



California Reinvestment Coalition



CALIFORNIA COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION



CALIFORNIA HISPANIC CHAMBERS OF COMMERCE



El Concilio of San Mateo County

May 28, 2020



Honorable Holly Mitchell  
Senate Budget Committee Chair  
State Capitol, Room 5050  
Sacramento, CA 95814



Honorable Phil Ting



ICIC  
Initiative for a Competitive Inner City



Assembly Budget Committee Chair  
State Capitol  
P.O. Box 942849  
Sacramento, CA 94249-0019



## **Re: Request for increase in funding to support Small Business in California**

Dear Senator Mitchell and Assemblymember Ting:

The COVID19 public health crisis not only hit Latino, Black, and Asian communities disproportionately, but the economic impacts are also felt disproportionately in these communities. As a result, the response needs to be explicitly and unapologetically focused on the hardest hit communities. The undersigned organizations are respectfully requesting a total of \$300 million in support of California small businesses: 1) an additional \$200 million infusion and changes to the IBank loan guarantee program to ensure that hard to reach and historically marginalized small businesses can benefit from the program. 2) a \$100 million grant program is proposed that will serve small businesses in the state with a racial justice and gender focus to reach small businesses owned by people of color and women.

A [recent poll by Small Business Majority](#) found a majority (53%) of small businesses say the CARES Act was a good first step to address the challenges they're facing, but they believe additional small business assistance is needed. Most small businesses (92%) say what they need from the federal government is direct grant assistance.

As of April, the country lost nearly 450,000 Black business owned businesses, and the number of Latinx business owners dropped 32% from February to April, while the number of Asian business owners decreased by about a quarter.<sup>1</sup> The federal relief provided to small businesses through the PPP loan program was insufficient and poorly structured, banks preferred their large and well-resourced clients when making these loans. Most small businesses in CA did not have well established banking relationships to get in the queue for relief, or enough professional staff to quickly complete the complex applications. This means that many of the state's smallest businesses and those owned by people of color were left out of accessing relief and are at risk of closure and never returning. Thousands have indeed already closed. The ball is now in your court to provide additional relief to those who need it the most.

### **Small Business Loan Guarantee Program**

On April 2nd Governor Newsom announced a \$50 million infusion into the California Infrastructure Economic Development Bank (IBank) for an emergency micro lending program to

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<sup>1</sup> [https://nonprofitquarterly.org/study-black-owned-businesses-closed-at-2x-the-rate-of-total-covid-closures/?utm\\_source=NPQ+Newsletters&utm\\_campaign=6125450b88-EMAIL\\_CAMPAIGN\\_2018\\_01\\_11\\_COPY\\_01&utm\\_medium=email&utm\\_term=0\\_94063a1d17-6125450b88-12349001&mc\\_cid=6125450b88&mc\\_eid=9f288b00dd](https://nonprofitquarterly.org/study-black-owned-businesses-closed-at-2x-the-rate-of-total-covid-closures/?utm_source=NPQ+Newsletters&utm_campaign=6125450b88-EMAIL_CAMPAIGN_2018_01_11_COPY_01&utm_medium=email&utm_term=0_94063a1d17-6125450b88-12349001&mc_cid=6125450b88&mc_eid=9f288b00dd)

assist small businesses that may not be eligible for the SBA's Paycheck Protection Program (PPP) loans. The \$50 million will be leveraged into \$100 million for loan loss reserves, allowing lenders serving small business entrepreneurs in California to leverage the funds to make low interest loans in communities across the state.

In order to ensure that the IBank state loan guarantee program reaches hard to reach communities, ensures that it meets the challenge of the economic impact of COVID, and the full need of small businesses who are least likely to benefit from the PPP program we propose an additional \$200 million (that can be leveraged into \$400 million) of capital into the IBank to be used to guarantee small business loans to micro businesses that did not access the PPP program. Additional changes to the program are also recommended and are [outlined in our proposal](#).

### **Small Business Grant Program**

In addition, California should provide \$100 million in emergency recoverable grants to California small businesses and entrepreneurs, including ITIN filer owned small businesses. The funds can be provided through the Treasurer's Office or Franchise Tax Board in order to allow for the fastest and widest reach into low income communities and communities of color.

Grants of up to \$10,000 would be repaid if the grantee receives an SBA, SBA guaranteed or state guaranteed disaster loan. Nonprofits conducting outreach, technical assistance, vetting and grant making would receive \$250 per grant made.

Businesses will qualify for a grant if they meet the following criteria:

- Show a revenue loss of 25% or more between March 1-July 31, 2020
  - Have less than \$1 million in annual gross receipts
  - Have between 1-25 employees (including sole proprietors)
- Or have a revenue loss of 25% and operate in a low income census tract and is a MDDBE or immigrant owned small business.

More details for the proposal can be found [here](#). Thank you for your consideration. If you have any questions, please contact CRC-- Paulina Gonzalez-Brito at (323)594-2349 or Jyotswaroop Bawa at (310) 384-6259 or via email at [jbawa@calreinvest.org](mailto:jbawa@calreinvest.org).

Sincerely,

California Reinvestment Coalition  
California Community Economic Development Association  
Greenlining Institute  
Small Business Majority  
Working Solutions, Inc  
Inclusive Action for the City  
Mission Economic Development Agency  
Public Counsel

New Economics For Women  
Opportunity Fund  
California Hispanic Chambers of Commerce  
San Francisco African American Chamber of Commerce  
Los Angeles Chamber of Commerce  
Southern California Black Chamber of Commerce  
Black Business Association  
Los Angeles Forward  
East Los Angeles Community Corporation  
California Immigrant Policy Center  
Jakara Movement  
Access Plus Capital  
Esperanza Community Housing (Mercado La Paloma)  
Asian Inc.  
Haven Neighborhood Services  
Central Valley Realist Board  
Central Valley Urban Institute  
Asian Pacific Islander Small Business Program  
National Federation of Filipino American Associations  
Asian Journal Publications  
KHEIR Center  
Sapphire Marketing (Certified MWBE)  
Inner City Advisors  
El Concilio of San Mateo  
El Concilio of San Joaquin Valley  
Women's Economic Ventures  
Los Angeles LDC, Inc.  
Public Law Center  
Main Street Launch  
Self Help Enterprises  
Renaissance Entrepreneurship Center  
Initiative for a Competitive Inner City  
Vermont Slauson Economic Development Corporation (VSEDC)  
Fresno Metro Black Chamber of Commerce

**CC:**

Governor Newsom's Office:

Ann O'Leary, Chief of Staff

Ana Matosantos, Cabinet Secretary

Anthony Williams, Legislative Director

Priscilla Cheng- External Affairs Director

Tom Steyer, Co-Chair, Economic Recovery Task Force

Speaker of the Assembly, Anthony Rendon

President pro Tempore of the Senate, Toni Atkins

State Treasurer, Fiona Ma