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In the spring of 2021, IGS launched a two-year Diversity and Entrepreneurship Fellowship as part of the Cal-in-Sacramento Fellowship program. Now in year two, IGS and the Matsui Center are proud to showcase students' original research on the challenges and opportunities facing women- and POC-owned small businesses and diverse entrepreneurs in California. This series includes op-eds, blog posts, policy briefs and other research products. Learn more at <https://igs.berkeley.edu/matsui-center/fellowships/cal-in-sacramento>.

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Helping Out — Why Small Business Centers Matter

By Tristan Shaughnessy

At the outset of the COVID-19 pandemic, small businesses in California got absolutely walloped. On March 19, 2020, Governor Gavin Newsom issued a statewide [shelter-in-place order](#). By April, more than [30 percent](#) of small businesses in the state had shut down. As for the biggest counties — San Diego, Los Angeles, and San Francisco — sales dropped [19, 24, and 50 percent](#), respectively, compared to the year prior. And when small businesses shutter, it impacts the communities where they operate. According to a [2013 study](#) by the Federal Reserve Bank of Atlanta, locally-owned firms with fewer than 500 employees uplift their communities by reducing poverty and offering better-paying jobs than their larger counterparts, making their absence feel like a citywide gut punch.

To stem this economic free fall, small businesses nationwide were given close to [a trillion dollars](#), and that is only counting two federal programs. In California, at [least 15 different assistance programs](#) have been offered to small businesses over the course of the pandemic. So it is worth asking, how do companies get the help they need? How do they navigate bureaucracy? Part of the answer lies in another government initiative, one you may not know about: the California Small Business Center Network.

Small Business Centers in the Golden State

The California Small Business Center Network is made up of 87 locations spanning five regions, and [more than half](#) of those centers are Small Business Development Centers, or SBDCs. Essentially, SBDCs are organizations — like a nonprofit, community college, or chamber of commerce — that offer free business consultations and are partly funded by the state and federal government.

Some SBDCs provide general advice, such as how to start a business or get a loan, while others are more specialized. For example, there are SBDCs that help startups pitch to investors or that can answer industry-specific questions. But the pandemic forced most SBDCs and California's other small business centers to pivot.

“Every business that was affected by the pandemic was interested in those [assistance] programs,” said Lucas Coleman, director of Export SBDC, a San Diego business center specializing in international trade. “There was just a ton of volume that required all of the centers stepping up [and] stepping away from their usual work to provide support where the business community really needed it.”

This ability to mobilize hundreds of consultants in response to an emergency is partly why the California Office of the Small Business Advocate (CalOSBA), the state office tasked with promoting small business growth, describes these centers as one of the [“most significant”](#) tools government has to connect important resources to the small business community. To put that statement into numbers, from 2019 to 2020, business centers in California assisted more than 220,000 clients, connecting them to more than \$1.4 billion in capital. And over the years more and more funding has been given to these centers to build out their capacity.

