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Microbusiness Sector Advocacy Priorities

CAMEO and its 300+ member network supportive of efforts to promote microbusiness ownership and business assistance. Specifically in 2020, we support:

Small business provision that the state budget should include.

- Strong transparency in small business lending regulations (SB 1235) and lender accountability through the Department of Business Oversight's re-organization to the Department of Financial Protection and Innovation.

Re-allocate existing resources to more efficient uses.

- Companies are returning Cal Competes tax credits. Re-allocate \$5 million to expand the eligibility of business development organizations that can receive that funding under the TAEP program to include those that have proven effective in building wealth in underserved communities.
- Use the funds from the unused CalCAP/ADA and Seismic programs to waive lender fees for the State Loan Guarantee Program to increase lender capacity and ensure fees are not passed to the borrower.

When recovery funds are available, they should be invested into communities of color for small business development.

- Support liquidity for California Community Development Financial Institutions and mission-based lenders. These funds should be used to make zero to very low interest rate loans to minority business owners.
- Grants for small businesses to cover operating expenses for the duration of the shutdown and the transition period to re-opening.
- Debt payment relief to offer California borrowers the option to pay six months of their principal, interest, and any associated fees owed to CDFIs in the network.

In the long run, we advocate for a holistic and coordinated small business policy across agencies.

- Each agency would analyze their small business programs to determine their costs and the economic impacts. Direct resources to those programs that have a higher economic multiplier or return on investment.

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California Microbusinesses Create Jobs and Wealth

Very small businesses are key job generators.

- 4 million Californians are employed by micro-businesses
- 3 million micro-businesses have no employees (self-employed)
- From 2004 to 2012, California micro-businesses (1 to 4 employees) created a net of 920 thousand jobs; large businesses (those with greater than 500 employees) lost 200 thousand jobs during the same period.
 - The multiplier effect for a small local business on a local economy is twice that of a national chain.
 - COVID-19 has highlighted the importance of small businesses to our community and what happens when they aren't supported.

Business assistance is the key to success and first step in capital access.

- Microbusiness owners that have gone through training programs and receive business assistance from CAMEO members have an 80% success rate (versus the 50-80% failure rate of small businesses that don't seek help.)
- CAMEO member clients who start their own businesses also on average create two jobs in addition to their own, over a three-five year period.
- Every \$1 of TAEP funding for the WBCs has returned \$192 in local economic activity.
- The CAMEO cost of creating a job is the low average cost of \$1,000 a job; consider that a public works infrastructure project costs \$50,000 a job.

Capital access is important

- [How Much Does Credit Matter for Small Business Success in the United States?](#) is a report that compared similar potential borrowers except for whether they received a loan or not. Applicants who receive a loan
 - are 54% more likely to qualify for future business loans;
 - are 54% more likely to survive; and
 - increase their sales by an average of 41%.
- Transparency needed in small business lending to stop predatory practices.

CAMEO members are wealth creators.

CAMEO members serve approximately 34,000 businesses with training, technical assistance and loans. These firms, which are largely start-ups, support/create about 51,000 new jobs for California.

- The businesses created an estimated \$2.5 billion in economic activity— raising state and local revenues and decreasing demand for government services.
- Federal taxes paid increased 35% over a five-year period.
- We've seen \$1 invested turn into a \$30 Social Return on Investment (local multiplier effect, more tax revenue, less government assistance, etc.)
- Traditionally, CAMEO members have served the underserved - women, minorities and low income – or those who have high barriers to entry into the business world.



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Thank you for support of small business provisions included in the state budget.

- 1) \$50 million for the Small Business Expansion Fund, which provides loan guarantees for small business lending.
- 2) \$25 million for the IBank to expand underserved small business lending in the state by establishing funds to support California Community Development Financial Institutions and mission-based lender liquidity.
- 3) \$17 million for federal small business technical assistance centers; and \$3 million for Access to Capital programs through SBDCs. This is year three of a five-year commitment.
- 4) \$10 million for “SEED” Initiative (Social Entrepreneurs for Economic Development) program. This program will support individuals of limited English proficiency regardless of immigration status with starting and growing small businesses, and will be implemented through nonprofit community-based organizations.
- 5) Waives the \$800 minimum franchise tax for small and medium-size businesses during their first year of business creation.
- 6) Retains and expands eligibility under the California Earned Income Tax Credit to individuals who file taxes through independent identifier numbers with small children.