



MAYOR ROBERT GARCIA
CITY OF LONG BEACH

March 22, 2016

The Honorable Jerry Hill
Senate Business, Professions and Economic Development Committee
California State Capitol, Room 2053
Sacramento, CA 95814

RE: Support for SB 936 (Hertzberg) California Small Business Expansion Fund

Dear Chairman Hill:

On behalf of the City of Long Beach, I write to support SB 936 (Hertzberg), a bill that will increase the number of business development loans that can be supported through the California Small Business Loan Guarantee Program (SBLGP). By reducing the required loan loss reserve from 20% to the federal minimum of 10%, SB 936 makes California more business friendly, and will enable a greater number of small businesses to access critical loan funding.

State law requires 20% of each dollar of loan guarantee be set aside in a reserve that will increase to 25% in 2018. This percentage is well above the 10% authorized by federal law. The current requirement, and future increase means fewer loans can be supported, as valuable lending capacity at the California iBank will be dedicated to the loan reserve. While the reserve account is important and protects lenders against losses, the iBank reports losses on SBLGP funds have amounted to less than 1% of the reserve account since 2011. This data enables me to support reducing the 20% loan loss reserve requirement to 10%.

Long Beach is proud to support our local business community, where 98% of businesses have less than 30 employees. SBLGP past practice shows loans are issued to an average borrower-size of 500 or fewer employees. This means nearly all Long Beach businesses would be eligible for the SBLGP program.

Given these reasons, the City of Long Beach supports SB 936 (Hertzberg).

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Garcia", written over a blue horizontal line.

Mayor Robert Garcia
City of Long Beach

cc: The Honorable Speaker Anthony Rendon, State Assembly, 63rd District
The Honorable Robert M. Hertzberg, State Senate, 18th District
The Honorable Ricardo Lara, State Senate, 33rd District
The Honorable Janet Nguyen, State Senate, 34th District
The Honorable Isadore Hall, III, State Senate, 35th District
The Honorable Mike Gipson, State Assembly, 64th District
The Honorable Patrick O'Donnell, State Assembly, 70th District