

California Small Business and Jobs Act

Requesting \$5 million for targeted investments that support California small businesses. This includes \$3.5 million for the Small Business Technical Assistance Program and \$1.5 million for Small Business Finance Center.

Collectively, the proposal provides for small business financial assistance, counseling and mentoring, and help in obtaining public contracts. While the programs and services are available to all small businesses, there is a special focus on underserved business groups, including veterans and women, and businesses in low-wealth, rural, and disaster-impacted communities. These investments can generate tens of thousands more jobs and strengthen California's economy for a generation. This budget request will:

- **Leverage an additional \$3.5 million in federal dollars** and support a statewide network of business development centers that are already staffed and operating in local communities. At these centers, small businesses can find free and low-cost counseling, training, and referrals to other resources.
- **Strengthen the state's small business technical assistance network** by building on prior year budget and legislative actions. California's small business technical assistance network includes:
 - ✓ 45 Small Business Development Centers (**SBDC**), including permanent and satellite offices
 - ✓ 14 Women's Business Centers (**WBC**)
 - ✓ 8 Small Business Financial Development Corporations (**FDC**)
 - ✓ 1 Manufacturing Extension Partnership (**MEP**) Center
 - ✓ 4 Minority Business Development Centers (**MBDC**)
 - ✓ 7 Procurement Technical Assistance Centers (**PTAC**)
 - ✓ 2 Veteran Business Outreach Centers (**VBOC**)
 - ✓ 90 Veteran Resource Centers (**VRC**)
 - ✓ 7 Small Business Administration technical assistance grantees (**SBAIT**)

Each of these centers is overseen by a federal or state agency which is already responsible for designating, monitoring, and reporting outcomes from their activities. California appropriations would include specific state reporting language to ensure funding resulted in measurable outcomes.

- **Support small businesses' access to foreign markets** by rebuilding and expanding the capacity of the state's international trade technical assistance providers, including those funded under the federal State Trade Export Program.
- **Expand Capital Access Through Private Lenders:** \$1.5 million for technical assistance provided through the state's seven FDCs, which operate under the Small Business Finance Center. This will enhance assistance to businesses who are participating in the state's Small Business Loan Guarantee and Jump-Start programs with priority given to services provided to underserved business groups, including women-, minority-, and veteran-owned businesses and businesses in low-wealth, rural, and disaster-impacted communities.

Targeted Investments to Support Business Development Activities

Maximizes Federal Business Development Funds: An infusion of \$3.5 million will provide business assistance to support aspiring and experienced entrepreneurs in realizing their dream of business ownership. These funds will support business development activities not otherwise covered through existing GO-Biz programs. Eligible applicants include: WBCs, MBDCs, SBDCs, PTACs, SBAITs, VBOCs, and the MEP.

- **Matching Funds:** Funding distributed through this appropriation will be contingent upon verification that the moneys will be leveraged or matched on a dollar-for-dollar basis.
- **Mandated and Verifiable Measurements:** Outcomes will be measured using federal metrics, including businesses served, jobs created, and revenues generated, among others.
- **Integrated Service Delivery Models:** Applicants will demonstrate how they are linking to and strengthening California's network of small business technical and financial assistance centers.

Building on 2017-18 and 2018-19 Budget Investments

- \$17 million GF for the Small Business Technical Assistance Expansion Program (SB-TAEP). A five-year competitively awarded program limited to federally-designated small business assistance centers that meet certain fiscal requirements. (FY 2018-19)
- \$3 million GF for a Capital Infusion Program. A five-year competitively awarded program limited to SBDCs. (FY 2018-19)
- \$3 million GF for a Small Business Assistance Program. A one-time competitively awarded program that assists WBCs, VBOCs, and PTACs to fully draw down federal dollars and become eligible for the SB-TAEP. (FY 2018-19)
- \$8.5 million Prop 98 to the California Community Colleges to support VRCs. (FY 2018-19)
- \$5 million ongoing Proposition 98 General Fund and \$5 million one-time Proposition 98 General Fund to create or expand campus VRCs. (FY 2017-18)

Background on Small Business Technical and Financial Assistance Centers

The federal and state government operate a number of programs that are designed to provide technical and financial assistance to entrepreneurs and small businesses, especially to unserved and underserved groups and regions of the state, including veterans, women, formerly incarcerated individuals, disabled individuals, and individuals living in rural and resource-poor communities.

