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2021 Microbusiness Sector Advocacy Priorities for an Equitable Recovery

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CAMEO and its 300+ member network promote microbusiness ownership and business assistance for an equitable recovery. CAMEO members serve approximately 84,000 businesses with training, technical assistance and loans. These firms, which are largely start-ups, support/create about 101,000 new jobs for California and generate an estimated \$7.5 billion in economic activity— raising state and local revenues and decreasing demand for government services. Specifically in 2021, we support:

Additional small business provisions that the state budget should include

- \$50 million for the Micro-Business Relief Fund (Street Vendor Recovery Fund)
- \$70 million to fund a state CDFI Fund
- \$17 million for existing Small Business Technical Assistance Enhancement Program (SB TAEP)
 - \$7 million to expand SB TAEP to include local governments and nonprofits
 - \$3 million for the Capital Infusion Program
 - \$36.5 Million in a One-Time Investment for Worker Ownership Transitions to Protect Small Businesses

We also support an **extension of the executive order extending authorization for local governments to halt evictions for commercial renters** impacted by the pandemic that expires on June 30, 2021. We need a solution for small businesses to receive help for paying back rent and small landlords; AB 1146 is an example.

Bills Supported

SB 625 (Caballero and Limon) would establish the California Investment and Innovation Program, administered by the I-Bank, for the purpose of providing grants to qualified community development financial institutions, i.e. create a state CDFI program. (passed Senate)

AB 511 (Muratsuchi) allows start-up and emerging small businesses to find investors who can provide capital to help them grow and create jobs, while providing greater protections to California investors participating in crowdfunding. (passed Assembly)



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AB 628 (E. Garcia) would further provide that the program should strive to address racial and ethnic exclusion and inequity in the labor force and enhance racial and economic justice. The bill would provide that projects should create pipelines to quality jobs, upward mobility, and income security for workers historically excluded from quality jobs and economic prosperity. Eligibility includes: Entrepreneurial training and support for small business development and microloans and other related activities to support microlending for small businesses. (passed Assembly)

AB 915 (Chiu and Holden) This bill would require state agency directors to establish a minimum goal of 25% procurement participation for small businesses, including microbusinesses and require they have a small business liaison that will develop an “economic equity first” action plan. (passed Assembly)

AB 1072 (Reyes) would 1) relocate the program within the Office of Small Business Advocate; 2) expand underserved business groups to be prioritized to include disadvantaged business enterprises; 3) require the use of appropriated state funds to support a range of programs and services delivered through one or more small business technical assistance centers, as specified; authorize the use of state funds for certain purposes relating to small business technical assistance; and extend the repeal date to January 1, 2026. (passed Assembly)

AB 1106 (Cervantes and Reyes) would upon appropriation by the Legislature, would require the Employment Training Panel to establish a pilot program to serve the employment training needs of small businesses. (passed Assembly)

AB 1144 (R. Rivas) would, among other things, increase the maximum gross annual sales amount to \$75,000 for a “Class A” cottage food operation and \$150,000 for a “Class B” cottage food operation and would require that amount to be annually adjusted for inflation based on the California Consumer Price Index. (passed Assembly)

AB 1573 (JEDE) would include tax exempt nonprofit community-based organizations with a mission that includes economic or business development that operates entrepreneurial or small business development programs that provide free or low-cost services to underserved businesses and entrepreneurs to the definition of “small business technical assistance center.” The bill would provide the funding requirements applicable to an applicant that is not a federally contracted small business technical assistance center and create, upon appropriation of the funds, a supplemental grant program designated as the Small Business Retention Program. (passed Assembly)



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California Microbusinesses Critical for Equitable Recovery

Very small businesses are critical to California's economic recovery.

- 4 million Californians are employed by micro-businesses.
- 3 million micro-businesses have no employees (self-employed).
- CAMEO's members and the businesses they serve will be at the center of our economic recovery as they were in the Great Recession. 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, especially entrepreneurs of color.

CAMEO members are wealth creators and provide critical support.

Our network serve approximately 84,000 businesses with training, technical assistance and loans. These firms, which are largely start-ups, support/create about 101,000 new jobs for California and an estimated \$7.5 billion in economic activity— raising state and local revenues and decreasing demand for government services. Traditionally, CAMEO members have served the underserved - women, minorities and low income – or those who have high barriers to entry into the business world. They played a crucial role in the relief effort by helping businesses pivot, access relief programs and needed capital.

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.
 - A \$1 of TAEP funding for 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 1) are 54% more likely to qualify for future business loans; 2) are 54% more likely to survive; and 3) increase their sales by an average of 41%.
 - Transparency needed in small business lending to stop predatory practices.



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Generally, CAMEO supports a strong [local entrepreneurial ecosystem](#) - what small businesses really need: Coaching (all training), Capital, Connections (to markets and networks), Culture, and Climate (policy). When the pieces are in place, our small businesses can move toward recovery and finally resiliency which in turn spill upward to our communities and our state. Invest significant resources into communities of color for small business development; place underserved business owners first in line for any programs; and program design should take their needs into account. Highlights and examples include:

Coaching

- Continue and expand the Technical Assistance Expansion Program (TAEP).
- Provide funding for community-based entrepreneurial training programs.

Capital

- Grants for small businesses to cover operating expenses for the duration of the shutdown and the transition period to re-opening.
- Strong transparency in small business lending regulations (SB 1235) and small business lender accountability through Department of Financial Protection and Innovation.
- Expand the state loan guarantee programs to a 95% guarantee to increase lending to more riskier borrowers.
- Grant funding and/or very patient capital (0% long-term (20 year) patient capital for CDFIs so that they are able to make it through the recession and assist in the recovery with a flexible carve out to CDFIs that make loans to microenterprises and small businesses that are owned by undocumented people.
- Establish a state CDFI Fund.
- Increase the use of public banks.
- Allow crowdfunding as a capital option for small businesses.
- Continue to support unemployment for California self-employed while they start their own businesses with a re-orientation of Workforce dollars.

Connections (to Markets)

- Continuation of government contracts even if unable to deliver projects
- Replace import with goods and services from locally-owned companies
- Broadband is a basic utility that everyone needs to access

Culture

Continued support for small business support shows leadership and understanding of the important role that small business plays in economic development.