

NAWBO-CA May Legislative report

Assembly Bill 511 (Muratsuchi) Sponsored by Small Business California, this bill would provide an access to capital option to start-up and small businesses by establishing an equity crowdfunding platform in California. AB 511 would enable investors to directly connect with the start-up or small business via a portal managed by the Department of Financial Protections and Innovation (DFPI), formally the Department of Business Oversight (DBO). The federal JOBS Act of 2012 was approved under the Obama Administration for the purposes of encouraging start-ups and small businesses to seek investment capital through an equity crowdfunding model.

Since 2012, securities laws have changed so AB 511 is necessary in order for California's crowdfunding laws to be compliant with federal securities laws. If enacted, California will join 35 other states who have established crowdfunding as a very viable option for start-up and small businesses to access capital from interested investors. This bill passed the Assembly Banking and Finance Committee by a unanimous vote and will be heard in the Assembly Appropriations Committee at the end of May.

Assembly Bill 915 (Chiu) Sponsored by the Cal Asian Pacific Islander Chamber of Commerce, this bill would codify former Governor Schwarzenegger's Executive Order that placed a voluntary "goal" for state agencies to do at least 25% of their contracting with small businesses. AB 915 would codify the EO to require that state agencies contract with at least 25% women-owned businesses, including members of the LGBTQ community and minority-owned businesses. AB 915 passed the its first policy committee hearing in the Assembly Jobs, Economic Development and the Economy and is not heading to the Assembly Appropriations Committee when it will be considered at the end of this month.

Senate Bill 655 (Bradford) Sponsored by Insurance Commissioner Ricardo Lara, this bill will codify reporting requirements for underrepresented groups on insurance company governing boards, lower the existing California premium reporting threshold value for board and supplier diversity data from \$100 million to \$75 million, and define the term Diverse Investment Managers in the COIN (CA Organized Investment Network) program.

This bill will require insurance companies to report their plans for increasing the numbers of women, LGBTQ+ and people of color on their boards to better represent California's insurance consumers. This bill also codifies Senator Bradford's recommendation to target insurance investments in affordable housing and environmental projects. This bill was double-referred to the Senate Insurance Committee and to the Senate Judiciary Committee. SB 655 received a unanimous vote from the Senate Insurance Committee and with the approval from the Senate Rules Committee, this bill will be heard in the Senate Judiciary Committee on May 4th. It is important to note that while the deadline for bills to clear their policy committee occurred on April 29, the Rules Committee issued a rule waiver to extend the hearing deadline for

Senate Judiciary to May 4th in order to give the Judiciary Committee the opportunity to hear the bill. The lack of time and available hearing rooms are likely the reason why the hearing deadline was extended.

Senate Bill 777 (Bradford) Sponsored by the author, this bill would enact the California Jumpstart Act, which allows credits similar to the federal New Markets Tax Credits (NMTC) against the gross premiums tax equal to the amount of a “relief contribution, ” commencing in the 2024 taxable year. The bill directs the CA Pollution Control Finance Authority (CPCFA) to administer the credit. If designated by CPCFA, SB 777 allows relief funds to allocate tax credits to investors in an amount equal to its “relief contributions.” The relief fund must then make “relief investments” in “small businesses” in a “relief zone.”

The bill defines “small business” as one that as of the date of investment:

- Employs fewer than 250 employees.
- Has gross receipts, less returns and allowances reportable to the state, of less than ten million dollars (\$10,000,000) during the previous taxable year.
- Has its principal business operations, as defined, in a relief zone in the state.
- Is engaged in any of several kinds of business by reference to North American Industrial Classification System Code, or if not, CPCFA determines that an investment will create desirable economic outcomes. However, a business cannot violate state law and qualify.

Senate Bill 777 defines “relief investment” as one that:

- Has a stated maturity of at least two years,
- Does not result in acquisition of a majority investment as an initial investment,
- Is secured by a first mortgage on real estate, and has an interest rate of less than 4% plus the effective federal funds rate on the date of the relief investment,
- Is not secured by a first mortgage on real estate, and has an interest rate of less than 9% plus the federal funds rate on the date of the relief investment,
- Has a flexible term, which requires deferred payment of principal and interest for at least one year, and is convertible into equity, and
- Does not include an origination fee.

SB 777 defines “relief zones” similarly to NMTC, specifically as:

- A census tract with a poverty rate above 20%,
- A census tract with a median family income where:
 - o If the census tract is not located in a metropolitan area, the statewide median family income.
 - o If the census tract is located in a metropolitan area, the greater of the statewide median family income and the metropolitan area median family income.
- All locations in the state but outside of census places with a population greater than or equal to 50,000 as of the latest decennial census.
- Any High Unemployment Area (HUA) in the state as designated by the Employment Training Panel at the time of investment.

The California Jumpstart Act will be executed by experienced fund managers who will ensure the program is executed to the highest standards of professionalism and accountability.

These bills are important to NAWBO-CA’s members because California women business owners often lack access to capital and rely heavily on bank financing, credit-

card debt, home equity, and limited personal finances for additional liquidity. This need for capital has only intensified after a year of pandemic shutdowns.

AB 399 (Salas) - As introduced, this bill would prohibit Medical Provider Networks' (MPN) reimbursements to physicians who treat workers' compensation patients to reimburse at a rate below the Official Medical Fee Schedule (OMFS) or Medicare level. Currently, California providers may negotiate to administer care at rates different than the workers' compensation fee schedule, pursuant to Section 5307.11 of the Labor Code. This bill is now a two-year bill and will be taken up again in January when the legislature returns from interim recess.

As proposed, AB 399 would add tremendous costs to the system. Increased Fraudulent Claims; Decreased Credentialing of legitimate medical groups; increased billing costs; and reduced coordination and Innovation between providers. These elements, combined, will have the unintended consequence of diminishing care of injured workers, while significantly raising costs for all California employers.

AB 1465 (Reyes/Gonzalez) – As introduced, this bill would require the Administrative Director to establish a statewide medical provider network, called the California Medical Provider Network (CAMPN). The bill would establish that an employee may choose to treat within their employer's network or the CAMPN. The bill would require that the providers in the CAMPN be sufficient to enable treatment for a variety of injuries in all parts of the state. The bill would specify criteria physicians must meet to be included in the CAMPN and would require inclusion for those physicians that meet the criteria. The bill would require the administrative director to establish rules and procedures for the CAMPN and create and adopt a continuity of care policy.

The CAMPN will consist of physicians throughout the state who are willing and able to provide medical treatment to injured employees. The implementation date for the CAMPN is January 1, 2022. This bill is now a "study bill" and now requires the California Commission on Health and Safety and Workers' Compensation to commission a study on access to medical care, in addition to delays in treatment for injured workers who treat with a Medical Provider Network and any delay issues for those injured workers who are not treating within and MPN