



MEMORANDUM

November 30, 2020

Additional Supports for Business Governor's Office of Business and Economic Development

Despite federal stimulus and small business efforts to pivot, adapt to new health and safety guidance, and shift to online sales where feasible, many small businesses continue to face enormous risks to their survival. According to recent surveys by Small Business Majority, 35 percent of small business owners will not survive past January 2021 without additional funding. With California's COVID-19 cases rising and county reopenings being scaled back, small businesses will face even more restrictive limits on their operations. This will result in revenue decreases, closures, and more lost jobs and higher unemployment across the state. This is especially more prevalent for small businesses who have had to scale back business with new health and safety orders.

The Administration plans to immediately direct \$512.5 million one-time funds from the Disaster Response-Emergency Operations Account to support business and job retention, focusing on small businesses and business sectors particularly hard hit by COVID-19. This investment builds on many actions to date, including \$125 million in small business support, tax and fee deferrals, jobs credit, and the acceleration of bond funds, among others.

Increase funding for the California Rebuilding Fund by \$12.5 million.

The California Rebuilding Fund provides funding to Community Development Financial Institutions (CDFIs) to leverage private capital to support small business. The initial \$25 million investment approved in the 2020 Budget Act is a "first loss" program, meaning the state will lose the entire amount to loan the money to small businesses that need the capital.

Through the California Rebuilding Fund platform launch on November 18, 2020 to November 24, 2020, the state has matched \$86 million in loans. These funds are awarded through a third party to CDFIs through a traditional loan application. Increasing the amount by \$12.5 million will allow the Fund to be fully capitalized. The additional funding will help the third party raise \$125 million to provide more low-interest loans to small businesses with less access to loans from traditional banking institutions.

Create a COVID Relief Grant for small business.

Implement a COVID Relief Grant in the amount of \$500 million to be administered by the California Office of the Small Business Advocate (CalOSBA) for small businesses and non-profits that have been impacted by COVID and the health and safety restrictions. Funds would be awarded to selected intermediaries with established networks of CDFIs to distribute relief through grants of up to \$25,000 to underserved micro and small businesses and non-profits throughout the state by early 2021. This investment will include a to-be-determined administrative fee not to exceed 10 percent to disburse grants quickly to small businesses. This grant program is intended to provide an additional boost to expand efforts by local governments to support small businesses ahead of further action by the federal government. The intermediaries would need to demonstrate capacity for regional/local implementation to ensure all geographies can access the grants. California will seek the most competitive proposal through a Request For Proposal process.