SMALL BUSINESS MAJORITY

The Agenda for California's Entrepreneurs

Small Business Majority has created a comprehensive state policy agenda to ensure entrepreneurship is at the center of a thriving and inclusive economy in California. California's 3.9 million small businesses employ seven million people, which amounts to about half of the private workforce, according to the U.S. Small Business Administration. This is why it's critical that state lawmakers enact policies to support and empower these entrepreneurs, guaranteeing they have access to capital to start and grow their business, affordable and quality healthcare and the ability to compete for top talent with larger companies. To achieve these goals, policymakers should consider the following policy proposals.

Expand access to capital for entrepreneurs

Entrepreneurs—particularly women, people of color and other underrepresented populations—face significant hurdles accessing capital. Increasing access to capital and expanding opportunities for marginalized communities is key to driving more inclusive economic growth. However, it's critical to ensure that any new opportunities to access capital are safe. California made history in 2018 by passing SB 1235, the nation's first truth in lending law for small businesses. This law will protect small business owners seeking alternative sources of capital by promoting more transparency in small business loan products, without placing an undue burden on lenders. California can pursue additional policies to ensure greater access and more options for entrepreneurs to obtain responsible capital, including:

- **Implement SB 1235 by working with the California Department of Business Oversight to develop disclosures that give small business owners clear and concise information about their financing options.** Disclosure of APR and estimated monthly payments are some of the elements necessary for informed comparison. APR is the only established metric that enables informed comparisons of the cost of capital over time, and between products of different dollar amounts and term lengths. In addition, these regulations should bring transparency to the abusive practice of "double dipping," or double charging the borrower.
- **Support the expansion of the** Department of Business Oversight and ensure that this expansion includes protections for small businesses, not just consumers. This expansion will help small business owners have access to a fair and transparent financing marketplace.
- **Continue state investments into federally-matched business support services, such as Small Business Development Centers (SBDCs) and Women Business Centers (WBCs).** These centers provide low and no-cost critical counseling and assistance by professional staff to all entrepreneurs, especially to women and people of color, helping small business owners maximize their potential for creating a positive economic impact.
- **Expand and protect programs like the California Capital Access Program for Small Business (CalCAP) and the Small Business Loan Guarantee Program to ensure lenders are able to continue to use these tools.** These programs encourage banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. According to the State Treasurer's Office, for every $1 in CalCAP funding, another $18 in private investments was leveraged for small businesses in 2017. We support legislation that would keep these programs healthy and successful for small businesses. We also support similar programs that drive responsible capital to micro-entrepreneurs.

Strengthen healthcare markets, expand coverage and contain costs

California has led the way in expanding access to healthcare, yet millions remain uninsured, including many entrepreneurs and small business employees. California can address its remaining uninsured rate and promote more affordability for the small business community through common-sense policies to (1) strengthen healthcare markets and (2) expand health coverage, while (3) containing other inefficient underlying costs in the system. Specific proposals include the following:

