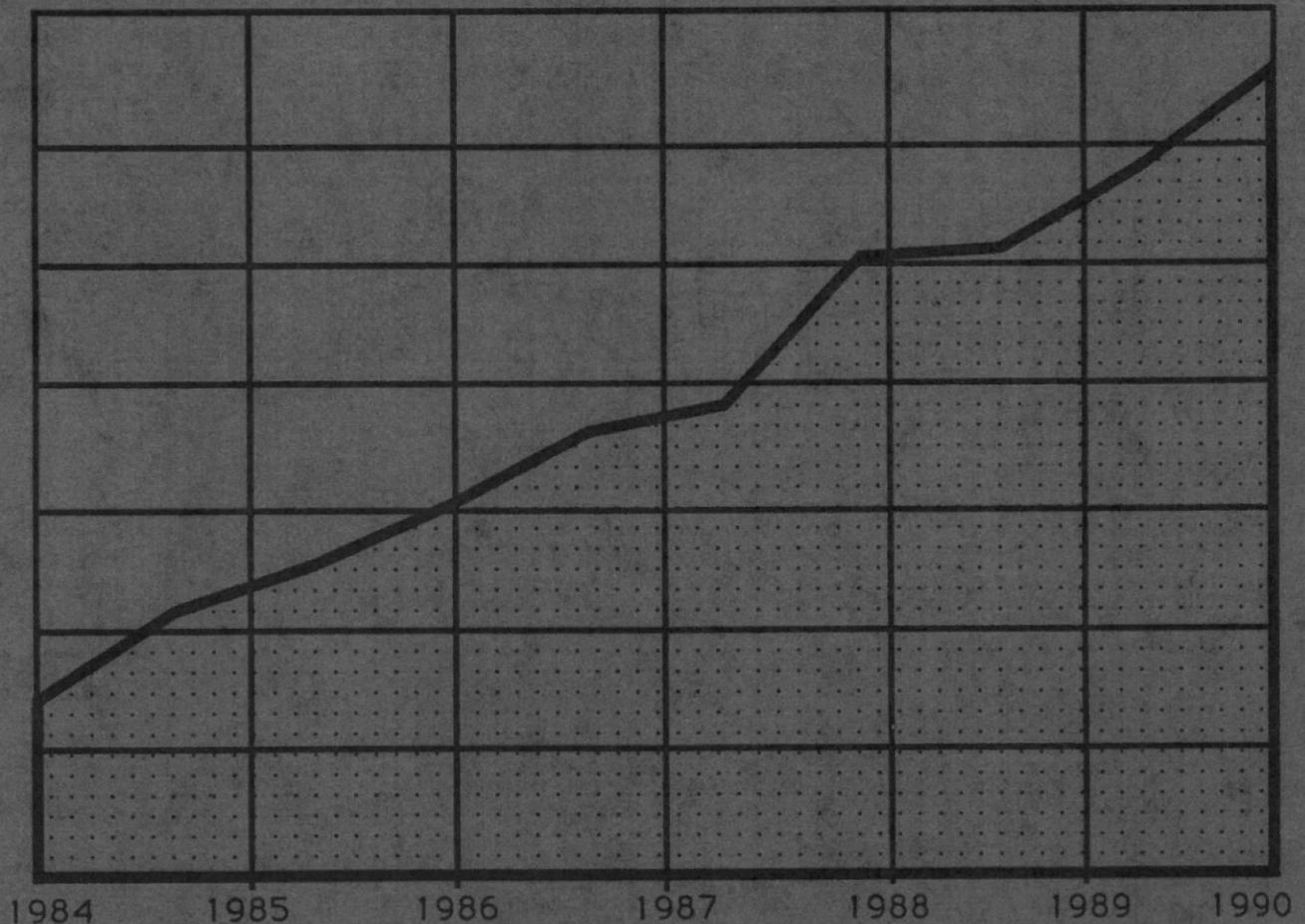


AN OVERVIEW OF THE OFFICE OF THE CALIFORNIA SMALL BUSINESS ADVOCATE 1984-1990



**A Report
to the Governor and Legislature
on the Activities
of the Office of the
California Small Business Advocate**

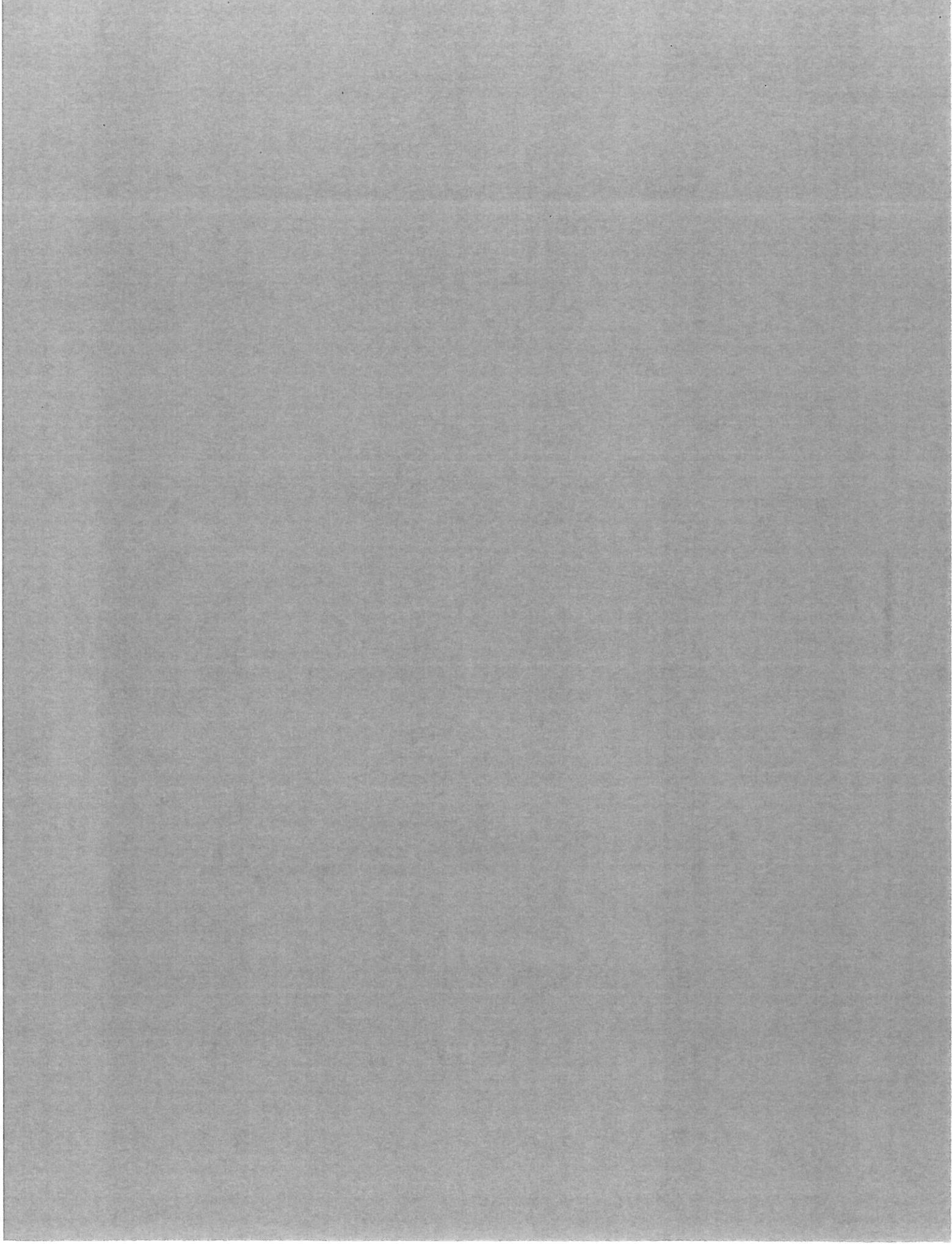
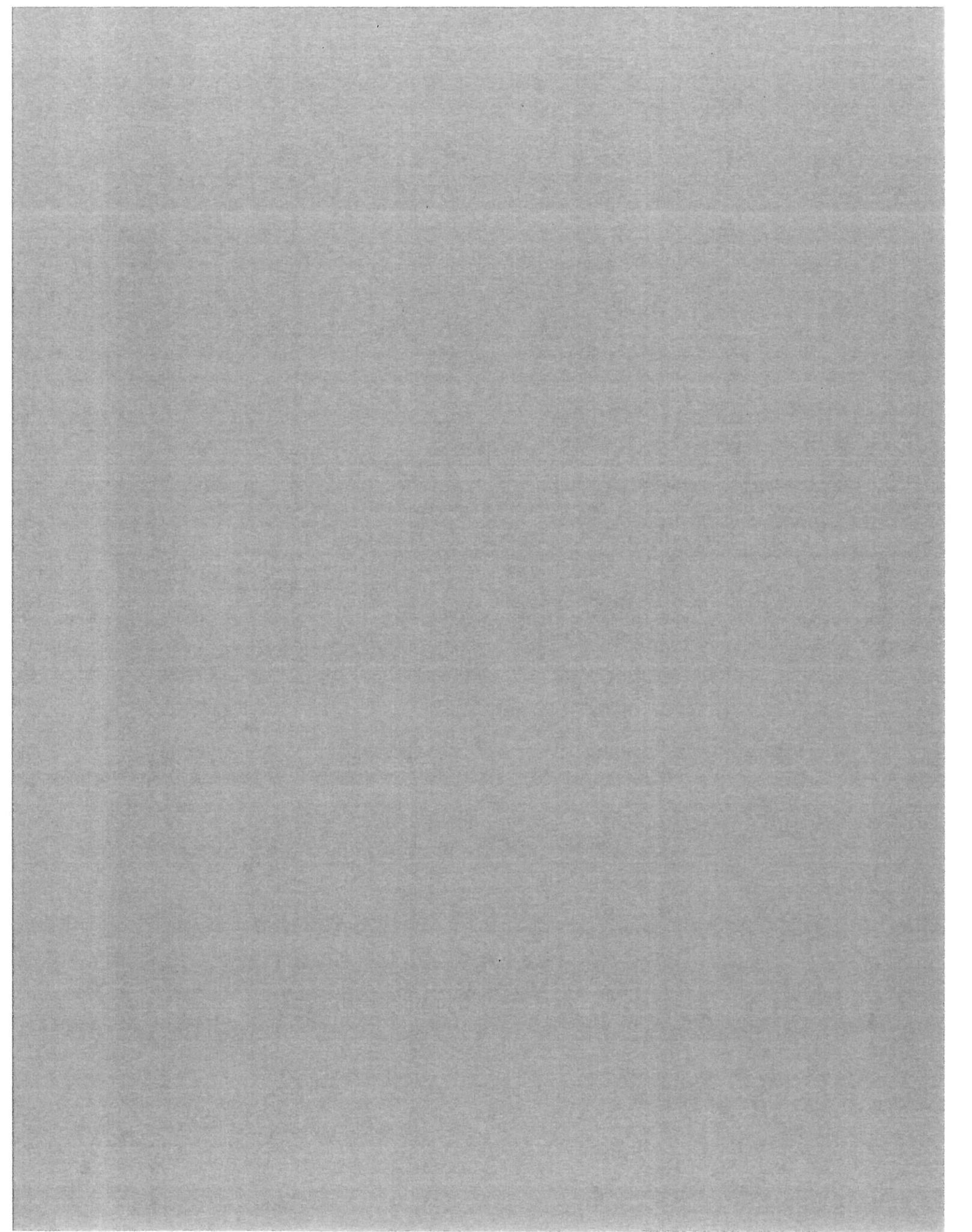


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THE ROLE OF THE ADVOCATE

The role of the Advocate is well defined within the statute. The Advocate shall:

Serve as the principal advocate in the state on behalf of small businesses, including, but not limited to, advisory participation in the consideration of all legislation and administrative regulations which affect small businesses;

Represent the views and interests of small businesses before other state agencies whose policies and activities may affect small business;

Enlist the cooperation and assistance of public and private agencies, businesses, and other organizations in disseminating information about the programs and services provided by state government which are of benefit to small businesses, and information on how small businesses can participate in, or make use of, those programs and services;

Evaluate the efforts of state agencies, businesses, and industry to assist minority/women small business enterprises, and make such recommendations as may be appropriate to assist the development and strengthening these and other small business enterprises;

Consult with experts and authorities in the fields of small business investment, venture capital investment, commercial banking and other comparable financial institutions involved in the financing of business, and with individuals with regulatory, legal, economic, or financial expertise, including members of the academic community, and individuals who generally represent the public interest;

Seek the assistance and cooperation of all state agencies and departments providing services to, or affecting, small business, to ensure coordination of state efforts;

