

The Impacts of COVID-19 on the California Economy

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Background

- Obtaining up-to-date and accurate information on the effects of the pandemic has been extremely difficult.
- I have spent the past year compiling and analyzing data to investigate what happened to small business owners, especially minority business owners.
- Most of my research has focused on the nation as a whole, but I have calculated estimates for California using the latest data.
- More recently, I have analyzed data on the impacts on community colleges in California.

Research Questions

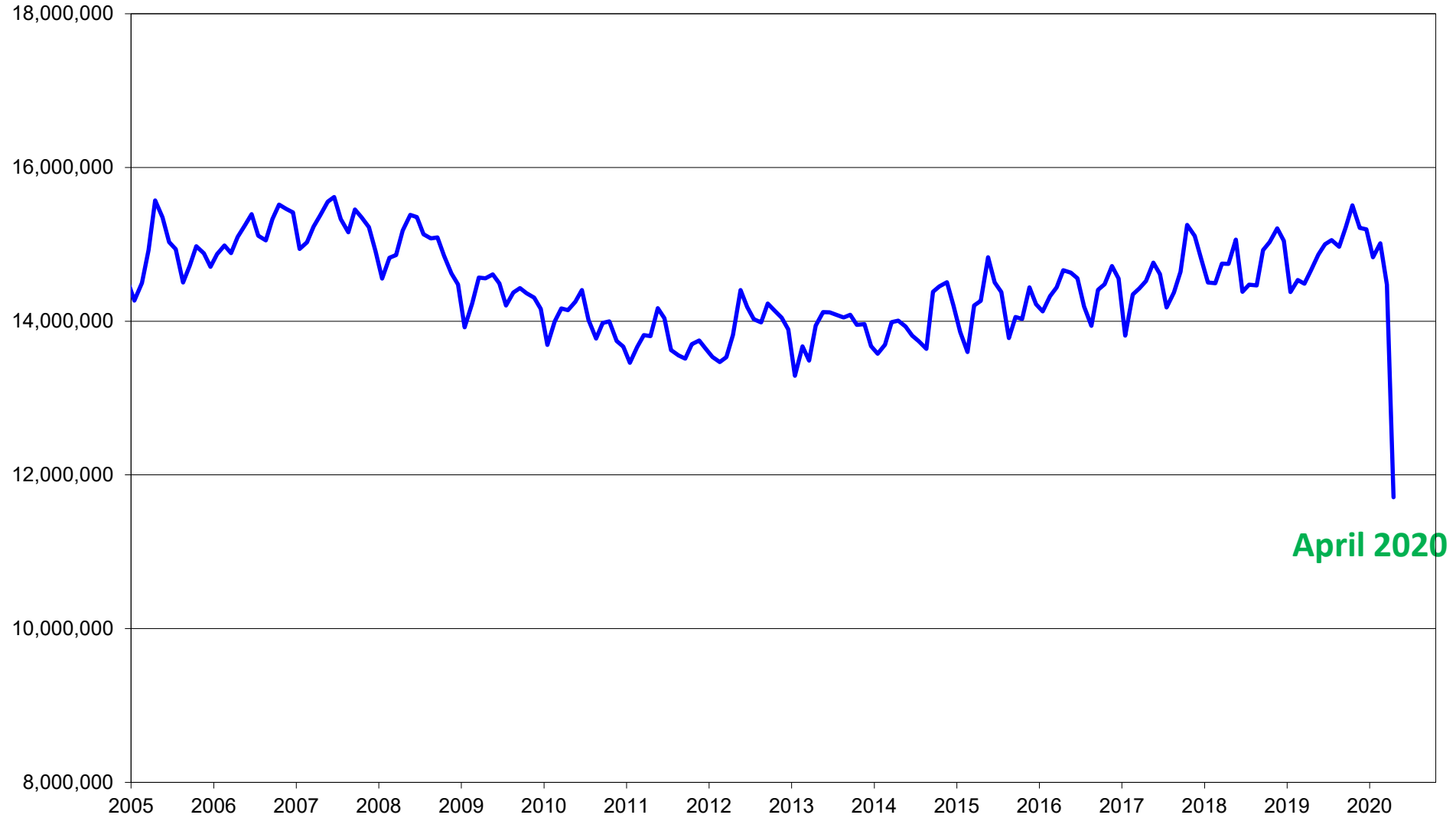
I have focused my research on three main questions.

