

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
DF-46 (REV 10/20)

<b>FISCAL YEAR</b> 2022-23	<b>BUSINESS UNIT</b> 0509	<b>DEPARTMENT</b> The Governor's Office of Business and Economic Development	<b>PRIORITY NO.</b>
<b>BUDGET REQUEST NAME</b> 0509-042-BCP-2022-MR		<b>PROGRAM</b> 0235 – Office of the Small Business Advocate	<b>SUBPROGRAM</b>

**BUDGET REQUEST DESCRIPTION**

California Small Business Hard-Hit Industries Grant Program

**BUDGET REQUEST SUMMARY**

The California Office of the Small Business Advocate (CalOSBA), within the Governor's Office of Business and Economic Development (GO-Biz), requests \$500 million one-time California Emergency Relief Fund for the California Small Business Hard-Hit Industries Grant Program. The program will help drive California's economic recovery by targeting the top ten industries hardest hit by the pandemic, thus accelerating job growth and promoting equity and inclusivity. It requested that statutory changes be included to establish the parameters of the program. The requested statutory changes will be posted on the Department of Finance website.

<b>REQUIRES LEGISLATION</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	<b>CODE SECTION(S) TO BE ADDED/AMENDED/REPEALED</b>	
<b>DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS?</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO <b>IF YES, DEPARTMENTAL CHIEF INFORMATION OFFICER MUST SIGN.</b>	<b>DEPARTMENT CIO</b>	<b>DATE</b>

FOR IT REQUESTS, SPECIFY THE PROJECT NUMBER, THE MOST RECENT PROJECT APPROVAL DOCUMENT (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), AND THE APPROVAL DATE.

**PROJECT NO.**

**PROJECT APPROVAL DOCUMENT:**

**Approval Date:**

**IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL?**

☐ YES ☐ NO

<b>PREPARED BY</b> Brian Rutledge	<b>DATE</b> 5/13/2022	<b>REVIEWED BY</b>	<b>DATE</b>
<b>DEPARTMENT DIRECTOR</b> Dee Dee Myers	<b>DATE</b> 5/13/2022	<b>AGENCY SECRETARY</b>	<b>DATE</b>

DEPARTMENT OF FINANCE USE ONLY

ADDITIONAL REVIEW: ☐ CAPITAL OUTLAY ☐ ITCU ☐ FSCU ☐ OSAE ☐ DEPT. OF TECHNOLOGY

<b>PPBA</b> Tim Weber	<b>DATE SUBMITTED TO THE LEGISLATURE</b> 5/13/2022
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## **Uneven Impact**

The COVID-19 Pandemic and associated safety measures have left a lasting impact on California's economy. The statewide job market is gaining momentum but trails the national market. California's unemployment rate dropped from 5.7 percent in January to 5.4 percent in February, for example, which left us well below the United States average of 3.8 percent for February.<sup>1</sup> The pandemic's economic impact has also been highly uneven. According to a report by the Legislative Analyst's Office (LAO), the five hardest-hit industries—including the accommodation and food services industries—lost at least 1/8<sup>th</sup> of overall jobs between 2019 and 2020.<sup>2</sup> Other industries remained relatively stable.

## **Existing Broad-based Support**

In response, the Administration and the Legislature have repeatedly provided direct support to small businesses that is both broad-based and timely. Between December 2020 and March 2022, state and federal resources allowed CalOSBA to disburse a total of 315,317 grants to small businesses through the California Small Business COVID-19 Relief Grant Program. CalOSBA is currently working to continue providing more relief, including by disbursing the \$150 million that an early action package recently made available to cover businesses that were waitlisted during the program's earlier rounds of funding.

## **New Targeted Support**

Given the uneven impact of the pandemic, and the broad-based support that is already being provided, CalOSBA is proposing another targeted way of helping to accelerate California's recovery: providing additional relief funding to the ten industries that were hit the hardest by the pandemic to help small businesses most impacted by COVID build back quicker, sustain and grow jobs, and move California towards a post-recovery growth period. Providing this support will also help create inclusive growth because some of the hardest hit industries support a workforce that tend to be disproportionately from disadvantaged and/or lower income communities. The ten hardest hit industries were determined by each industry's proportion of job losses based on national data industries, and are identified by their North American Industry Classification System (NAICS) code. Below are the ten industries (with their respective NAICS code) that would be eligible in descending order of total percentage job loss: Arts, Entertainment, and Recreation (71); Accommodation and Food Service (72); Other Services (81); Information (51); Educational Services (61); Administrative and Waste Management (56); Manufacturing (31); Retail Trade (44); Construction (23); and Real Estate (53).

## **Implementation**

CalOSBA proposes to leverage the existing COVID-19 Relief Grant statutory framework and implementation model to disburse an additional \$500 million to the hardest hit industries. CalOSBA's proposed statutory changes (which will be posted on the Department of Finance website) will mirror the framework to create the California Small Business Hard-Hit Industries Relief Program and allow eligible small businesses and nonprofits to receive grants ranging from \$10,000 to \$50,000, depending on their annual gross revenue.

Small businesses or nonprofits that have already received support via the COVID-19 Relief Grant program will be eligible to receive additional support as a means of ensuring their success and helping them rebuild and grow. To ensure efficient and cost-effective administration, CalOSBA would use a third party fiscal agent, and to ensure inclusive access, CalOSBA would leverage an existing statewide outreach network, including by marketing in multiple languages.

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<sup>1</sup> Employment Development Department, "California's unemployment drops to 5.4 percent for February 2022," March 25, 2022; and U.S. Bureau of Labor Statistics, "State Employment and Unemployment Summary," April 15, 2022.

<sup>2</sup> Legislative Analyst's Office, "COVID-19 and the Labor Market," December 8, 2020.

# BCP Fiscal Detail Sheet

BCP Title: Small Business Relief Grants for Hard-Hit Industries

BR Name: 0509-042-BCP-2022-MR

Budget Request Summary

## Operating Expenses and Equipment

Operating Expenses and Equipment	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
54XX - Special Items of Expense	0	500,000	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Total Budget Request

Total Budget Request	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Fund Summary

### Fund Source

Fund Source	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Local Assistance - 3398 - California Emergency Relief Fund	0	500,000	0	0	0	0
<b>Total Local Assistance Expenditures</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Program Summary

### Program Funding

Program Funding	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
0230 - Office of the Small Business Advocate	0	500,000	0	0	0	0
<b>Total All Programs</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>