Receive and respond to complaints from small businesses concerning the actions of state agencies and the operative effects of state laws and regulations adversely affecting those businesses.

SMALL BUSINESS IS BIG BUSINESS IN CALIFORNIA

The following data is drawn from the April 1990, Wells Fargo Bank Report - A STATE OF SUCCESS, Small Business in California. The most comprehensive data on small business is regularly compiled and distributed by the U.S. Small Business Administration's, Office of Advocacy. This data is based on the U.S. Census Bureau's, ten year census. Data collected by the 1990 census was not available at the time of this printing. The most recent data available is based on the 1980 census and was therefore not included.

Small business is big business in California. Small businesses with fewer than fifty employees accounted for one out of three jobs created in California in the 1980's. The key sectors involved in this growth include: construction, real estate, apparel/textile manufacturing, metal fabrication/transportation, health and business services. Between 1984 and 1988, California small businesses have also seen strong export growth in industries such as lumber, musical instruments, apparel and furniture.

Small business is a major part of the overall economic vitality of California. California leads the nation in small business growth and with 11.8% of the nation's population, one of every eight small businesses in the nation is in California. Since 1982, income from small business in California has grown an average of 13% a year, compared to the national average of 11%.

In California, new business start-ups have been increasing since 1985, while nationwide they have been declining. The number of business failures in California have been steadily falling since 1984, while throughout the U.S. they have been on an upward trend in the past several years. This success rate is particularly good in densely populated and strong urban centers. The strength and diversity of California's economy, combined with the state's rapid population and income growth, form the solid base upon which small businesses are launched.

