

Budget Change Proposal - Cover Sheet

Fiscal Year: 2020-21
Business Unit: 7120
Department: California Workforce Development Board
Priority Number: 1
Budget Request Name: 7120-009-BCP-2020-GB
Program: 6040
Subprogram:

Budget Request Description: Entrepreneurship Pathways Grant Program

Budget Request Summary: The California Workforce Development Board requests a one-time appropriation of \$10 million General Fund to fund the Social Entrepreneurs for Economic Development (SEED) Initiative to provide micro-grants and entrepreneurial training to individuals facing significant barriers to employment.

Requires Legislation: Yes No

Code Section(s) to be Added/Amended/Repealed:

Does this BCP contain information technology (IT) components? Yes No

If yes, departmental Chief Information Officer must sign.

Department CIO Name:

Department CIO Signature:

Signed On Date:

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project Number:

Project Approval Document:

Approval Date:

If proposal affects another department, does other department concur with proposal?

Yes No

Attach comments of affected department, signed and dated by the department director or designee.

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Date: 01/02/2020

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Date: 01/02/2020

Department Director: Tim Rainey

Date: 01/02/2020

Agency Secretary: Julie Su

Date:

Department of Finance Use Only

Additional Reviews: Capital Outlay: ITCU: FSCU: OSAE:

Department of Technology:

PPBA: Danielle Brandon

Date submitted to the Legislature: 1/10/2020

The SEED Initiative: Social Entrepreneurs for Economic Development

SUMMARY

The California Workforce Development Board (“Board”) requests a one-time appropriation of \$10 million from the General Fund to fund the Social Entrepreneurs for Economic Development (“SEED”) Initiative. SEED would provide micro-grants and entrepreneurial training to immigrants who are social entrepreneurs to support them in starting a small business aimed at addressing a social problem or meeting a community need. SEED focuses on two underserved, economically disadvantaged groups (“target populations”) with significant barriers to employment: (1) individuals with limited English proficiency; and (2) individuals who are not U.S. citizens or lawful permanent residents, including but not limited to those who are not lawfully present in the U.S.

BACKGROUND

The SEED Initiative is rooted in two fundamental public policy goals. First, its object is to serve vulnerable communities facing significant barriers to employment by providing them with entrepreneurial opportunities. Second, by promoting entrepreneurship of individuals who may be precluded (because of legal impediments or otherwise) from obtaining gainful employment, SEED supports pathways to economic self-sufficiency, and increased economic contributions to local economies and the state.

SEED would serve vulnerable communities facing significant barriers to employment.

The SEED Initiative targets two economically disadvantaged populations:

- **Individuals with limited English proficiency, regardless of their immigration status.** Nearly one in five residents in California is limited English proficient.¹ It is well-documented that limited English proficiency is a significant barrier that affects employability and wage-earning potential.² LEP adults are less likely to have a college degree than English-proficient adults.³ Almost half of LEP adults lack a high school diploma.⁴ In California, which is home to the largest LEP population in the nation, more than half of low-skilled workers (66

¹ *Limited English Proficient Population of the United States*, Migration Policy Institute, July 25, 2013.

² See, e.g., *Limited English Proficient Workers and the Workforce Investment Act: Challenges and Opportunities*, Migration Policy Institute, July 19, 2012.

³ *Limited English Proficient Population of the United States*, Migration Policy Institute, July 25, 2013.

⁴ *Limited English Proficient Workers and the Workforce Investment Act: Challenges and Opportunities*, Migration Policy Institute, July 19, 2012.

percent) have limited English proficiency.⁵ And LEP individuals are more likely to live in poverty than English-proficient individuals.⁶

- **Individuals who are not U.S. citizens or lawful permanent residents, including individuals who are not lawfully present in the U.S.** This group could include (but would not be limited to) undocumented individuals, holders of Temporary Protected Status (TPS), and Deferred Action for Childhood Arrivals recipients. Recognizing their contributions to both the economy and social fabric of the state, California has invested in these communities, including by ensuring that in-state tuition for higher education as well as business and professional licenses are available to more Californians regardless of immigration status, and by developing vocational education and job training opportunities. However, individuals who are not U.S. citizens or lawful permanent residents may face legal or other impediments that prevent them from getting jobs or maintaining them. Without the ability to secure stable employment, these individuals will need to find other viable options to support themselves and their families and contribute to their communities.

SEED would further promote immigrant entrepreneurship, which is already a powerful driver of economic growth.