- **Establish the Office of Healthcare Affordability to address increasing healthcare costs**. Governor Newsom proposed a new office to study, review and combat increasing costs throughout the healthcare system. This office has the potential to significantly reduce systemic cost increases through comprehensive research and increased transparency, and by preventing significant increases in costs throughout the healthcare system.
- **Expand historic assistance to individuals in the middle class who are eligible for state subsidies for the first time.** California made history in 2019 by extending state premium assistance to those struggling to afford insurance. Building on this success by increasing those subsidies would significantly improve affordability for thousands of moderate-income individuals and families, including many entrepreneurs and small business employees. According to the Small Business Administration, the average income for incorporated small business owners is around $57,000, just above the $50,000 threshold of 400% FPL. Thus, the average California small business owners would benefit from an increase in premium support for those making between 400% and 600% of the federal poverty level.
- **Provide additional cost-sharing assistance to individuals struggling to access affordable healthcare.** Proposed legislation will strengthen existing ACA subsidies and provide additional support to individuals who have incomes below 400% of the FPL and are unable to afford monthly healthcare premiums, which would benefit California's small businesses, their employees and self-employed entrepreneurs who are struggling to afford health coverage.
- **Implement a new state bulk purchasing prescription drug program for public and private payers**, as proposed by Governor Newsom, which would establish the nation's largest purchasing program for prescription drugs. This initiative will strengthen the existing California Pharmaceutical Collaborative, administered by the state Department of General Services, which allows state and local governments to access state contracts for purchasing bulk pharmaceuticals and related pharmaceutical services at a reduced cost.
- **Expand MediCal coverage to undocumented immigrant seniors.** Extending this coverage would drastically decrease the number of remaining uninsured in the state, as roughly 1.8 million undocumented Californians are without healthcare coverage (more than half of the total uninsured). Undocumented Californians, many of whom run or work in small businesses, are accessing our healthcare system in an inefficient manner, without any way to pay for their care, thereby adding to the instability of the system and increasing healthcare costs for everyone.
- **Protect Californians from the practice of surprise billing.** Surprise billing, also known as balanced billing, is a deceptive practice in which a healthcare provider charges more money above what a consumer's insurance covers, usually as a result of receiving care from an out-of-network provider at an in-network facility. Legislation such as SB 1611 would substantially reduce this practice.

Ensure a skilled workforce for California's job creators

California's lawmakers must address the particular challenges small businesses face in finding and retaining skilled workers. Small employers face barriers to offering benefits that are crucial to attracting top talent, which puts them on an unequal playing field with larger businesses that have the resources to provide robust benefits. We encourage policymakers to consider the following:

- **Expand the state's paid leave program**. The state's Paid Family Leave program is currently vastly underutilized, and many small businesses and employees are unaware the program exists. Lawmakers should join the governor in considering ways to expand the program that would benefit the small business community. Increasing the wage replacement rate while ensuring that all Californians can access this program through expanded job protection is a critical step. Additional funding should also be identified to promote education and outreach to small businesses so that more Californians are able to take advantage of the program.
- **Support the implementation of CalSavers** to ensure small business owners understand the opportunities and responsibilities within the program. It's critical that small business owners have access to information about how they can use the program to attract talent and grow their business.
- **Strengthen the workforce development system in California** by ensuring small businesses are supported and provided the resources they need to hire and retain talented employees, understanding small businesses are an essential part of the development system.

Support entrepreneurship and the freelance economy

A healthy entrepreneurial ecosystem provides an innovative and singular pathway for women, people of color, youth, veterans, disabled people and immigrants to enter California's economy and build income and independence. We must to do all we can to ensure our economy flourishes by implementing the following policy recommendations to support entrepreneurship and the freelance economy:

- **Assist local and regional health departments in implementing a regulatory** framework for aspiring entrepreneurs to sell meals prepared in home kitchens. Assembly Bill 626, signed into law in 2018, provides a pathway for thousands of existing cooks to openly access business education and training on safe food handling practices. Local and regional health departments must now decide to authorize home-cooked operations in their jurisdictions, the necessary next step for these businesses to receive health permits.
- **Expand the state's investment in the Earned Income Tax Credit (EITC).** As one of our nation's largest anti-poverty programs, expansion of the EITC can have a powerful effect on economic security for entrepreneurs and independent workers as they're getting their business off the ground.
- **Facilitate access to equity financing to small businesses within new Opportunity Zones investments.** While investments in Opportunity Zones hold the potential to benefit small businesses, especially those in underserved communities, they must be implemented responsibly. This includes requiring reporting metrics that measure program success based on the number of jobs created, where those jobs are located, employee wages and the number of businesses created, particularly businesses formed by women or people of color.
- **Support implementation of a state bank** that will make low-interest loans for infrastructure, agriculture, affordable housing, student loans and small businesses. This will spur economic growth and lead to thriving community banks with higher lending totals.
- **Increase collaboration and coordination between public agencies and assistance organizations to promote microenterprise development**. Increased partnership across these entities will encourage vital investment in California's job creators and chief exporters, particularly helping women entrepreneurs and entrepreneurs of color.