

Fast Facts about California Small Business

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Jose Medina, Chair

Small businesses play an essential role in California's regional economies and industry clusters, generating an annual payroll of \$189 billion in 2010.¹ Definitions of small businesses often vary by program and industry. At times small businesses are defined by the number of employees and in other cases are defined by gross receipts and/or other financial data. In this fact sheet we use 3 small business definitions: non-employer, 1-5 employees, and 1-99 employees. The committee has also prepared a fact sheet using the federal definition of small business (1-499 employees).

California Economy

- In 2011, California's gross state product GDP was \$1.96 trillion,² as compared to the U.S. total GDP of \$15 trillion.³
- If California were a country, its 2011 GDP would place it 9th among the top 10 economies in the world.⁴
- In April 2013, California had a labor force of 29.6 million people with an unemployment rate of 9%.⁵
- California has nine economic regions: Northern California, Northern Sacramento Valley, Greater Sacramento, Bay Area, Central Coast, San Joaquin Valley, Central Sierra, Southern California, and Southern Border.⁶
- California ranks 3rd among 50 states in the Milken Institute's State Science and Technology Index. The index ranks states based on research and development dollars, number of patents issued, venture capital investment, and business starts.⁷
- California ranked 1st in the nation in patents by the U.S. Patent and Trademark Office in 2012 with 34,660 patents granted. This accounts for roughly 12.5% of all patents issued in the world.⁸
- In 2011, three of the top ten cities for technology start-ups were based in California. The San Francisco area ranked #1 in technology start-ups, accounting for 3,442 technology start-ups; the Los Angeles area ranked #4 in technology start-ups, accounting for 1,507 technology start-ups; and the San Diego area ranked #6 in technology start-ups, accounting for 329 technology start-ups.⁹
- In the 2013 State Business Tax Climate Index and Component Tax, California ranks 48th overall in the nation. California ranked 45th in corporate tax rates, 49th in individual income tax, 40th in sales tax, 17th in property tax, and 16th in unemployment insurance tax.¹⁰

Small Business Facts in the United States (2010)

- There were 5.7 million small businesses (with 1-99 employees) in the United States, constituting 98.3% of all private firms in the nation.¹¹
- California, New York, Florida, and Texas had the highest percentage of small businesses in the nation, consisting of 99% of private firms in all four states.¹²
- California ranked first in the nation in the number of small business (with 1-99 employees), accounting for 673,211 (13%) of small business in the nation.¹³
- Small businesses (with 1-99 employees) in the United States employed 39.1 million employees, 35% of all private-sector employees in the nation.¹⁴

Small Business Facts in California (2010)

- Among all private sector employers in California, small businesses (1-99 employees) consist of 673,211 firms (97.5%) of all firms in the state.¹⁵
- Small businesses (with 1-99 employees) employed 36% of all California's private sector employees and paid 30% of the state's private sector payrolls.¹⁶
- Change in Small Business Employment in California (from the year 2000 to 2010):
 - The number of small businesses (1-99 employees) increased from 581,084 to 673,211, experiencing 21.2% increase.¹⁷⁻¹⁸
 - The number of paid employees employed by small businesses (1-99 employees) decreased from 4.9 million to 4.6 million, experiencing a 6% decrease.¹⁹⁻²⁰
- There were 3.4 million (92%) businesses with 9 or less employees; 3.44 million (94%) with 19 or less employees; and 3.5 million (96%) with 99 or less employees (includes non-employer firms).²¹

- Below is a table of business employment size and annual payroll for all business in California from 2010. ²²

California Business Employment Size and Annual Payroll							
No. of Employees	Non-Employer	1-4	5-9	10-19	20-99	100-499	500+
No. of Firms	80.3%	12.3%	3.3%	2%	1.6%	0.34%	0.16%
Employment	0%	22.9%	4.9%	6.1%	14.2%	11.4%	40.5%
Annual Payroll	\$0	\$35 billion	\$27 billion	\$35 billion	\$92 billion	\$83 billion	\$363 billion

Source: 2010 County Business Partners

- Top three industry sectors for California small businesses (employing 1-99 employees) by number of businesses: *Data on non-employer firms not readily available.
 - The Accommodation and Food Services sector had the highest number of workers employed by small businesses in California, with a total of 621,761 employees, consisting of 47% of employment in the sector. ²³
 - The Health Care and Social Assistance sector had the second highest number of workers employed by small businesses in California, with a total of 561,823 employees, consisting of 34% of employment in the sector. ²⁴
 - The Professional, Scientific, and Technical Services had the third highest number of workers employed by small businesses in California, with a total of 493,905 employees, consisting of 44% of employment in the sector. ²⁵
- Top three industry sectors for California small businesses (employing 1-99 employees) by employment size:
 - The Professional, Scientific, and Technical Services Sector had the highest percentage of small businesses in California, consisting of 91% of the firms in the sector. ²⁶
 - The Health Care and Social Assistance sector had the second highest percentage of small businesses in California, consisting of 85% of the firms in the sector. ²⁷
 - The Retail Trade sector had the third highest percentage of small businesses in California, consisting of 66% of the firms in the sector. ²⁸

Microenterprises in California (5 or fewer employees and non-employer firms)

- In 2010, there were approximately 3.6 million businesses in the state. ²⁹
- Of the 3.7 million businesses, 2.8 million (76.8%) were non-employer firms and 431,635 (11.8%) were microbusinesses (with less than 4 employees), accounting for 3.2 million (89%) of all business in the state. ³⁰

Other Features About Businesses in California (2007: latest available data for owner demographics)

- 1.6 million businesses were male-owned, 49% of all business in the state. ³¹
- 1 million businesses were female-owned, 30% of all business in the state. ³²
- 597,000 businesses were jointly owned, 17% of all business in the state. ³³
- 567,000 businesses were Hispanic-owned, 17% of all business in the state. ³⁴
- 509,000 businesses were Asian-owned, 14.6% of all business in the state. ³⁵
- 138,000 businesses were African American-owned, 4% of all business in the state. ³⁶
- 370,000 businesses were Veteran-owned, 6.9% of all business in the state. ³⁷
- 46,000 businesses were Native American/Alaskan-owned, 1.3% of all business in the state. ³⁸
- 104,000 businesses were publicly held, unclassified, 3% of all business in the state. ³⁹
- 9,000 businesses were Hawaiian/Pacific Islander-owned, 0.27% of all business in the state. ⁴⁰

Venture Capital in California

- In 2012, California was the top state to receive venture capital funding, picking up 48% of total U.S. venture capital investments for the fourth consecutive year. ⁴¹
- California received \$14 billion in U.S. venture capital investments. ⁴²
- Two of the top ten regions to attract venture capital funding were in California. San Diego reported a 21% increase in venture capital funding and Silicon Valley was the top region for the year attracting 41% of total U.S. venture capital dollars and 31% of total U.S. deals. ⁴³

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