Numerous studies have documented the significant economic contributions of immigrant entrepreneurs. Businesses launched by immigrant entrepreneurs, both with and without higher educational degrees, create millions of jobs, generate billions of dollars in revenue, and help revitalize our neighborhoods.

- **Immigrants start businesses at a higher rate than the U.S.-born.** Of all new entrepreneurs in 2016, 29.5 percent were immigrants.⁷ Between 1990 and 2010, the number of small business owners grew by 1.8 million, from 3.1 to 4.9 million, and immigrants made up 30 percent of that growth.⁸ In virtually all metro areas, immigrants are 10 percent more likely than U.S.-born workers to be small business owners.⁹
- **California has the highest concentration of immigrant business owners.** Among the 50 states plus the District of Columbia, the highest concentration of immigrant business owners is in California.¹⁰ One study

⁵ *Id.*

⁶ *Limited English Proficient Population of the United States*, Migration Policy Institute, July 25, 2013.

⁷ *Immigrants as Economic Contributors: Immigrant Entrepreneurs*, National Immigration Forum, July 2018.

⁸ *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, Fiscal Policy Institute, June 2012.

⁹ *Id.*

¹⁰ *Id.*

concluded that a third (33 percent) of all small business owners in California are immigrants.¹¹ Another analysis determined that during 2008-2012, the percentage of immigrant-owned businesses rose above 40% in California.¹²

- **Immigrant-owned businesses create jobs.** Immigrant-owned businesses or businesses that are majority owned by immigrants employed nearly 4 million workers in 2007, or about one in every ten workers employed in privately held U.S. companies. Payroll for these businesses was reported at nearly \$127 billion.¹³
- **Immigrant-owned businesses revitalize neighborhoods.** In 2013, almost 30% of “Main Street” business owners were immigrant entrepreneurs providing retail services, accommodation and food services, or “neighborhood services” (such as barber shops and dry cleaners). Immigrant entrepreneurs made up more than 50 percent of business owners in the following “Main Street” business subcategories: 61 percent of gas station owners, 58 percent of dry cleaning owners, and 53 percent of the owners of privately held grocery stores. Such “Main Street” businesses often spur economic development in neighborhoods that have been neglected.¹⁴
- **Immigrants who have been in the U.S. longer are more likely to own businesses.** Immigrants who have been here for over 10 years are more than twice as likely to be small business owners as those who have been here for 10 years or less.¹⁵
- **Immigrants without college degrees are highly entrepreneurial.** In 2015, there were an estimated 2.1 million immigrant entrepreneurs with less than a bachelor's degree. The rate of entrepreneurship among immigrants with less than a college degree is actually *higher* than that of immigrants with college degrees; 12 percent of immigrants without college degrees are entrepreneurs compared to 10.6 percent of those *with* college degrees. Both groups have a greater tendency to be entrepreneurs than U.S.-born workers, who make up 8.9 percent of self-employed entrepreneurs. In addition, in 2015, immigrant business owners without

¹¹ *Id.*

¹² *Immigrant Entrepreneurship in America: Evidence from the Survey of Business Owners 2007 & 2012*, Working Paper, Kerr & Kerr, National Bureau of Economic Research, Rev'd July 2019.

¹³ *Id.*

¹⁴ *Bringing Vitality to Main Street: How Immigrant Small Businesses Help Local Economies Grow*, Americas Society/Council of the Americas & Fiscal Policy Institute, January 2015.

¹⁵ *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, Fiscal Policy Institute, June 2012.

college degrees brought in \$43 billion in income, or about one in nine dollars generated by the U.S. self-employed population.¹⁶

- **Individuals who are not U.S. citizens or lawful permanent residents make significant contributions to our economy, including as business entrepreneurs.** In 2014, almost 10 percent of the working-age undocumented population were entrepreneurs. In more than 20 states, they had higher rates of entrepreneurship than either legal permanent residents or citizens of the same age group. In 2016, their companies also generated \$3.4 billion in business income in California.¹⁷

DACA-eligible residents earned \$23.4 billion in total income in 2017 alone, paying \$2.2 billion in federal taxes and almost \$1.8 billion in state and local taxes, leaving them with nearly \$19.4 billion in spending power. More than 43,000 DACA-eligible residents were entrepreneurs in 2017, providing jobs for American workers and supporting local economies.¹⁸

Holders of Temporary Protected Status earned almost \$7.3 billion in 2017 alone, paying more than \$891 million in federal taxes and an additional \$654 million in state and local taxes. They held nearly \$5.8 billion in spending power.¹⁹

As these statistics indicate, California stands only to gain by promoting and supporting more opportunities for immigrant entrepreneurs to start their own small businesses. The SEED Initiative's strategic investments will contribute to the state's economic growth, generate revenue, support business innovation, and produce goods and services that are vital to all our communities.

