

The State of Diverse Businesses in California

Executive Summary



BEACON ECONOMICS



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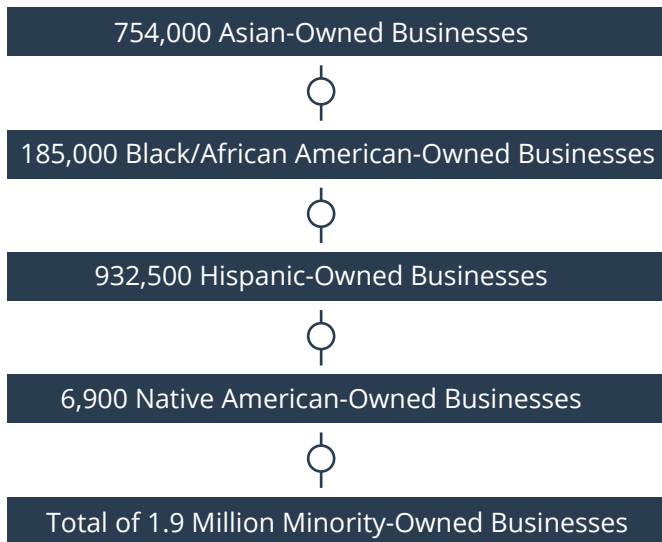
The State of Diverse Businesses in California

Economic, Fiscal, and Social Impact Analysis

June 2023

Minority-owned small businesses are a pillar of the California economy. They account for 45% of all businesses in the state, support 10.9% of all jobs in the state annually, and generate 3.5% of California's economic output. In general, small businesses create local jobs, increase market competition, and build communities. Locally-owned small businesses also spend more locally than non-local business, generating higher local tax revenues and allowing more money to remain in the local economy.

The following findings represent the most detailed available estimates of California minority-owned small businesses and their corresponding economic, fiscal, and social impacts.



Share (%) Of Minority-Owned Businesses



Statewide Impacts At A Glance

- **\$192.8 Billion** – Minority-owned small businesses are estimated to contribute \$192.8 billion in economic output to the California economy in a given year.
- **\$82.1 Billion** – Minority-owned small businesses in California support an average of \$82.1 billion in labor income.
- **2.56 million Jobs** – Minority-owned small businesses support 2.56 million jobs annually across California.
- **\$28.7 Billion** – On average, minority-owned small businesses in California generate \$28.7 billion in tax revenue every year. Of that amount, \$13.6 billion are state and local tax receipts and \$15.1 million are Federal tax receipts.

This research project was made possible through funding by the California Office of Small Business Advocate (CalOSBA) - with a special thanks to Director Tara Lynn Gray - and the Governor's Office of Business and Economic Development (Go Biz).

This report combines data from the American Community Survey, the American Business Survey, the Nonemployer Statistics by Demographics dataset, the United States Census Bureau, a handful of other data sources, and custom small business owner surveys developed and deployed in partnership with three California minority chambers, a California-focused small business policy and research non-profit, and a communications strategy consultancy. The detailed estimates published in this report include breakouts by race/ethnic group, region, industry, and impact type, and in many cases crosstabs across multiple breakout types. The figures in this report are (to the best knowledge of the authors) the most detailed estimates of California's minority-owned small businesses currently available. Quantitative data was supplemented with a handful of minority small business owner focus groups and surveys.

Because policymakers and stakeholders need accurate data to guide policy, a key recommendation of this report is for government agencies to devote resources to improving national and state-level business surveys and other data collected. Improved data at the national and state level would allow more policymakers and stakeholders to access the facts they need, while also increasing data accuracy and mitigating the need to hire large teams of economists, nonprofits, and consultants to obtain figures like those listed in this report.



There are over 4 million small businesses in California. Of those, about 1.9 million are minority-owned. Minority-owned businesses contribute massively to the number of people directly employed (over 2.5 million jobs) and to the personal incomes of employees of those establishments (over \$37 billion for employer firms, a small subset of total small businesses, alone).