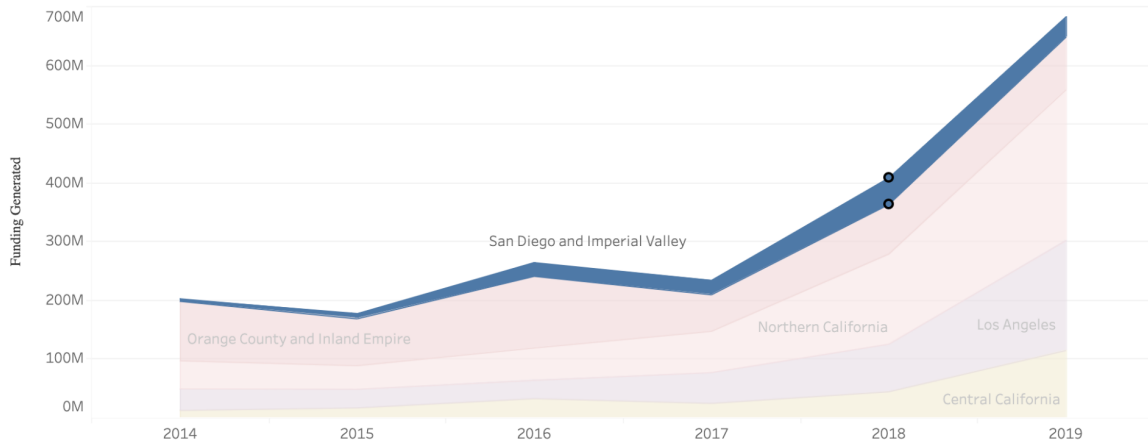
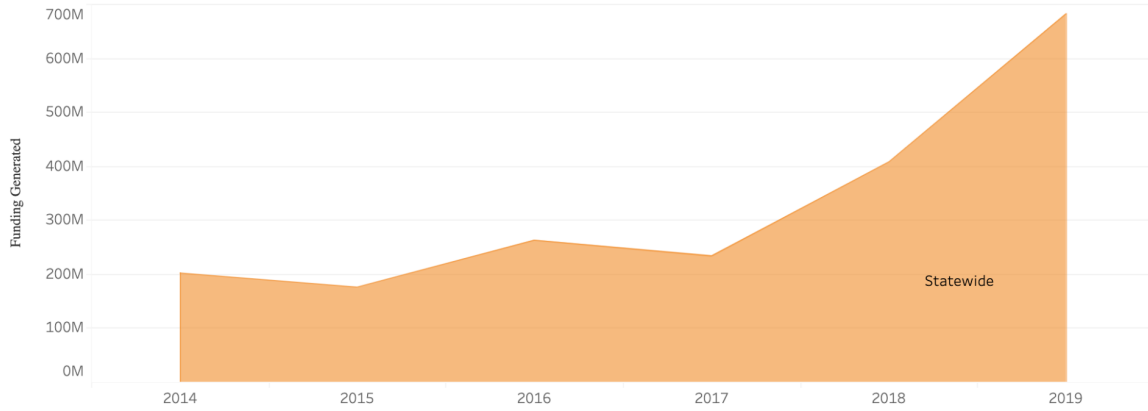
In 2014, CalOSBA had only [\\$2 million](#) in grants to disburse across the Golden State's business center network. Now, those 87 centers have access to more than [\\$30 million](#). Zooming in on

one part of that figure, below are two [graphs](#) showing how much money SBDCs helped clients access as a result of CalOSBA's Capital Infusion Program, a grant for SBDCs that has had between \$1.5 to \$3 million in funding since 2014.

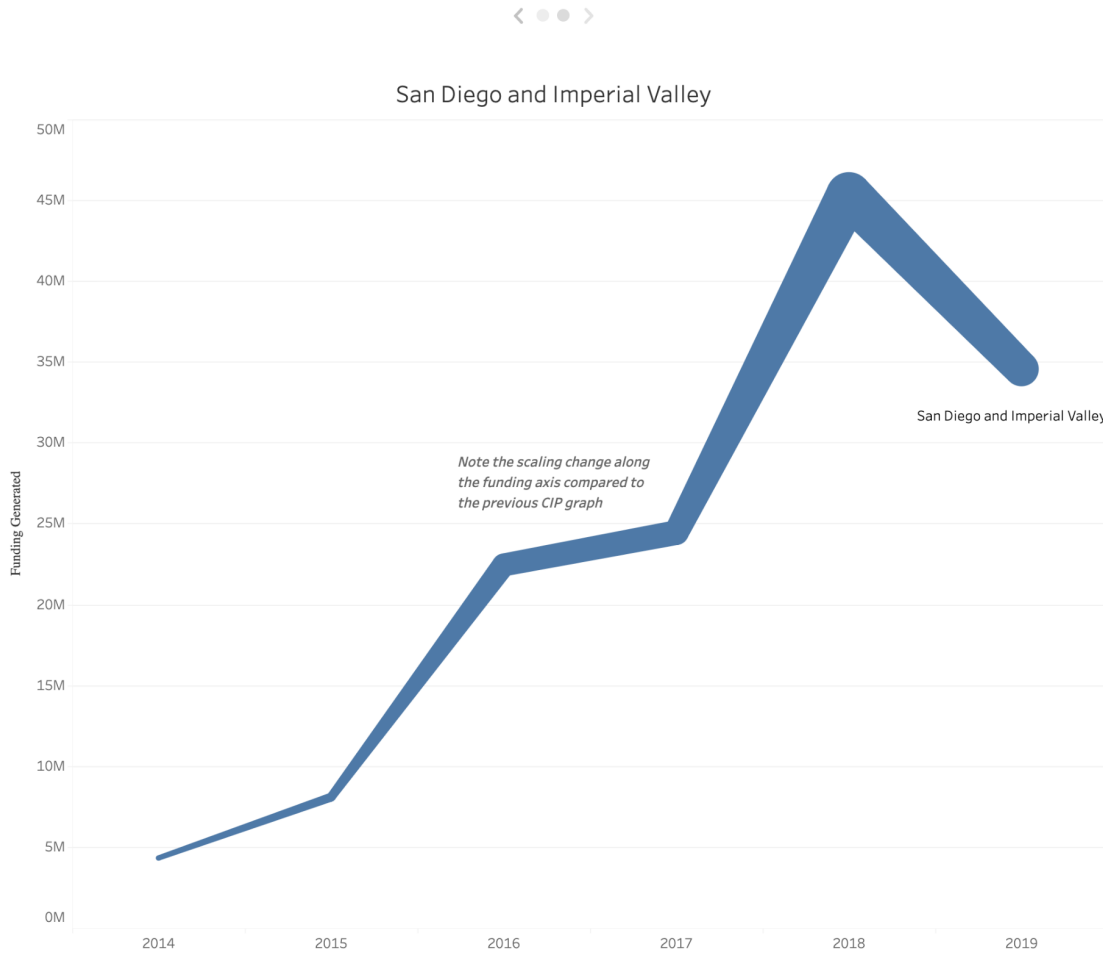
Capital Infusion Program Results (2014-2020)