1. First, what happened to small business owners? Did the pandemic disproportionately close minority-owned businesses?
2. Second, how much did businesses lose in sales during the early stages of the pandemic? What types of businesses were hit the hardest?
3. Third, what were the impacts of the pandemic on spring and fall 2020 enrollment and student outcomes in California community colleges?

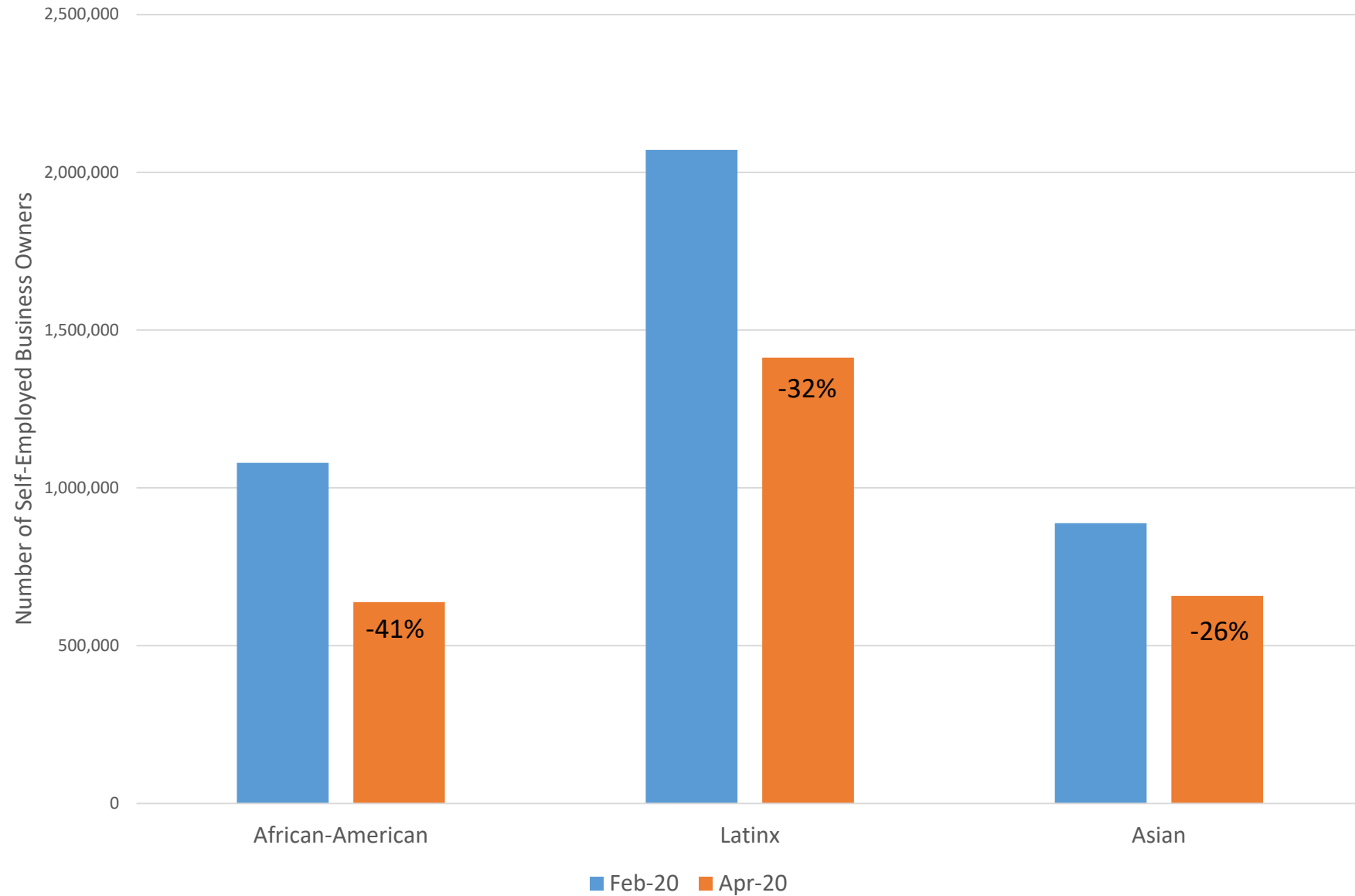
Timeline of Pandemic and Closures

- March 11, 2020: The World Health Organization (WHO) declared COVID-19 a pandemic.
- March 16, 2020: San Francisco Bay Area imposed shelter-in-place restrictions
- March 19, 2020: State of California
- March 20, 2020: New York State
- By early April: most states imposed social distancing restrictions

