



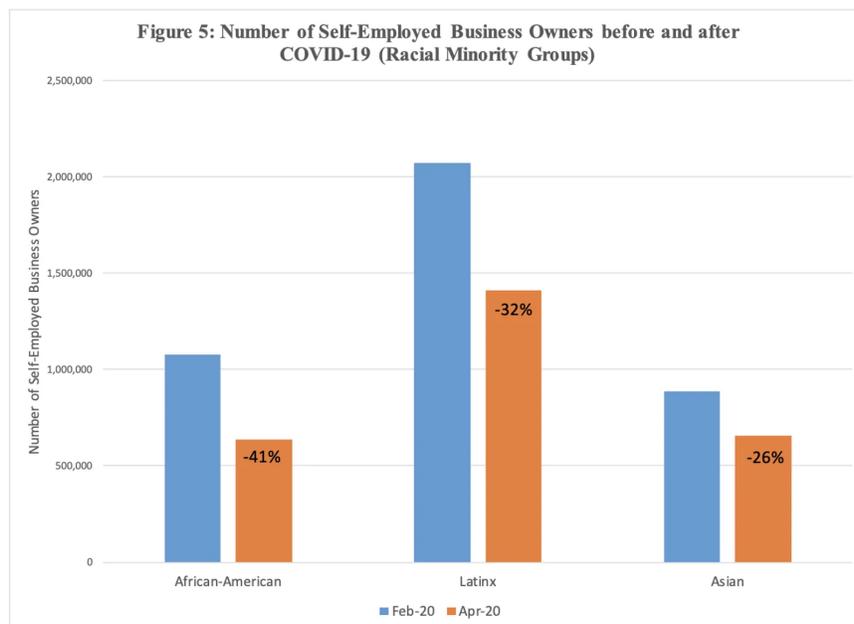
**ASSEMBLY SELECT COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP, AND THE ASSEMBLY COMMITTEE ON JOBS,
ECONOMIC DEVELOPMENT, AND THE ECONOMY**
JOINT HEARING: Economic Recovery of Women- and Minority-Owned Businesses

Wednesday, August 18, 2021

I. Key Takeaways

COVID-19 disproportionately impacted women and minorities.

- Nationwide, between February 2020 and April 2020, the number of active Black-owned businesses declined 41%, Latinx-owned businesses declined 32%, and Asian-owned businesses dropped 25%, versus 21% for businesses overall.
- Places with large declines in self employed business owners have relatively large shares of minority populations.



Source: National Bureau of Economic Research

There are a number of factors that contributed to this disproportionate impact.

- I. Businesses owned by women and people of color tend to be smaller and of a younger tenure than businesses overall.

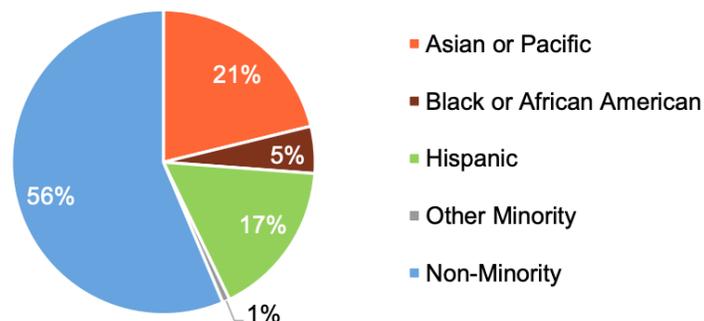


2. Women- and minority-owned businesses predominantly lie within business sectors that have lower barriers to entry, which were also the hardest hit by the pandemic, including food services and personal services, such as hair salons.
3. Data shows that women have, in general, bore an uneven burden relative to the care of school age children and older adults who have needed additional care and attention during the pandemic.

Regulatory and systemic hurdles impede women and minority business owners from being fully able to leverage state programs.

- Panelists shared experiences with the lengthy and complex processes of applying for state programs and assistance.
- Panelists emphasized the importance of working with “trusted community partners” to reach minority and women entrepreneurs.
- These experiences are clear in the outcomes of these programs. The majority (56%) of PPP loans went to non-minority business owners. The highest percentage of Black-owned businesses who received funding in any of the funding rounds under the California Small Business Grant COVID-19 Program was 8.1%.
- This has been a persistent problem that predated the pandemic. Black and brown people average 5-8% of SBA loans over the last 3 years.

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



Source: U.S. Small Business Administration (2021)



Small Businesses are struggling to find and hire low-wage workers.

- It is becoming increasingly difficult for small businesses to find employees because they are increasingly in competition with large companies, like McDonalds and Walmart, who are beginning to offer unmatched benefits like college loan forgiveness.

II. Potential Legislative & Budget Action

- Double the Small Business Technical Assistance Expansion Program funding this coming FY year to \$34M
- Support AB915 (Chiu), which codifies the State's 25% small business procurement goal
- Streamline regulatory hurdles and remove systemic structural barriers in access to government services and compliance
- Create a database that maps access to capital for small businesses
- Provide refundable R&D tax credits for small businesses and startups
- Enhance the small business procurement utilization programs in every state agency
- Elevate the Small Business Liaison role in each state agency
- Conduct research on the overall impact of entrepreneurship on household income and wealth creation, especially the impact of women- and minority-owned businesses.
- Increase access to capital for new and startup businesses
- Ensure that new funding programs include technical assistance dollars, including the California Dream Fund
- Ensure capital access programs utilize “trusted community partners” for outreach and to serve as an access point for women- and minority-owned businesses

III. Suggestions for Subsequent Hearings

- Addressing regulatory hurdles
- Increasing small business participation in state contracting
- Strategies the state can use to support hiring by small businesses, including targeted training courses for the small business workforce