Statewide



Capital Infusion Program Results (2014-2020)



Demand for business centers rose dramatically during the pandemic, and to meet that demand, centers within the same region had to collaborate, a dynamic that was especially true for SBDCs in San Diego County and Imperial County.

Bringing San Diego and the Imperial Valley Together

As they moved their operations online, referrals between SBDCs in the San Diego and Imperial Valley — one of the five regions in California's business center network — became more common.

When appointments surged, SBDCs would schedule clients at other centers within the region, distributing the workload to ensure small businesses got timely assistance, explained James Sly, president of the San Diego East County Economic Development Council, the host of East County SBDC. In other words, the decreased emphasis on geography meant small businesses

could better access the help they needed. It meant that San Diego and the Imperial Valley could work as a unit rather than nine different SBDCs.

“As the pandemic really lengthened, that geographic breakdown of services really sort of eroded into where now we are sort of almost one concerted service provider,” Sly said.

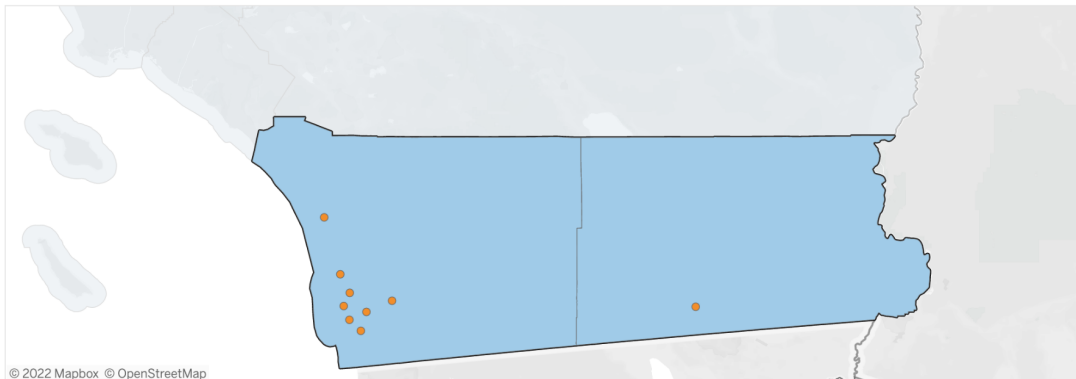
He also noted how this more interconnected approach provided an opportunity for businesses in the Imperial Valley, which is more rural than its regional counterpart, to access SBDCs in San Diego. For example, if an entrepreneur from the Imperial Valley needed help manufacturing a product, they could now schedule a virtual appointment with one of East County SBDC’s manufacturing consultants instead of driving all the way to San Diego or not getting help at all. And this collaborative approach to business advice is a boon to inclusive economic development, which is a priority for California.

In its annual report for 2019, CalOSBA said one of its missions is to “eliminate opportunity gaps within our underserved small business groups.” These groups include women, people of color, veterans, and communities that are low-wealth, rural or disaster impacted — below are [graphics](#) highlighting some of that demographic information within San Diego and the Imperial Valley.