Number of Active Business Owners in the United States (January 2005 - April 2020)

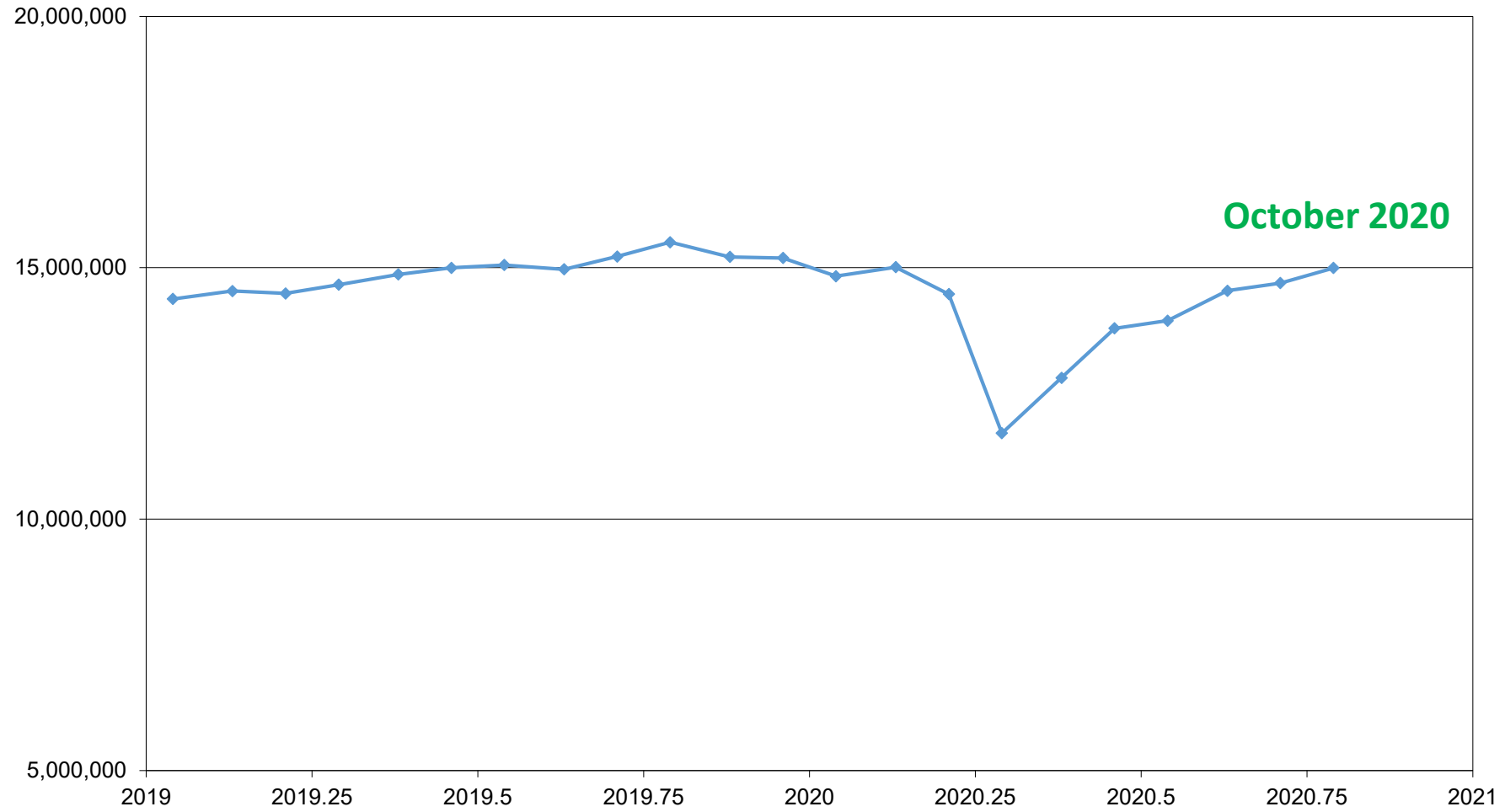


Number of Active Business Owners before and after COVID-19 (Racial Minority Groups)



Has There been a Rebound since April?

