Self-Employed Businesses*	Share of Population Asian	Share of Population Black
Los Angeles-Long Beach-Anaheim, CA	-23%	18%	7%
New York-Northern New Jersey-Long Island, NY/NJ/PA	-44%	16%	14%
Philadelphia-Camden-Wilmington, PA/NJ/DE	-29%	6%	21%
San Francisco-Oakland-Fremont, CA	-46%	23%	16%
Washington, DC/MD/VA	-23%	12%	15%

*Note: Change from April 2019 to April 2020



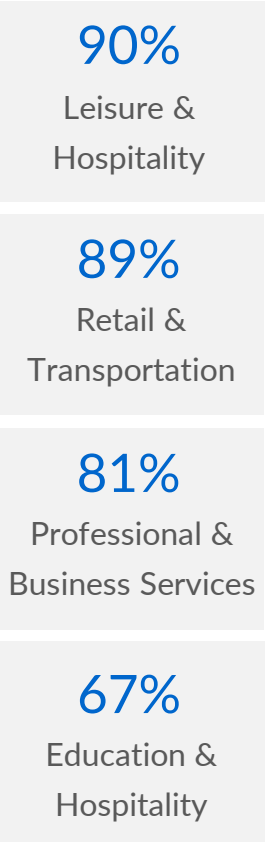
Women and minorities experienced higher declines in self-employment between April 2019 and April 2020



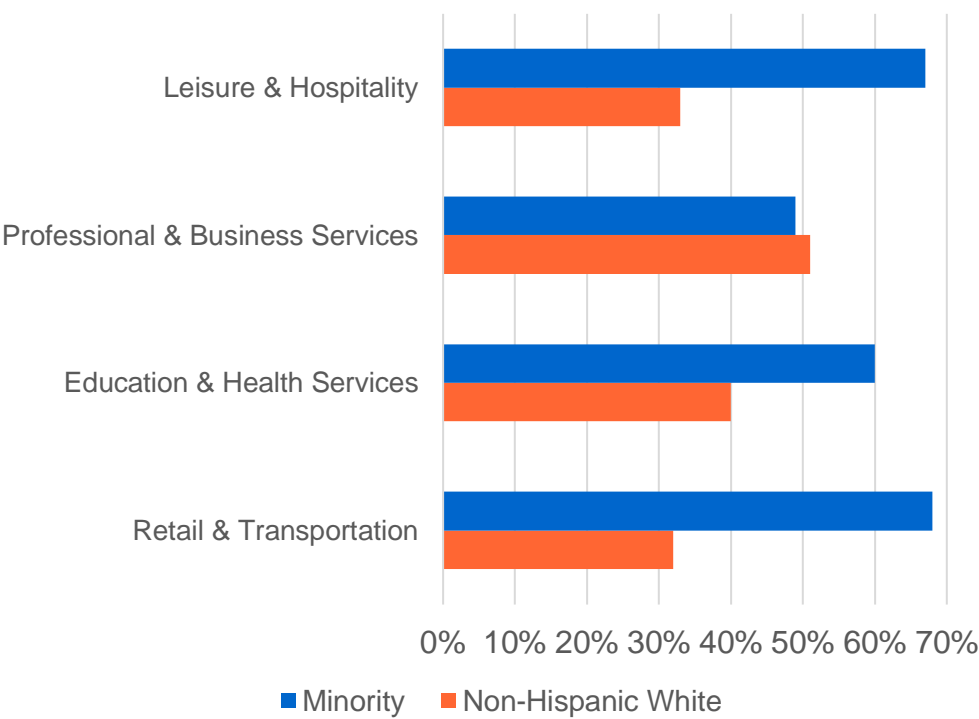
Source: U.S. Small Business Administration Office of Advocacy (2021)

Industries with a larger share of small business employment and minority workers experienced greater declines in employment

