



SB 1325 (Gonzalez) California Techquity Innovation Fund

SUMMARY

Senate Bill (SB) 1325 will establish the California Techquity Innovation Fund (CTIF), to be administered by Governor's Office of Business and Economic Development (GoBiz). The CTIF will fund grants and investments that advance equity in tech entrepreneurship in California, and support underserved, equity-forward entrepreneurs that have limited venture capital funding opportunities.

BACKGROUND/PROBLEM

While California is one of the nation's most diverse states, and stands as the world leader in tech entrepreneurship, there are serious gaps in access to funding and opportunities for minority-led and women-led tech businesses.

A 2018 study of over 10,000 founders observed that over 75% of venture backed founders were white, with 9% being female, 1.8 % Latino, and 1% Black.¹ Additionally, a recent Bain report found that less than 1% of the investments made by the top 25 venture capital and private equity firms went to Latino-owned businesses, and that if Latino-owned businesses were equitably funded at the same level as non-Latino businesses, they could generate an additional \$3.3 trillion in revenue by 2030.²

Similarly, the \$15 billion raised since 2015 by Black and Latino founders represent only a mere 2.4% of the total U.S. venture capital raised during that time,³ and black female startup founders have received just 0.34% of the total venture capital raised in the U.S.⁴

These appalling and disparate realities demonstrate the need to equalize access to funding and open doors to opportunities for minority-led, LGBTQ-led, and women led tech businesses. Immediate action by both the public and private sector is needed to advance equity and support more inclusive tech ecosystems.

While there are some private entities, accelerators, and incubators that are working to expand equity in the tech space, there is still a massive gap that requires intervention at the state and local level.

State investment in small businesses and diverse tech entrepreneurs will undoubtedly result in positive returns for our economy, boost our pandemic recovery, and benefit our communities and small businesses with the numerous advantages of a diverse workforce and business leadership.

SOLUTION

SB 1325 will help address the lack of equity in tech by opening the doors of opportunity for women-led, LGBTQ-led, and minority-led businesses and startups through grants, investments, and technical assistance designed to help get nascent, promising businesses off the ground and developed into venture capital funded businesses that can help drive California's economy.

The establishment of the CTIF will provide accelerators, community economic development organizations, and university-based tech incubators with the resources needed to help guide underrepresented tech companies to successful growth and promote investment opportunities.

¹ https://ratemyinvestor.com/DiversityVCReport_Final.pdf

² https://www.bain.com/globalassets/noindex/2021/bain_report_closing_the_capital_gap_fueling_the_promise_of_latino_owned_businesses.pdf

³ http://about.crunchbase.com/wp-content/uploads/2020/10/2020_crunchbase_diversity_report.pdf

⁴ <https://news.crunchbase.com/news/something-ventured-black-women-founders/>

SB 1325 will also create opportunities for the state to see a return on its investment, and will help our state continue its economic recovery and its dominance as the tech capital of the world.

Additionally, the Governor's 2022-23 budget has proposed utilizing \$200 million in Federal dollars to create a venture capital investment program here in California to help fund underrepresented entrepreneurs and venture capital managers with investment opportunities. The CTIF follows the Governor's lead and will act as complimentary support program to help increase equity in the tech space and diversify investments in California's minority-led, women-led, and LGBTQ-led innovative and entrepreneurial businesses.

SUPPORT

Alliance for SoCal Innovation
AltaSea at the Port of Los Angeles
BioscienceLA
California Small Business Association
Central City Association of Los Angeles
City of Long Beach
Institute for Innovation & Entrepreneurship at CSULB
Long Beach Accelerator
Starburst Accelerator

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