PROGRAM COMPONENTS

The Board proposes to enter into an interagency agreement with the UCLA Labor Center, which would partner with community-based organizations (CBOs) that have a track record of creating and administering linguistically and culturally competent programs for these target populations. SEED consists of two program components: (1) community outreach, education and training; and (2) micro-grants coupled with technical assistance and support to spark small business development. The CBOs would develop and implement the SEED program components, including disbursing micro-grants to members of the

¹⁶ *Immigrants as Economic Contributors: Immigrant Entrepreneurs*, National Immigration Forum, July 2018.

¹⁷ *Undocumented Immigrants*, New American Economy, at <https://www.newamericaneconomy.org/issues/undocumented-immigrants/>

¹⁸ *New Data Shows Immigrant-Owned Businesses Employed 8 Million Americans; Immigrants Wield \$1.1 Trillion in Spending Power*, New American Economy, Map the Impact Press Release, March 12, 2019.

¹⁹ *Id.*

target populations who have completed an entrepreneurial training curriculum, and have applied for and been selected to receive a SEED grant.

(1) Community outreach, education and training

CBOs working in partnership with the UCLA Labor Center would: (1) develop an entrepreneurial training curriculum geared towards SEED target populations, to provide information on how to start and build an independent business, to fill knowledge gaps, and to address impediments to launching a business; (2) devise appropriate community education strategies to make accessible and provide the entrepreneurial training developed for SEED target populations; and (3) implement these training and education strategies on the ground. Additionally, CBOs would devise and implement outreach to disseminate information about the SEED Initiative to target populations. This plan would include strategies to foster awareness of SEED entrepreneurial training opportunities and to generate interest in applying for micro-grants.

(2) Micro-grants for small business development, and technical support

Micro-grants to start small businesses aimed at addressing a social problem or meeting a community need are the heart of the program and would constitute the majority of the budget allocation. Individuals who complete the SEED entrepreneurial training would be eligible to apply for SEED micro-grants. After an application process, the CBO would select a subset of awardees to receive micro-grants that would provide a quick infusion of capital to help launch the business. For example, this could include (but would not be limited to) helping to defray the costs of business or professional licenses; business registration and incorporation fees; new equipment or repairs to existing equipment; marketing; business-related travel; down payments to rent business space; security deposits; or insurance.

CBOs would also provide micro-grant awardees with technical assistance and support, including developing platforms to share information and best practices among awardees.

EVALUATION AND OUTCOMES

Through the interagency agreement with UCLA Labor Center, the Board will institute oversight and accountability measures, including an independent evaluation of program success. Evaluation metrics would include the number of individuals who enroll in SEED entrepreneurial training; the number of individuals who successfully complete the training; the number of SEED micro-grant applicants; the number of SEED micro-grant awardees; and the average dollar amount of micro-grants awarded. The evaluation would also assess the effectiveness of the training, outreach, and publicity materials developed. Additional data would be collected to track the industries and business sectors

in which SEED micro-grants have been made, as well as how the micro-grant was utilized in helping to start the business.

BCP Fiscal Detail Sheet

BCP Title: Entrepreneurship Pathways Grant Program

BR Name: 7120-009-BCP-2020-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
54XX - Special Items of Expense	0	10,000	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$10,000	\$0	\$0	\$0	\$0

Total Budget Request

Total Budget Request	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
Total Budget Request	\$0	\$10,000	\$0	\$0	\$0	\$0

Fund Summary

Fund Source

Fund Source	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
Local Assistance - 0001 - General Fund	0	10,000	0	0	0	0
Total Local Assistance Expenditures	\$0	\$10,000	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$10,000	\$0	\$0	\$0	\$0

Program Summary

Program Funding

Program Funding	FY20 Current Year	FY20 Budget Year	FY20 BY+1	FY20 BY+2	FY20 BY+3	FY20 BY+4
6040 - California Workforce Development Board	0	10,000	0	0	0	0
Total All Programs	\$0	\$10,000	\$0	\$0	\$0	\$0