

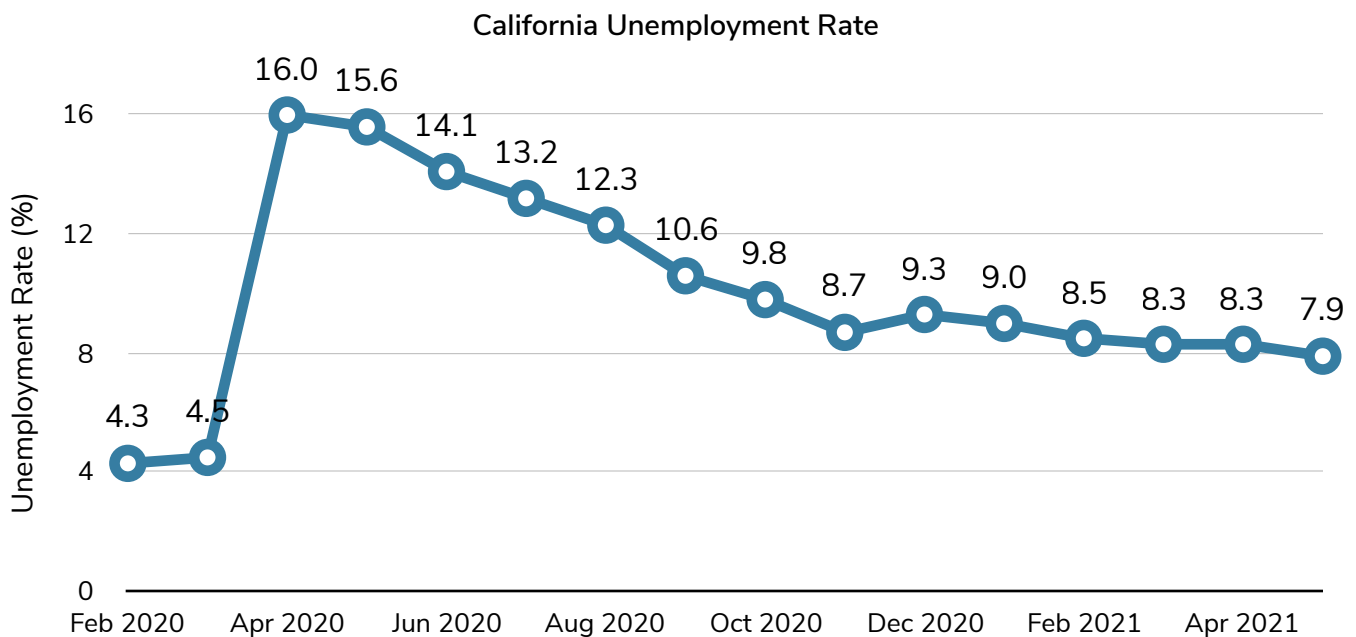


# Jobs & Small Businesses

The COVID-19 pandemic greatly disrupted California’s economy, with significant impacts on jobs and small businesses as many businesses were forced to close temporarily to reduce the spread of the pandemic. Most California businesses are small businesses—90% (about 700,000) of all employers in California had fewer than 20 employees before the start of the pandemic, according to data from the U.S. Census.

While a majority of the COVID-related economic relief that businesses received came from the federal government (more detail in section below), the state has also provided financial assistance to small businesses. The California Relief Grant Program, created in December 2020 with initial funding of \$500 million, awarded grants up to \$25,000 to small businesses and nonprofits with annual revenues below \$2.5 million and targeted to underserved businesses affected by the pandemic who were shut out from federal assistance. Just over 40,000 small businesses and nonprofits received the initial \$500 million in funding, though more than 350,000 applied with funding requests totaling more than \$4.5 billion. Governor Newsom signed a package of bills providing an additional \$2.075 billion for the program.