Manufacturing Extension Partnership Center Program

The Manufacturing Extension Partnership (MEP) program is administered through the National Institute of Standards and Technology (NIST) within the U.S. Department of Commerce. The program is delivered in California through California Manufacturing Technology Consulting (CMTC). Services include technology transfer, export assistance, new product development, market diversification, productivity improvement, and workforce development. CMTC works with manufacturers to identify their needs and delivers hands-on, customized, and on-site technical assistance and training. Client engagements with manufacturers and their employees typically have a duration between one and six months.

In 2018, the California MEP Program served 1,183 manufacturers, which resulted in \$1.01 billion in new and retained sales, \$285 million in new client investments, and \$109 million in cost saving to client

businesses, and supported the creation/retention of 10,405 manufacturing jobs reported via third party client surveys from NIST. Using the U.S. Department of Labor multiplier of 2.5:1, the program impacted 26,012 total jobs in California.

Minority Business Development Center Program

The Minority Business Development Center (MBDC) program is administered by the U.S. Department of Commerce's Minority Development Agency. The program provides a range of services to minority-owned businesses seeking to expand to new markets, both foreign and domestic, including business consulting, private equity and venture capital opportunities, and facilitating joint ventures and strategic partnerships. The primary focuses of the Minority Business Development Center program are the building of management capacity, job creation/retention resulting from facilitating contracts, and financing for medium-sized businesses.

The Minority Business Development Center Export Centers help businesses with identifying suitable foreign markets; matching and securing alternative sources of capital and financing; and educating minority-owned business owners of the benefits of strategic growth alternatives. California has four Minority Business Development Centers, including:

- Fresno MBDA Business Center serves as a Native American Business Center and collaborates with Owens Valley Career Development Centers and reports serving over 5,500 tribal members from Stockton to Ventura County in California.
- Pasadena MBDA Business Center provides core business services and is operated by the So Cal Corporate Growth Partners.
- Sacramento MBDA Export Center provides core business services with a focus on exports. It is operated by the California Asian Pacific Chamber of Commerce.
- San Jose MBDA Business Center provides core business services and is operated by ASIAN, Inc. of San Francisco.

Reporting from the Sacramento, Fresno, and San Jose MBDAs for September 2017 through March 2019 shows 714 jobs created, 774 jobs retained, over \$390 million in export contracts and procurement transactions, and \$72 million in financial transactions as a result of MBDA assistance.

Procurement Technical Assistance Center Program

The Procurement Technical Assistance Center (PTAC) program is administered through the Defense Logistics Agency within the U.S. Department of Defense. The program was established to expand the number of businesses capable of participating in government contracts. Procurement Technical Assistance Centers provide a wide range of government contracting assistance from workshops to one-on-one mentoring.

California has six Procurement Technical Assistance Centers, including: Los Angeles County Office of Small Business/PTAC (*Los Angeles*); Monterey Bay PTAC (*Seaside*); Procurement Assistance Center at Riverside Community College District (*Corona*); Norcal Procurement Technical Assistance Center (*Arcata*); San Diego Contracting Opportunities Center – PTAC (*National City*); and California Capital Financial Development Corporation (*Sacramento*). The American Indian Chamber Education Fund – PTAC (*Los Angeles*) serves Native American-owned businesses in California, Arizona, Nevada, and Utah.

In general, California's Procurement Technical Assistance Centers have demonstrated that for every \$1 of investment made, \$93 in contract awards are entered into by businesses in the state. In 2018, 4,887 clients were trained in procurement, and 2,368 clients received 6,593 hours of counseling. This training and one-on-one counseling resulted in \$488.9 million in related contract awards.

Small Business Development Center Program

The Small Business Development Center (SBDC) program is sponsored by the federal Small Business Administration (SBA) and functions as a cooperative effort of the private sector, the educational community, and federal, state, and local governments. The California SBDC network serves businesses throughout California with over 45 service and administrative lead centers. Small businesses can access a range of free and low-cost services through an SBDC, including one-on-one counseling and workshops that assist business owners in better understanding and developing effective business and marketing plans, accessing capital, market research, technology commercialization, and reaching foreign markets.

In 2018, the California SBDC network performed more than 103,000 one-on-one business advising hours and hosted 1,700 training events. The CA SBDC network helped California businesses launch 1,470 new businesses, raise over \$776.4 million in debt and equity capital, and create 9,962 new jobs.