The strongest areas for small business start-ups and expansions has been the service, high technology, and retailing sectors. Relatively young, prosperous Californians, who are often willing to buy new products, and the tourism industry have provided strong and steady consumer demand in the state. Significant amounts of venture capital have been infused into expanding certain kinds of California small businesses. A disproportionate number of venture capital firms are located in California, accounting for about one third of all venture capital invested nationwide. Most start-up firms continue to get their funding from their own savings, family and friends.

Nationwide, women owned thirty percent of all small businesses in 1986, compared to 26% in 1980. The number of minority owned firms is estimated to total more than one million across the U.S. Growth is particularly strong in California where in 1982 the state was ranked #1 in both the number of minority and women owned firms.

California's place in the world economy is clearly related to the contributions of small business innovation, growth and expansion, made possible by the state's business climate.

DEFINITION OF SMALL BUSINESS

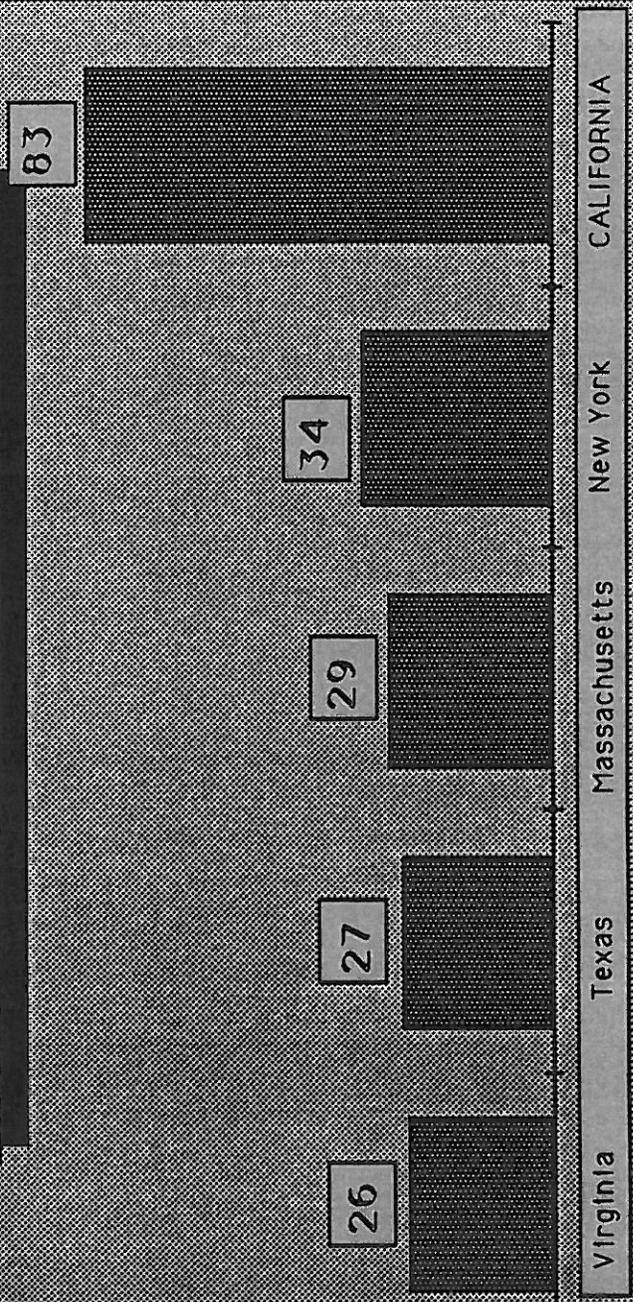
There are numerous ways to define small business. Some commonly used indexes include:

- Number of Employees
- Gross Receipts
- Type of Industry (i.e., retail/manufacturing/construction)

Without an official state definition of small business, the Office of the Small Business Advocate has elected to officially adopt the U.S. Small Business Administration's definition of small business, which defines small businesses as those having either under 500 or under 100 employees. The Advocate's Office realizes that the number of employees is not always the best determiner of a small business, and takes industry, size and other factors into consideration when appropriate.

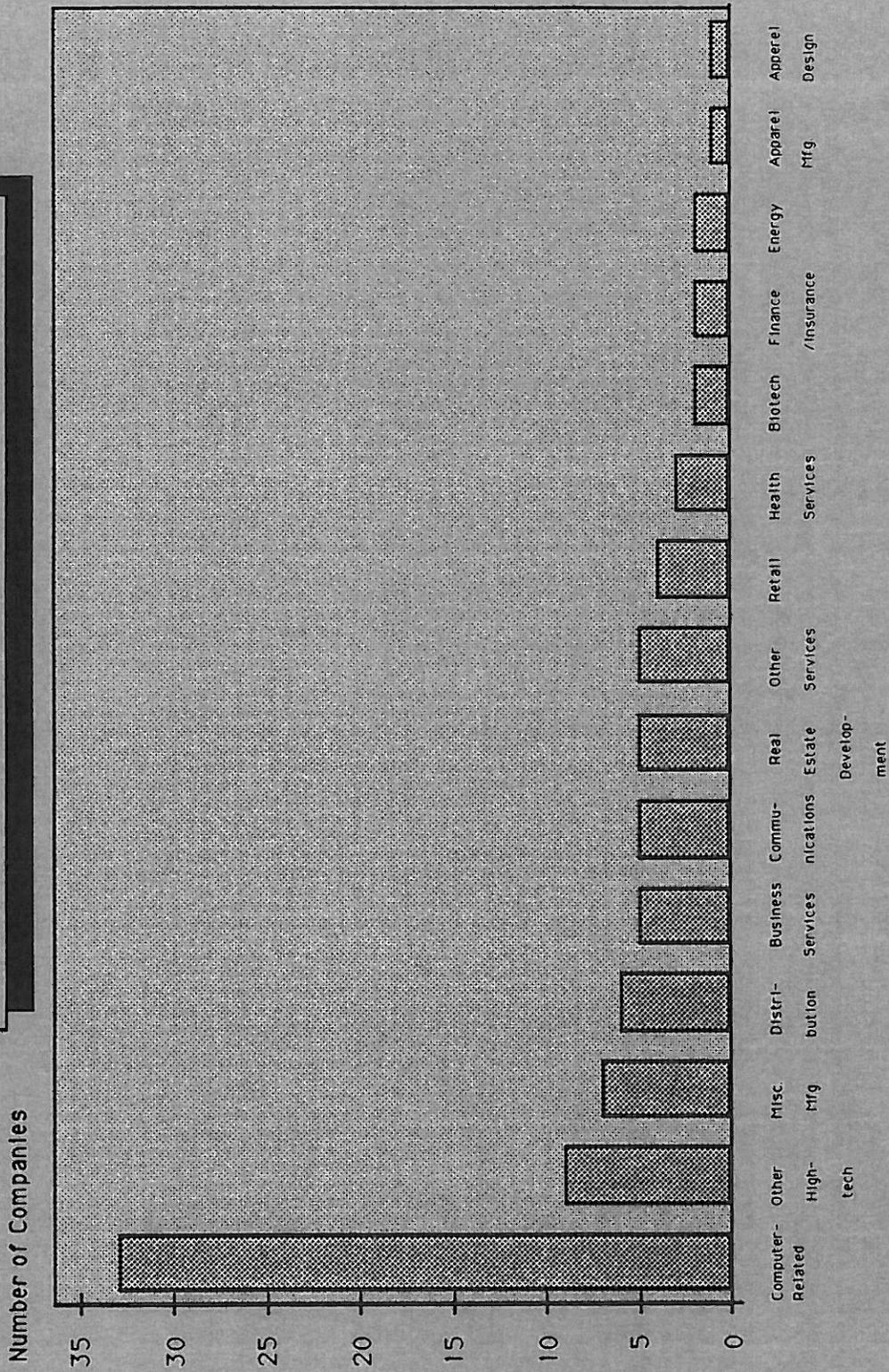
However, the Office's primary involvement is with small businesses in the start-up to 25 employees or less category. This group is the most affected by government actions and, the most likely to experience a business failure when faced with any unplanned expense or business interruption. These businesses are also the least likely to seek professional assistance.