The COVID-19 pandemic also more than doubled California’s unemployment rate, though there have been improvements since the start of 2021. The unemployment rate was 4.3% in February 2020, 16.4% in April and May 2020, and 7.9% as of May 2021. 9.0% in January 2021, and 8.5% in February 2021. As of May 2021, when case numbers began to subside and more businesses are able to reopen, California has now regained 1,406,800 (51.8%) of the 2,714,800 jobs lost in March and April 2020 due to the COVID-19 pandemic, with a third of those jobs (468,000) in the hard-hit Leisure & Hospitality industry.



Data from the California Employment Development Department

## WHAT'S IN THE 2021-22 MAY REVISION & FINAL BUDGET

To supplement existing federal funding, the Governor's May Revision maintains a number of proposals from the January budget:

- ▶ **\$90 million** to increase the amount of [CalCompetes Tax Credits \(CCTC\)](#) available above the usual \$180 million cap for a total of \$270 million in credits available
- ▶ **\$100 million** for the [Main Street Business Tax Credit](#) (revenue loss will occur over multiple years)
- ▶ **\$50 million** for the [iBank's](#) Small Business Finance Center with a focus on programs that benefit underserved businesses in the state
- ▶ **\$50 million** for Small Business Loan Guarantees, a loan guarantee program designed to assist small businesses by providing greater access to capital and other technical resources

The May Revision and final budget also uses \$8.1 billion of federal funds to provide another round of Golden State Stimulus payments of \$600 to approximately 9.4 million Californians with incomes of \$75,000 or less that did not receive a payment in the first round. All families with at least one dependent who earn \$75,000 or less (an estimated 4.3 million tax filers) would receive a \$500 payment (some families will receive \$1,100 if they also qualify for the \$600 payment). All ITIN taxpayers with adjusted gross income of \$75,000 or less and a dependent would receive \$500, assisting an estimated 520,000 tax filers.

The May Revision would also use \$1.5 billion of federal funds to provide three additional rounds of grants to California small businesses. As of May 2021, approximately 198,000 small businesses either have been or will be awarded grants. Due to the high demand for the program, after the sixth round of funding, it is estimated that approximately 180,000 applications will remain unfunded.

## RECENT FEDERAL ACTIONS

As of December 2020, California businesses have received over \$100 billion in federal pandemic-related financial assistance. In 2020, California small businesses and nonprofits received \$68.6 billion in PPP loans (which are forgivable and tax-exempt) and \$34.5 billion in EIDL loans (which have to be repaid). Based on data from the federal Small Business Administration (SBA), the average PPP loan in California was \$110,120 and the California LAO estimates that these California small businesses that received a PPP loan contribute roughly \$800 billion to the state's economy. The federal American Rescue Plan, signed into law in March 2021, directs further funding to California businesses and nonprofits. California received \$2 billion to provide grants to under-served small businesses, \$3.5 billion in direct relief for the restaurant industry.

## JOBS & SMALL BUSINESSES KEY FACTS

- ➔ **Small Businesses in California:** As of 2017, there were 4.1 million small businesses (accounting for 99.8% of all California businesses) employing 7.2 million Californians (48.5% of all California employees)
- ➔ **Pandemic Impacts on Businesses:** In California, 30% of small businesses remained closed in November 2020 and thousands have shut down permanently
- ➔ **Pandemic Impacts on Jobs:** More than twice as many Californians lost their jobs between March and May 2020 as did during the Great Recession in 2008
  - ▶ Unemployment in spring 2020 reached levels not seen in California since the Great Depression
  - ▶ Job losses have been disproportionately concentrated among lower-wage and less-educated workers, and among workers from communities of color, exacerbating existing inequities
- ➔ **Unemployment:** Since March 2020, 22.9 million unemployment claims have been filed in California and the state has paid out \$153 billion in total benefits (includes the state benefit and the supplemental emergency benefit)—more than five times the number of claims filed during the worst year of the Great Recession
  - ▶ Total state unemployment benefit payments were \$5 billion in 2019

\*Data from the 2021-22 May Revision & final budget, LAO, and [Little Hoover Commission](#) unless specified otherwise.