Small Business Financial Development Corporations

The Small Business Financial Development Corporations (FDCs) are nonprofit 501(c)(3)s designated by the California Infrastructure and Economic Development Bank (IBank) to administer programs through the Small Business Finance Center. The following FDCs are under contract with the IBank:

- California Capital Small Business Financial Development Corporation
- California Coastal Rural Development Corporation
- California Southern Small Business Development Corporation
- Northern California Financial Development Corporation
- Small Business Financial Development Corporation of Orange County
- Pacific Coast Regional Small Business Development Corporation
- Valley Small Business Development Corporation

Working through the seven FDCs, the state offers a range of financial products from direct loans to credit enhancements for loans and bonds. Small businesses use these moneys as working capital, export finance, pay franchise fees, purchase equipment, make tenant improvements, respond to disasters, and expand their businesses.

In 2017-18, a total of 400 loans were made resulting in \$122.9 million of loan guarantees supporting \$161 million in small business loans. This guarantee activity contributed to nearly \$253.7 million of overall capital that was injected into the State's small business community. In addition, the borrowers reported 9,299 jobs were created or retained during this period as a result of the loan guarantees.

Veteran Business Outreach Center Program

The Veteran Business Outreach Center (VBOC) program is administered through the federal SBA, with two of the 20 centers nationwide being designated to serve veterans in California. While all SBA small business centers provide services to all entrepreneurs, including veterans, the Veteran Business Outreach Centers have additional programs and services to address the sometimes unique needs of veterans in starting and operating businesses.

A primary focus of the Centers is to facilitate and provide instruction of the SBA's "Introduction to Entrepreneurship," known as "Boots to Business," which is a course offered within the Department of Defense Transition Assistance Program. The more recently introduced program "Boots to Business Reboot" brings the "Boots to Business" curriculum off military installations and into communities of veterans, members of the National Guard and Reserve, and military spouses. Other services provided by the Centers include pre-business plan workshops, entrepreneurial training, one-on-one counseling, and feasibility analysis of business plans and site locations. In addition to serving active duty entrepreneurs, the Centers serve service-disabled veterans and Reserve, Guard, and military

spouse/survivor entrepreneurs, as well as any other small business owners interested in starting a new or expanding/diversifying an established small business.

California veterans and their spouses are served through a Sacramento-based nonprofit and a community college-based nonprofit administered through MiraCosta College in Oceanside. The Sacramento-based center serves northern and central California, as well as Nevada. Santa Barbara, Ventura, Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Imperial Counties are served by the MiraCosta College Center.

Women's Business Center Program

The Women's Business Center (WBC) program is sponsored by the federal SBA and was established to provide in-depth, substantive, and outcome-oriented business services to women entrepreneurs of both nascent and established businesses, including a representative number which are socially and economically disadvantaged. The Women's Business Centers operate through a network of over 100 nonprofits nationally, including 14 nonprofit organizations in California. Pursuant to federal regulations, the program is measured by successful business startups, job creation and retention, and increased company revenues. California's network of women's business centers include:

- AnewAmerica Women's Business Center (East Bay, San Francisco area)
- AnewAmerica Women's Business Center (San Jose)
- Asian Pacific Islander Small Business Program WBC LTSC Community Development Corp. (Los Angeles)
- California Capital Financial Development Corporation (Sacramento)
- Coachella Valley WBC at California State University of San Bernardino
- Inland Empire Women's Business Center at California State University of San Bernardino
- Jefferson Economic Development Institute (Mount Shasta – serves 5 northern counties)
- Mendocino Women's Business Center @ West Company (Fort Bragg)
- Pacific Asian Consortium Employment (PACE) Women's Business Center (Los Angeles)
- Renaissance Entrepreneurship Center (San Francisco Bay Area)
- San Diego and Imperial Women's Business Center (Imperial and San Diego Counties)
- Women Business Partners Program at Mission Community Services Corp. (San Luis Obispo)
- Women's Economic Ventures (Santa Barbara)
- Valley Economic Development Center Women's Business Center (Santa Clarita and San Fernando Valley)

In federal fiscal year 2018, Women's Business Centers helped to establish 372 new businesses and create 806 jobs in California. The Women's Business Centers provided one-on-one counseling to nearly 6,849 business clients, provided training in group settings to over 16,309 businesses, and helped clients access over \$38 million in capital.