California Ranks # 1 in the Number of
Fastest-Growing Small Businesses, (1989)



*The 5 highest ranked states according to Inc. Survey of America's 500 Fastest Growing Private Companies

California's Fastest Growing Firms



Source: Adapted from Inc. Magazine Surveys, Dec. 1988/ May 1989

AN HISTORICAL OVERVIEW

1984

AB 1592

AB 1592 - Katz (Section 8850, Government Code), created the first California Small Business Advocate. The Legislature believed there was a need for California small businesses to have their own advocate or voice in Sacramento, serving as a liaison between state agencies, the Governor and the Legislature. In September of 1984, AB 1592 was passed by the Legislature and signed by Governor George Deukmejian.

Other states, such as Alabama, Florida, New York and Michigan, have created an Advocate's Office in response to small business needs. In all, forty-four states have an office which performs functions similar to the California Small Business Advocate's Office. Through the U.S. Small Business Administration, a national Office of the Chief Council for Advocacy and 10 regional advocates have been installed to handle casework, deal with federal and state agencies, and distribute small business information.

1985

GOVERNOR DEUKMEJIAN AND THE FIRST ADVOCATE

The Governor's commitment to small business has been demonstrated numerous times in his approval of legislation which has favorably impacted small businesses and supported California's diverse economy. The signing of AB 1592 was one of many positive contributions made by Governor Deukmejian on behalf of small business.

On October 22, 1985, Governor Deukmejian appointed Oscar Wright to serve as California's first small business advocate. His outreach efforts and spirit of cooperation have earned him a permanent place in the growth of California's small businesses.

Prior to his appointment as the California Small Business Advocate, Mr. Wright served the Governor as the Executive Director of the Office of Small Business. His background includes marketing, consulting and small business. Mr. Wright is a military veteran and a graduate of California State University, Los Angeles. On February 1, 1990, he was appointed by President Bush to his current position as the Regional Administrator for Region IX, U.S. Small Business Administration.

1986

ASSESSING THE STATE OF SMALL BUSINESS

The Office of the Advocate was organized using existing resources provided by the Business, Transportation and Housing Agency.

The Advocate immediately set out to establish the Office as the ombudsman and advocate for small business interests in the state. Recognizing the merits of quickly and efficiently informing the small business community of the role of the Office, the Advocate began an extensive outreach program involving a series of forums throughout the state with presentations made to numerous business and community-based organizations.

Of prime concern in establishing the advocacy program was a strong commitment to enlist the cooperation and assistance of not only public agencies, but also business and other private sector agencies and organizations. The efficient and effective dissemination of information about the programs and services provided by state government and information on how small businesses can participate in and make use of various programs and services was central to the initial effort.

To meet this commitment, the Advocate set as first year goals the following:

- 1) To establish a state Small Business Roundtable comprised of representatives from state, federal and private sector agencies and organizations involved in activities that affect the small business community;
- 2) To encourage and assist in the creation of regional and local small business roundtable networks comprised of local business owners and representatives of business associations, financial and academic institutions to meet and discuss issues affecting the business community;
- 3) To establish a legislation and policy tracking system.

1987

BUILDING THE PROGRAM

The Advocate used several sources of assistance to carry out the numerous legislatively mandated activities and responsibilities placed on the Office. Major contributions were made by the Department of Commerce, the Governor's Small Business Advisory Council, the State Small Business Roundtable and local small business networks, which were organized and coordinated by the Advocate.

This year also began the coordination of the Governor's Small Business Week Luncheons. These events were co-sponsored by the Office of Small Business, the Governor's Small Business Advisory Council, the Small Business Development Board and the Advocate. The program regularly consists of an awards ceremony, recommendations on small business and luncheon with the Governor.

During 1987, the Advocate, authorized by Governor Deukmejian, established a task force to create a comprehensive plan for small business in California. This extensive undertaking required the participation of seven working groups, comprised of federal and state officials, as well as members of the private sector. The recommendations in this report were titled - The Eight Point Small Business Action Plan. The topics covered included: A State Small Business Policy, Coordination of Existing Small Business Programs, Finance, International Trade, Procurement, Innovation and Technology Transfer,

Public/Private Partnerships and Management and Technical Assistance. This report was ultimately submitted to the Governor and many of the recommendations have been implemented, both administratively and legislatively.

1988

EXPANDING THE PROGRAM

In 1988, with the foundation of local and regional networks, the Advocate began to build the California Small Business Network. The Network began with 200 chambers of commerce, assorted associations and local small business groups. The Network has been an invaluable vehicle in the dissemination of information to small businesses statewide.

The student internship program also began in 1988. The Office has been greatly enhanced by the voluntary contributions of numerous college graduates and undergraduates. These students assist in the coordination of tracking legislation and ombudsman cases.

The Advocate initiated and established the first trade association for small business incubators and their tenants. A statewide meeting was called by the Advocate in Sacramento for all interested parties. Subsequently, the California Business Incubator Network was formed.

This year also marked the appointment of Rod Beck as the first Chief of Administration for the Office of the Small Business Advocate. Mr. Beck previously worked with the State Controller's Office, the State Board of Control and the State Departments of Health, Employment Development and Transportation, for 15 years. His skills include an extensive knowledge of state government, worker's compensation, toxics, procurement and small business.

1989

THE ADVOCATE'S TELEPHONE HELP-LINE (916) 327-HELP

Per AB 864 - Quackenbush, (Section 8850.6, Government Code) the Small Business Advocate's telephone referral system was established. The bill authorized the Advocate to establish a centralized interactive referral system to assist small minority and women owned businesses in their operations. After nine months of researching all state departments and compiling telephone scripts, the system was ready for implementation.

The kick-off of the system was preceded by a marketing campaign to 600 chambers of commerce, 1000 trade associations, 300 small, minority and women's business and service groups in the state. During its first month of operation, the system received over 1200 calls from small businesses around the state. Currently, we receive over 2000 calls per month, primarily from start-ups and minority/women business owners. (See page 21 for system usage and menu.)