CA Minority-Owned Small Business Overview by Race/Ethnicity

Racial/Ethnic Category	Number of Establishments (000s)
White	2,154.2
Hispanic Total	932.5
Asian	754.0
Black/African American	185.0
American Indian and Alaska Native	6.9

Source: US Census Bureau. American Business Survey.

Note: The data used in this report is from 2019, the most recent available. The impact data has been modeled using the latest 2021 IMPLAN system. Establishments and employment include non-employer (sole proprietor) businesses. Nonemployer businesses account for roughly 83% of total establishments across California. Analysis by Beacon Economics.



2.1 Economic Impacts

Minority-owned small businesses in California have substantial state and local impacts. In total, minority-owned small businesses generate \$192 billion in economic output across the state annually, or approximately 4% of total state GDP. Minority-owned small business-related expenditures and employment help support over 2.5 million jobs annually.

Total CA Minority-Owned Small Business Economic Impacts by Type

Impact Type	Jobs Supported Annually (000s)	Labor Income Generated (\$Millions)	Total Economic Output Created (\$Millions)
Direct	2,516.5	77,229.3	181,724.4
Indirect	20.7	2,794.8	5,726.2
Induced	26.4	2,039.1	5,353.3
TOTAL	2,563.7	82,063.3	192,803.9

Source: IMPLAN. Analysis by Beacon Economics.

2.2 Fiscal Impacts

Minority-owned small businesses in California have substantial state and local fiscal impacts. In total, minority-owned small businesses generate \$13.6 billion in tax revenues across state and local governments. Additionally, the federal government receives roughly \$15.2 billion annually.

Total CA Minority-Owned Small Business Fiscal Impacts by Impact Type

Tax Type	State and Local (\$Millions)	Federal (\$Millions)	Total (\$Millions)
Corporate Profits Tax	783.4	1,228.5	2,011.9
Income Tax	3,604.8	9,363.4	12,968.2
Other	958.7	-1,705.2	-746.5
Property Tax	3,869.2	0.0	3,869.2
Sales Tax	4,143.1	0.0	4,143.1
Social Insurance Tax	233.2	6,272.0	6,505.1
Total	13,592.3	15,158.7	28,751.0

Source: IMPLAN. Analysis by Beacon Economics.



2.3 Social Impacts

Small businesses, especially minority-owned small businesses, provide significant qualitative benefits to local and statewide communities. The proximity of small businesses to the communities they serve allows them to quickly develop innovative responses to specific needs. Larger corporations have embraced the strategy of inbound open innovation to accelerate product development, relying on small businesses for innovation. Minority-owned small businesses accelerate innovation by employing their unique perspectives and adapting swiftly to changing market conditions. They also foster an entrepreneurial spirit within marginalized communities, inspiring others to pursue their own business ventures. Small businesses enhance market competition by introducing price competition, offering more affordable options for consumers, and bringing diversity to the market, catering to niche markets and specific customer needs. They contribute to job creation, reducing unemployment rates and narrowing employment disparities. Small businesses also play a vital role in community-building, circulating local revenue and actively engaging with communities. Minority-owned small businesses empower marginalized communities and showcase their cultural diversity, enriching the social fabric and creating a more inclusive environment.

Accelerated
Innovation

Increased Market
Competition

Community
Building

Small Business Insights and
Growth Going Forward

About The California Office of the Small Business Advocate

The California Office of the Small Business Advocate (CalOSBA) supports economic growth and innovation and ensures that ALL California small businesses and innovative startups have the information and direct support they need to better navigate resources, programs and regulations. The purpose of CalOSBA is to support economic growth and innovation for small businesses in California. We serve as the voice of small business, representing their views and interests across the state and advocating for equitable access to capital, markets, and networks so that all California small businesses successfully start, manage, grow and become more resilient. Our key objectives include Access to Information and Resources, Advocacy, and Advancing Resiliency & Economic Mobility.

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About Beacon Economics

Founded in 2007, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis they need to understand the significance of on-the-ground realities and to make informed business and policy decisions.

Learn more at beaconecon.com

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