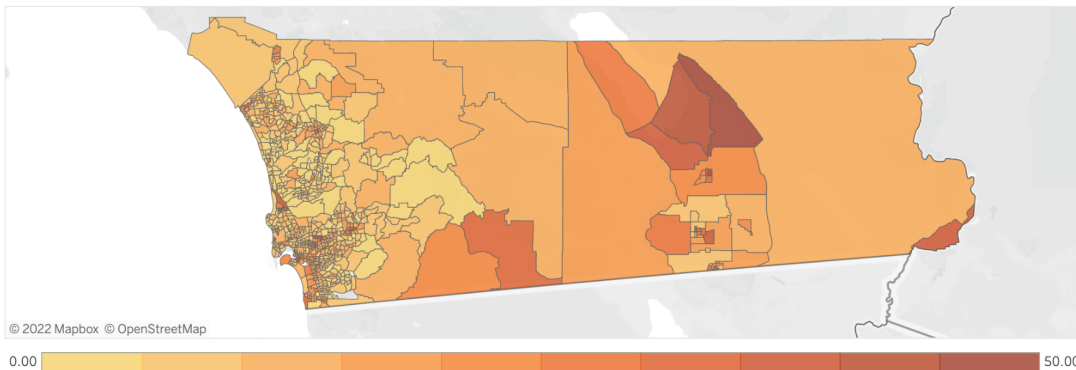
Demographic Information for the San Diego and Imperial Valley Network



Location of Small Business Development Centers



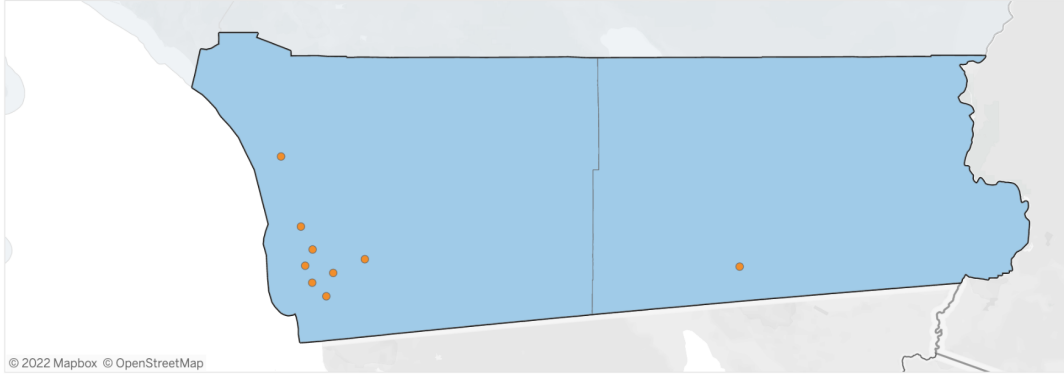
Percent of People Living in Poverty by Census Tract (2016-2020)



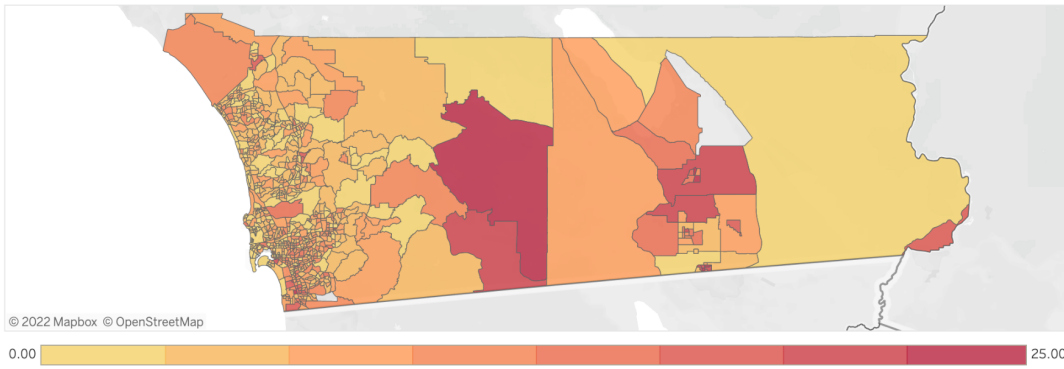
Demographic Information for the San Diego and Imperial Valley Network