1990

THE SECOND ADVOCATE

On March 1, 1990, Governor Deukmejian appointed his second advocate for small business, Suzanne Fisher. Formerly, Ms. Fisher was the Executive Development Program Manager for the Business, Transportation and Housing Agency, and coordinated the 1988 and 1989 Governor's Conferences on Women in Business. Prior to state service, she was a small business owner for over six years in Los Angeles, California. Ms. Fisher was first appointed by Governor Deukmejian in 1984, as a Governor's community relations liaison and then as the Client Services Manager for the Department of Motor Vehicles. She also served as the Special Assistant to the first Small Business Advocate.

CURRENT ACTIVITIES OF THE OFFICE

LEGISLATIVE AND ADMINISTRATIVE ADVOCACY

The Advocate monitors legislation affecting small business, evaluates its impact, and when appropriate forwards to the Governor a recommendation to support or oppose. The Advocate also analyzes administrative regulations as they are brought to his/her attention by business owners or government leaders.

Tracking efforts focus on selecting those bills with impact small business, which are not routinely targeted as priority bills by the State Department of Commerce. Generally, these fall in the category of issues relating to new licensing requirements, changes in tax programs, hazardous waste and toxic material handling procedures or changes in state imposed permit fees administered by local governments.

During the 1989-90 legislative session the Office reviewed all Assembly and Senate bills. Of these bills over 50 were determined to directly impact small businesses and were designated for tracking.

The review function benefits both the small business community and the Advocate by improving the ability to formulate well-informed positions, upon which to base the discussion of proposals with the Administration and Legislature.

PARTNERSHIPS WITH PUBLIC AND PRIVATE ENTITIES

The Office of the Small Business Advocate works in partnership with numerous public and private entities. These partnerships have been instrumental in servicing the small business community in California. Some of these entities include: the Office of Small & Minority Business, the Office of Civil Rights, the Office of Small Business, the Assembly and Senate Select Committees on Small Business, the U.S. Small Business Administration, Pacific Bell, Pacific Bell Directory, the California Chamber of Commerce, the National Federation of Independent Business, Small Business United, and numerous other national, state and local organizations representing women and minorities.

ADVOCATE'S LEGISLATIVE COUNCIL

In 1988, the Advocate established the Legislative Council in an effort to focus directly on pending legislation impacting small business. The Legislative Council consists of representatives from: the California Chamber of Commerce, the National Federation of Independent Business, Small Business United, the U.S. Small Business Administration, and three regionally selected small business owners.

The Council meets on an as-needed-basis to review and discuss pending legislation, which may impact California's small businesses. By soliciting the opinions of various small business leaders and owners, the Advocate is better prepared to represent the needs of the small business community.

While the State Small Business Roundtable served the purpose of sensitizing state departments to the problems and unique concerns of small business, the Legislative Council provides the opportunity to quickly assess the opinions and concerns of small business.

OMBUDSMAN CASES

AB 1592 clearly states that the Advocate is responsible for receiving and responding to complaints from small businesses concerning the actions of state agencies. The Office seeks to achieve equitable settlements of complaints regarding public agencies. Since 1986, 186 fully documented cases have been handled by the Office. These cases required significant contact with state agencies and private firms, extensive research and occasional site visits. (Please see the chart on page 19 for a comparison of the types of cases.)

Of the total cases handled by the Office, nearly 50% were clearly determined in favor of the small business person. Another 20% were determined in partial favor of the business person with the final outcome dependent on actions by the complainant or public agency. The cases in which the outcome was not in favor of the business person usually involved issues of law in which the governing agency had no flexibility. Many cases occur as a result of businesses not understanding the process and believing that state procedures were improperly administered. In performing these duties, the Office collects and distributes information, sets up meetings between the agencies and small business owners, and gains concessions from the agencies when justifiable and possible.

During each month, numerous other informal telephone inquiries of this type are also received and follow-up letters/reference materials are prepared. Several assistance requests dealing with federal agencies and local governments are also received by the Advocate. These cases are referred to the federal Small Business Administration's Regional Advocate or local government agencies for resolution when the Advocate lacks jurisdiction on such matters.

STATE SMALL BUSINESS ROUNDTABLE

The State Small Business Roundtable was established in 1986 to provide a formal meeting procedure for the state departments and private associations which directly affect the small business community. This group's primary function was to focus on and discuss the effect of federal, state and local policies and programs on small business. The Roundtable was actively utilized until 1988.

The membership of the State Small Business Roundtable included: thirteen state departments, the U.S. Small Business Administration, the California Chamber of Commerce and the National Federation of Small Businesses. The activities of these agencies directly affect the small business community; therefore, the interaction made possible by the Roundtable meetings provided each representative with an opportunity to become more familiar with the activities of other agencies, to understand the methods used to resolve problems and increased awareness of issues dealt with outside their respective programs.

The agenda of the Roundtable meetings placed special emphasis on the discussion and examination of problems, policies and issues that affect small businesses. Often a consensus, solution and/or recommendation was formulated which provided valuable guidance and input for the affected agency or organization.

Representatives of 17 other state departments and agencies were organized into an advisory group which participated in Roundtable meetings when the topic of discussion required their informed opinions and guidance. This group does not have direct responsibility for any small business programs, but from time-to-time takes actions that impact small businesses.

As a direct result of the Roundtable meetings and with the assistance of the Office of Administrative Law and Assemblywoman Cathie Wright, AB 1442 was developed. AB 1442 (Section 11346.53, Government Code) exempts small businesses from new state regulations unless the state determines and explains why the regulation should be applied to these businesses.

LOCAL AND REGIONAL NETWORKS

During 1986, an extensive outreach effort was initiated in the small business community to focus attention on the program services established by the Legislature when creating the Small Business Advocate. The theme of this effort was - BRINGING THE CAPITOL TO THE COMMUNITY.

This outreach program included a series of business forums held throughout the state. The Advocate's Office has participated in 48 of these forums since 1986. From the beginning, these were not only beneficial in breaking ground for the program, but also in establishing a communications link with local and regional business organizations which formed the foundation of local roundtable networks.

The contacts and relationships developed with local business activists during the forums were the single most important factor leading to the creation of local small business networks. Perhaps no less important was the reassurance the local business community felt in the knowledge that their representatives and state government officials are concerned about small business issues and have set in place a program to deal with their interests.

These networks provide a means for state government and the local business community to communicate their respective positions and concerns and help identify issues for policy consideration.

CALIFORNIA SMALL BUSINESS NETWORK

The Advocate has actively engaged in distributing information about the functions and activities of the Office. The Office has an ongoing statewide marketing effort which has made a significant number of businesses aware that they have a voice in California politics. In particular, the Office has established the Small Business Network, a consortium of over 500 chambers of commerce, small business organizations, councils and trade associations. The Network regularly receives a legislative update, a monthly article authored by the Advocate, which focuses on important small business topics, as well as a listing of statewide activities and other current information of interest.

THE ADVOCATE'S TELEPHONE HELP-LINE (916) 327-HELP

The Advocate's Help-Line is an extensive, detailed menu driven information source which is touch-tone accessible. The Help-Line contains information on state and federal financing programs, technical assistance, and basic advice on how to start a business. Counter-top displays and a copy of the Help-Line brochure are periodically distributed to the Small Business Network. The Advocate continues to make business groups aware of the Help-Line during public presentations and conferences. (See page 21 for system usage and menu.)