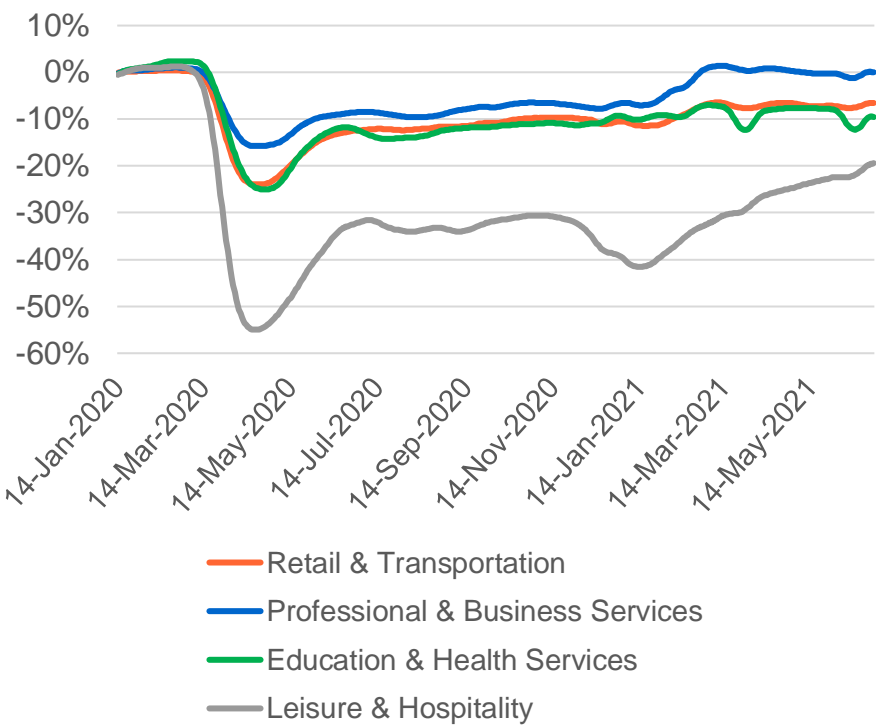
Share of Small Business Employment by Industry*, California



Share of Minorities by Industry, California



Percent Change in Employment by Industry from January 2020, California



*Note: A small business is defined here as having less than 500 employees

Policy Recommendations

Map access to capital for small businesses

- Collect data, organize a publicly accessible database, and maintain a website; may either be done through state government agency or independent third party
- Map numbers and locations of small businesses seeking capital, and the presence of capital allocators (banks, CDFIs, MDIs, other financial institutions, and technical assistance providers)
- Ensure that on-the-ground mapping is comprehensive and inclusionary, with a focus on minority-owned and women-owned small businesses

Provide refundable R&D tax credits for small businesses and startups

- Some small businesses cannot utilize existing R&D tax credits because they face little to no tax burden (particularly startups at the pre-revenue stage)
- Targeted policies to refund a percentage of unused research credits could facilitate greater investment by these firms in activities with the potential to generate future revenues

Enhance the Small Business Utilization program

- Elevate the Small Business Liaison role in each state agency from partial duties to full time equivalent at the senior management level with direct reporting responsibilities to the cabinet level Administrator to provide strong and accountable advocacy for small businesses
- Provide, centralize, and fund enhanced TA support for small business owners and entrepreneurs
 - Capital coordination: increasing the flow of communication in SME financing could potentially enhance the deployment of capital. Work to identify several "low tech" solutions that involve supporting the efforts of financial intermediaries, entrepreneurs and economic development organizations to coordinate more effectively. Such collaborative approaches have long been successful among financial institutions in cooperative syndicates for large transactions
 - Risk mitigation: Credit enhancements such as guaranty programs from the state Treasury office, California Capital Access Program (CalCAP) and the Infrastructure and Economic Development Bank or IBank (i.e., the Small Business Loan Guarantee Program) can provide sustainable support. One issue is these government programs' small staffs, which limits outreach and capabilities. By deploying more robust TA and establishing enhanced referral networks, big banks can channel small business loans they cannot finance to community lenders who can

The Impact of IBank's Small Business Loan Guarantee Program	
Jobs created or retained	384,000
Value of capital injected into the state's small business community FY20	\$509.6 million
Number of loans guaranteed since early 2000s	20,000