Location of Small Business Development Centers



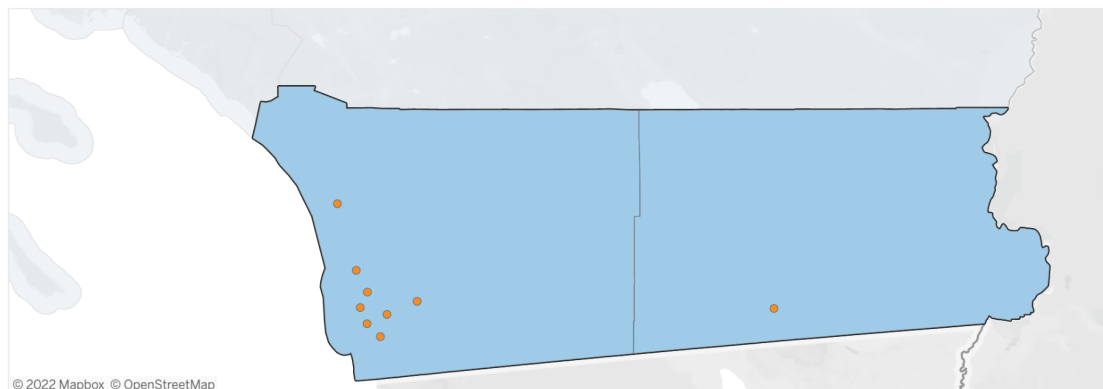
Percent of Unemployed People by Census Tract (2016-2020)



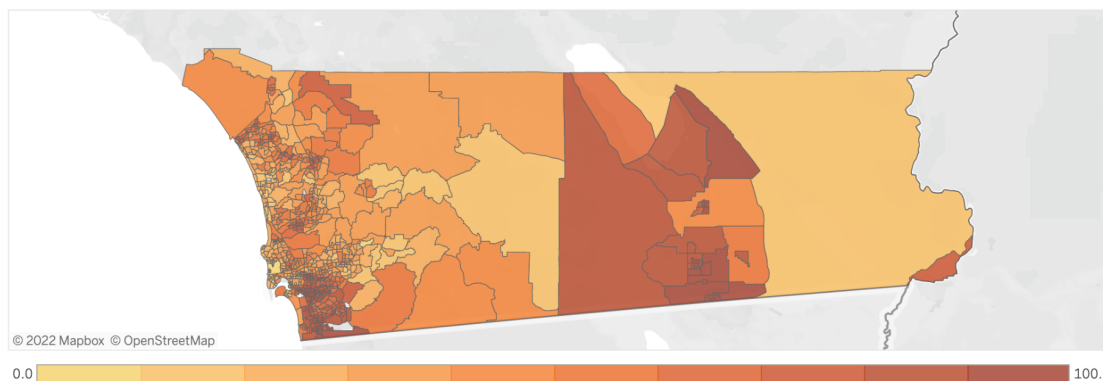
Demographic Information for the San Diego and Imperial Valley Network



Location of Small Business Development Centers



Percent of People of Color by Census Tract (2016-2020)



By creating a virtual and coordinated consultation network, SBDCs in San Diego and the Imperial Valley have made themselves more accessible to those “underserved small business groups,” and that is impactful. Giving small businesses access to free, high-quality advice improves their performance. The efficacy of SBDCs has been shown in reports from as far back as [1995](#) to the [present](#). Beyond offering online services, effective outreach is also a big part of providing comprehensive assistance.

In SBDC networks, there is usually a lead center that coordinates funding and makes sure the actual business centers are providing effective, non-duplicative services, according to Danny Fitzgerald, the regional director of the San Diego and Imperial Valley Network. “My job is to make sure that everyone else does their job,” he said. Part of that role involves contracting with effective partners, organizations that have the potential to make good use of the additional government funds generated from being an SBDC. With respect to traditionally underserved populations, that means groups that have already built up trust in those specific communities. An example of this type of business center is the International Rescue Committee SBDC, or IRC SBDC.

Almost a [quarter](#) of residents in San Diego County are immigrants, and over 60 languages are spoken across the region. This made the International Rescue Committee a logical addition to the area’s SBDC network, according to Kellie Quinn, director of IRC SBDC. She said, “Because

so many [immigrants] start their journey in the US with the IRC, they already have that trust built, and it is a place they can get other services as well.”

The Big Picture

Business centers are a nationwide, [\\$100 million-plus](#) initiative. There is a network in every state with a myriad of centers in each network; and during the pandemic, these centers played a role in minimizing the losses felt by the small business community. Highlighting the work of IRC SBDC’s consultants during this time, Quinn said, “We are all super dedicated to the business owners that we work with. We made sure whatever possible way our clients needed help, we got that to them.”

Given their reach, optimizing the performance of business centers could unlock important economic gains. Looking at the recent developments in the San Diego and Imperial Valley Network, two important takeaways come to the fore: first, promoting a collaborative culture across business centers that capitalizes on the benefits of virtual assistance should be a priority; and second, partnering with the right organizations can make economic development more equitable. The infrastructure is there — business centers are everywhere — it is now about making them work for everyone.