PUBLIC SPEAKING

The Advocate and staff regularly travel statewide speaking to small business groups, trade associations, chambers of commerce and assorted other business groups. The Office has made over 160 public speaking appearances from 1986 to present. Some of these engagements included speaking before the Los Angeles Chamber of Commerce, the INC. Council of California's 100 Fastest Growing Companies, the Sacramento Chamber of Commerce, and Pacific Bell in San Francisco and San Ramon. Meetings with key community and business leaders are also regularly held to analyze legislation and consider other business topics.

SMALL BUSINESS REFERENCE LIBRARY

The Small Business Reference Library is a collection of small business reference materials which is available for public use. The library is computer catalogued and contains books, magazines, manuals, etc. concerning current small business issues. The library is located within the Office of the Small Business Advocate and is available for public use on an appointment bases.

GOVERNOR'S SMALL BUSINESS WEEK LUNCHEONS

Beginning in 1985, Governor Deukmejian the California Certificate of Recognition to selected small business owners around the state. These awardees are recommended by various state entities that work directly with small businesses. The event is held each May, to coincide with the Governor's kick-off of Small Business Week, in California.

Sponsors include: the Office of Small Business, the Governor's Small Business Development Board, the Governor's Small Business Advisory Council and the Small Business Advocate. The Advocate's Office has served as the coordinating body.

SMALL BUSINESS DEVELOPMENT BOARD GOVERNOR'S SMALL BUSINESS ADVISORY COUNCIL

The Small Business Advocate has always served as an ex-officio member of the Governor's Small Business Advisory Council and the Small Business Development Board. In 1989, the Council was merged with the Board and currently the Advocate meets with the Board monthly to report on current legislation and activities in the state impacting small business.

WHITE HOUSE CONFERENCE ON SMALL BUSINESS

On May 8, 1984, President Reagan signed into law a bill authorizing the 1986 White House Conference on Small Business. The objectives of the Conference were as follows:

The purpose of the Conference shall be to increase public awareness of the essential contribution of small business; to identify the problems of small business; to examine the status of minorities and women as small business owners; to assist small business in carrying out its role as the nation's job creator; to assemble small businesses to develop such specific and comprehensive recommendations for executive and legislative action as may be appropriate for maintaining and encouraging the economic viability of small business and, thereby, the nation; and to review the status of recommendations adopted by the 1980 White House Conference on Small Business.

The National White House Conference held in Washington, D.C. during August 1986 was the culmination of a year and a half of diligent work by entrepreneurs from throughout the Nation.

During the process leading up to the National Conference, 63 state conferences were held including two California conferences in January 1986. The state meetings were held to identify and discuss issues of concern to small business and to propose an agenda for federal action. The initial 371 recommendations put forth by the states were reduced to 60 final recommendations.

The Governor appointed the Advocate to assist in the organization of the California conference along with representatives from the State Chamber of Commerce, the Department of Commerce and financial institutions.

STATE CONFERENCE ON SMALL BUSINESS

The Fourth Annual California Conference on Small Business was held in Sacramento on May 29, 1986.

With the National White House Conference on Small Business only weeks away, this meeting provided a final opportunity for a formal gathering of small business activists to focus on federal issues and prepare the California delegation's plan of action. Training workshops on the "How to's" of small business were integrated with a program to showcase small business support services with a trade show.

State government participation was organized under the direction of the Advocate. State involvement complemented private sector efforts by bringing government program experts and resources into the training sessions and policy discussions. The interaction was beneficial to the business community and members of the Legislature, each sharing perceptions and concerns on small business issues.

1988 GOVERNOR'S CONFERENCE ON WOMEN IN BUSINESS

The 4th Annual Governor's Conference on Women in Business was coordinated within the Office of the Advocate. These conferences were held each year from 1985 to 1989, and regularly hosted over 2000 women business owners and professionals. The keynote speaker for 1988 was Ms. Sybil Ferguson, founder of Diet Center, Inc. The conference consisted of over thirty workshops, fifty-five speakers, a luncheon, an awards ceremony and VIP receptions for the Governor, corporate sponsors and other state officials. Pacific Bell served as our major corporate sponsor for each of the five events.

OTHER CONFERENCES, SEMINARS, AND TRADE SHOWS

The Office regularly participates in or co-sponsors local conferences, seminars, workshops and trade shows sponsored by business groups, organizations and associations. From 1986 to present the Office has participated in 23 events of this type.

INTERNSHIP PROGRAM

In 1988, the Advocate established a student internship program. These college students donate 20 - 25 hours of their time each week in exchange for the opportunity to gain experience in state government and small business issues. Their contribution to the Office has been invaluable both legislatively and administratively. Local universities and colleges are solicited each year for political science or business majors.

CALIFORNIA BUSINESS INCUBATOR NETWORK

Currently, the Advocate's Office serves as a statewide liaison between the National Incubator Association and all small business incubators in California. The Office also keeps a current file of information on incubator set-up, funding and management. The first Advocate was instrumental in establishing the first California Business Incubator Network.

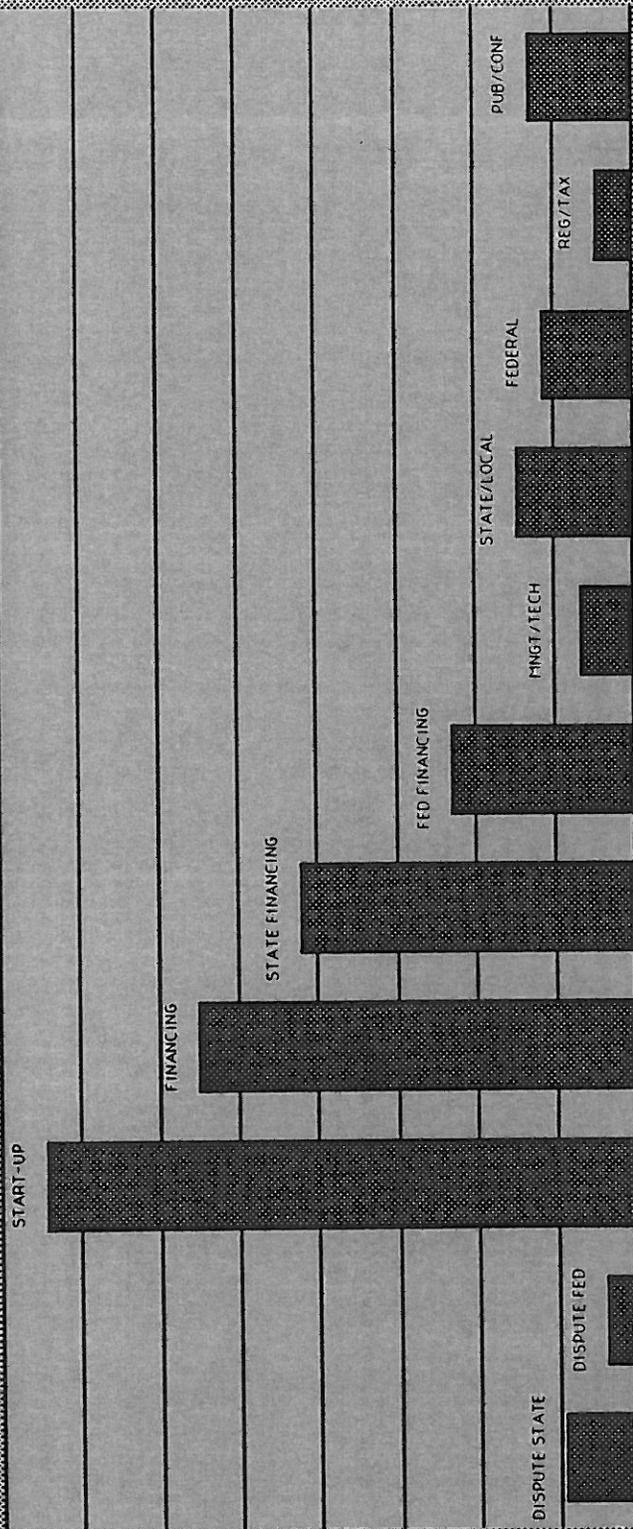
SPECIAL PROJECTS

The Office is often called upon to assist with special projects for the Governor's Office and the Business, Transportation and Housing Agency. These projects are generally related to policies which will have a direct impact on small businesses, i.e. earthquake insurance for such businesses. The Governor's Office also periodically requests updates on the status of California small business and the policy implementation of recent small business legislation.

Ombudsman Cases by Major Category



SMALL BUSINESS HELP-LINE USAGE
 (916) 327-HELP



REPRESENTATIVE SAMPLING OF COMPARATIVE USAGE OF AVAILABLE INFORMATION

**CALIFORNIA SMALL BUSINESS ADVOCATE
HELPLINE (916) 327-HELP**

MESSAGE MENU

- 1 DISPUTE WITH A STATE AGENCY
- 2 DISPUTE WITH A FEDERAL AGENCY
- 3 REQUEST CALL BACK OR MAKE SUGGESTIONS
- 5 SMALL BUSINESS SURVEY

10 STARTING A BUSINESS

- 11 Business License
- 12 Fictitious Name
- 13 Location Considerations
- 14 State and Federal Payroll Taxes
- 15 Sales Tax Permit
- 16 Workmen's Compensation Insurance
- 17 Occupational Health and Safety
- 18 Copyrights, Patents and Trademarks
- 19 Sources of Professional Assistance

20 FINANCING A BUSINESS

- 21 Financing for Start-up Business
- 22 Financing for an Existing Business
- 23 Government Business Finance Programs
- 24 Loan Packaging Services
- 25 Equity and Venture Capital

30 STATE SPONSORED FINANCING PROGRAMS

- 31 Loan Guarantee Program
- 32 Direct Loan Programs
- 33 Financing an Export Transaction
- 34 Hazardous Waste Reduction Financing
- 35 Business and Industrial Development Corporations
- 36 Alternative Technology Energy Project Loans
- 37 Alternative Energy Product Loans
- 38 Industrial Development Bonds
- 39 Private Marina Development Loans

40 FEDERAL SPONSORED FINANCE PROGRAMS

- 41 SBA Loan Guarantee
- 42 Assistance for Exporters
- 43 Innovative Research Contract and Grants
- 44 Veteran Loan Programs
- 45 Assistance for the Handicapped
- 46 Fixed Asset Finance Programs
- 47 Equity Investment Programs

50 GENERAL INFORMATION ABOUT MANAGEMENT AND TECHNICAL ASSISTANCE

60 STATE AND LOCAL PROGRAMS

- 61 The State Small Business Advocate
- 62 The Department of Commerce
- 63 The Regional Development Corporations
- 64 The Small Business Development Centers
- 65 Export and Foreign Trade
- 66 Local Government and Chambers of Commerce
- 67 Minority and Women Programs
- 68 Selling Your Goods or Services to the State
- 69 Small Business Incubators

70 FEDERAL PROGRAMS

- 71 The Small Business Administration
- 72 Minority Business Development
- 73 Women Business Ownership
- 74 Foreign Trade
- 75 Free and Low Fee Counselling, Seminars and Workshops
- 76 Free and for a Fee Publications
- 77 Small Business Institutes
- 78 Selling Your Goods or Services to the Federal Government

80 REGULATORY AND TAX CONSIDERATIONS

- 81 Employment Services
- 82 Regulation Review
- 83 Tax Planning
- 85 Toxics - What You Should Know

90 FREQUENTLY CHANGING INFORMATION

- 91 Assorted Small Business Publications
- 92 Northern California Conferences and Seminars
- 93 Southern California Conferences and Seminars

CRITICAL ISSUES FACING SMALL BUSINESS TODAY

The Small Business Development Board annually presents to the Governor ten issues which they believe most accurately reflect the concerns of California's small businesses. While this list in no way reflects the entire spectrum of small business issues, it does appear to represent the most critical areas of concern for small businesses.

CAPITAL FOR SMALL BUSINESS

The independent bank system provides much of the capital made available to small business today. Major banks have historically avoided small businesses who are in the start-up to 5-year phase. The U.S. Treasury Department is currently studying proposals for Deposit Insurance Reform, including but not limited to, reducing the \$100,000 Deposit Insurance Limit. This particular proposal could threaten smaller independent banks thus reducing the few remaining sources of capital available to this portion of the small business market. Small businesses have difficulty obtaining financing regardless of the source, with the exception a few limited fund financing government programs and small independent banks. The Small Business Development Board's Capital Formation Task Force Plan calls for the raising of public and private sector funds. These funds are to be used to explore the means necessary to make more capital available to small businesses in California. A copy of this plan is available via the Department of Commerce.

WORKER'S COMPENSATION

While significant efforts have been made in this area by both the Governor and the Legislature, small business owners believe the cost of Worker's Compensation Insurance to the small business person is still a critical issue. The opportunity for the employee to file and receive payment for a questionable claim still exists. The small business employer has limited opportunities to defend against or appeal these claims and judgements. Reforms in this area should recognize the limited time and financial resources available to the small business owner to pay for the cost of insurance and to defend against questionable claims.

STATE MANDATED EMPLOYEE HEALTH BENEFITS

It is generally agreed that all citizens should have access to quality health care. The small business community believes that mandating the cost of these benefits will shift the burden from the uninsured employee to the small business employer. It is commonly perceived that such actions will result in either layoffs, inflation or business closures.

SMALL BUSINESS REGULATIONS AND MANDATES

In 1987, AB 1442 was signed into law which requires all proposed regulations to consider the impact on small business before they are put into effect. Still, the amount of regulatory red tape and financial burden continues to be an issue. Small businesses have limited financial and manpower resources available to adhere to administrative/governmental regulations, increasing taxes and fees. Small businesses believe that state government agencies should be closely monitored for adherence to AB 1442.

MINIMUM WAGE CONTAINMENT

With the rise of the federal minimum wage to the level of California's rate, moves may be made to further increase California's minimum wage. A study of small business' ability to pay higher labor costs and minimum wage containment should be considered.

PUBLIC EDUCATION AND VOCATIONAL TRAINING

The demographics of the state are changing rapidly and, at the same time business' need for trained/skilled workers and technicians is increasing. In order to meet the challenge, small businesses need to have prospective employees who are educated and trained in the 'work ethic' as well as the higher skill levels required in the marketplace. Furthermore, small businesses tend to hire more first time workers and, therefore, the burden of training the workforce weighs heavily on the shoulders of small businesses. The public school system should consider providing a curriculum to address these issues through on-the-job training and apprenticeship programs. These activities should begin at the primary and secondary levels, as well as, through increased vocational training.

MANAGEMENT/TECHNICAL ASSISTANCE

Although numerous local, state and federal organizations offer some form of assistance to start-up and expanding small businesses, geographic areas remain without service. Additionally, services provided by more than one entity in a given geographical area often tend to be duplicative and frequently do not provide enough depth of information to best ensure business success. A state effort should be made to develop a policy to ensure that state, federal and local programs are geographically coordinated and non-duplicative.

HANDLING AND DISPOSAL OF HAZARDOUS MATERIALS

The responsible business affected by environmental issues recognizes its responsibility not to adversely impact the environment. The majority of current violations are the result of a lack of knowledge and a centralized source of clear information. The abundance of laws, at both the federal and state level, also contributes to the confusion and cost of doing business. A coordinated approach to these laws and a centralized source of advice and information is clearly needed.

COST OF VEHICLE INSURANCE

Despite the passage of Proposition 103, the cost of vehicle insurance to both the general public and the business community remains high. Insurance for company owned passenger vehicles and trucks is a significant cost factor, particularly for small firms. Future legislation in the area of vehicle insurance should be written to provide relief for all residents of California.

WRONGFUL DISCHARGE SUITS

The number of wrongful discharge suits has increased sharply due to the liberal interpretations of the court system. A statutory law which would provide an equitable method of establishing the terms and conditions of employment, offering protection to both business owners and their employees, may be a viable option.

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In a recent survey conducted by the Stanislaus County Economic Development Corporation, California was rated as having a favorable business environment. Of the 265 companies surveyed, 89% of the businesses had 50 or fewer employees. These businesses represented a wide variety of industries including: manufacturing, service, retail, distribution, food processing, construction, agricultural and wholesale. However, the following recommendations for improvement of the business climate were listed:

- * Reform workman's compensation
- * Control insurance costs
- * Decrease government intervention, restrictions and regulations
- * Greater attention to the needs of small businesses and an improved attitude towards small business
- * Long range planning for transportation and other infrastructure
- * Improve public education
- * Consistency in enforcing environmental regulations
- * Encourage small businesses to become more actively involved in legislative policy making
- * Lower operating costs
- * Better cooperation among various state departments
- * Reduce housing costs
- * Reduce taxes

It is readily apparent that there are numerous corresponding issues as compared to the Small Business Development Board's priorities. Our observations indicate that small businesses are also dealing with the same obstacles that larger businesses must cope with. However, some issues do appear to be unique to small businesses. Government entities should become more sensitive to these differences and monitor new legislation and regulations accordingly.

THE FUTURE OF SMALL BUSINESS IN THE 1990'S AND BEYOND

While much has been said about trends impacting small businesses in the 1990's, it is important to note that the vast majority of the businesses the Advocate services are businesses with 1 to 25 employees. Therefore, while these same trends certainly apply, our forecast will also note the unique impact these trends will have on the small employer.

(The following forecasts are based on data provided by the U.S. Department of Commerce, U.S. Department of Labor and the Bureau of Labor Statistics.)

The aging of the baby boom generation (35-44 and 45-54) will change the shape of the population in the 1990's. With these groups expanding rapidly and the population over the age of 65 growing by 20%, conversely, the younger working age population (16-24 and 25-34) will decline in number. The average age of a worker in the year 2000 will increase from 35.3 to 38.9 years. This prime age worker will generally be less willing to move to a new location, change occupations or accept part-time work.

For the small business owner this means that as the population ages the demand for products and services will also change. The average worker will be older, more experienced, and more productive. This is good for large businesses and bad for small businesses which tend to hire more younger or older workers. These prime age workers will demand better pension and health benefits, as well as provisions for day care and elder care. Both large and small businesses will need a broad menu of benefits to attract and retain the prime age worker. With all these factors in the marketplace, the prime age worker will undoubtedly be out of reach for smaller businesses. These businesses will need to rely more heavily on part-time, seasonal and temporary help.

To finance increases in wages and benefits, training and modifications for older workers, small businesses will have to focus their attention on raising employee productivity and developing strong customer service policies. Without increased productivity and an employee supported customer service policy, small businesses will be at a competitive disadvantage, which will mean losses in market share in some industries, and an overall decrease in the number of viable small businesses.

Women will make up almost half (47%) of the labor force by the year 2000. Small businesses hire more women than larger businesses, and thus, by the year 2000, 51% of the workers in small businesses will be women. Most new entrants into the labor force in the 1990's will be minorities. Hispanics @ 30%, Blacks @ 17%, Asians @ 11%, will account for 58% of these new labor force entrants. Immigrants will also be a significant source of new workers, accounting for 24% of the new additions to the labor force. This increase of women, minorities and immigrants will create a heterogeneous group of workers with differing educational and cultural backgrounds. The initial training of these new workers will be more difficult than in the past.

Service producing industries will increase while goods producing industries will decrease. Major growth will be seen in the the areas of health, business, professions, education, and social service industries.

Computers will become more important in the process of increasing productivity. 70% of firms with more than ten employees are already using computers and must increase their usage if they are to remain competitive. While the costs of analysis, training and software is substantial, in order to compete in the marketplace, small businesses should invest in the future now.

The world marketplace is growing more rapidly than the U.S. domestic market, therefore, it will be important for small businesses to become more involved in exporting their products to Japan, East Asia, the Middle East and Latin America. American exports are expected to increase more rapidly in the areas of capital goods, non-oil industrial materials, agricultural goods and business services. World growth, excluding the United States, will average almost 4% per year.

The challenges are many for small business, however, as in the past, small business will respond with new products, technologies and management philosophies. For example, small business has been responsible for much of the innovation and growth in high technology and expansion of business and restaurant services in recent years.

Unencumbered by the bureaucratic structure of larger firms, small business can respond quickly to the inevitable, rapid changes that the economy will experience by the next century. The small business of today is the expanding business of tomorrow.

A RECOMMENDATION FOR THE FUTURE

Currently, 12 state agencies operate 14 different programs that directly affect small businesses, and legislation is introduced each session which proposes additional programs. These circumstances tend to compound the problem of achieving a coordinated state approach to assisting small business.

On April 30, 1987, the Advocate initiated a working group to study and conduct a review of existing programs. This review led to the conclusion that an overall state small business policy direction may be needed to more effectively allocate resources by identifying and eliminating duplication of effort at all levels of government.

An analysis of how existing programs impact this policy direction should be made and used as a guide in the development of new programs or changes in existing programs. The Legislature may consider adopting a rule which would, when appropriate, require that the analysis section of proposed legislation contain a statement on its expected impact on small business. This requirement would be similar to one imposed on state agencies when proposing new regulations.

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