Figure 1
Number of Active Business Owners in the United States (Jan. 2019 - Oct. 2020)



Number of Active Business Owners by Race/Ethnicity before and after COVID-19

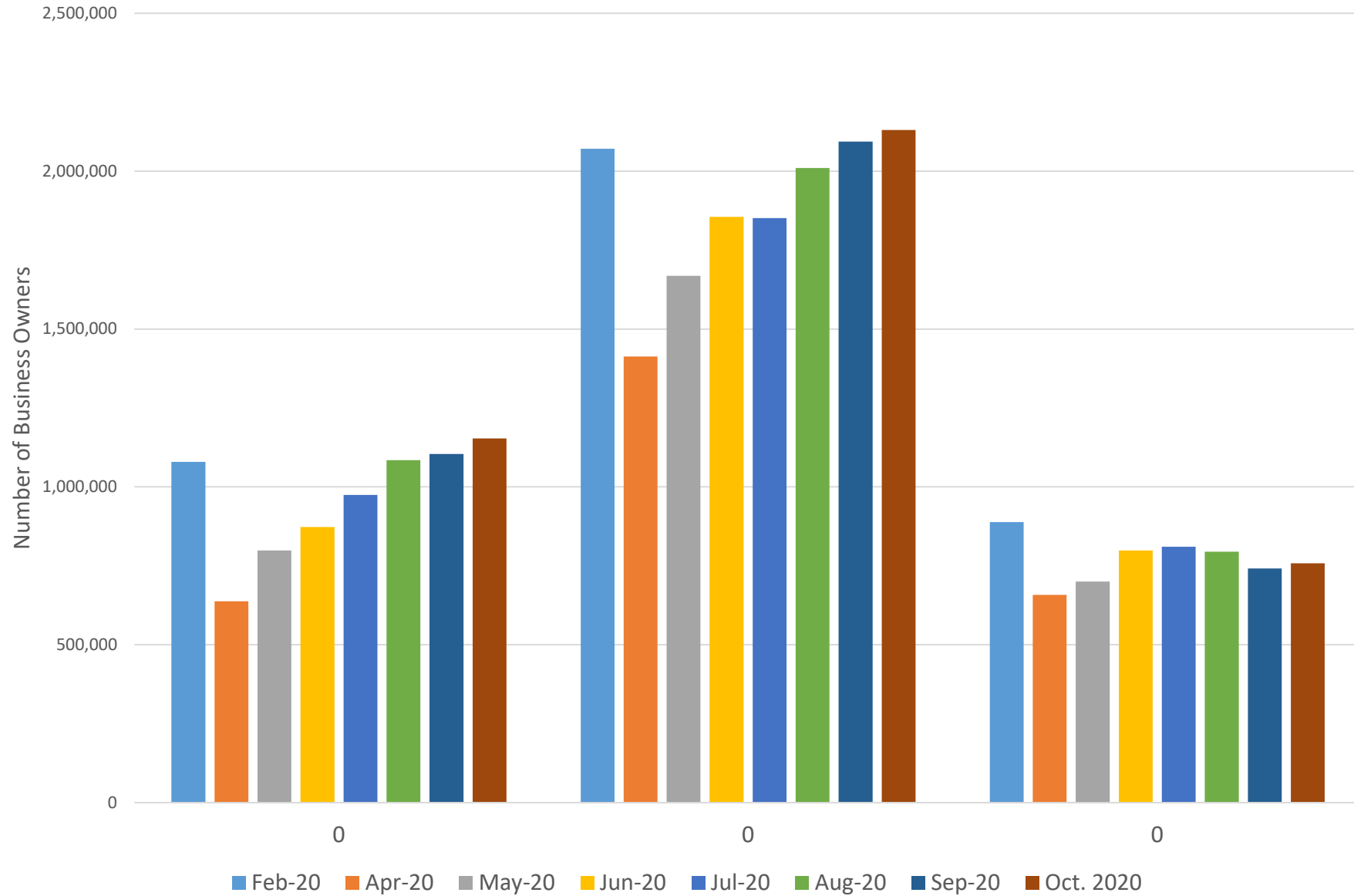
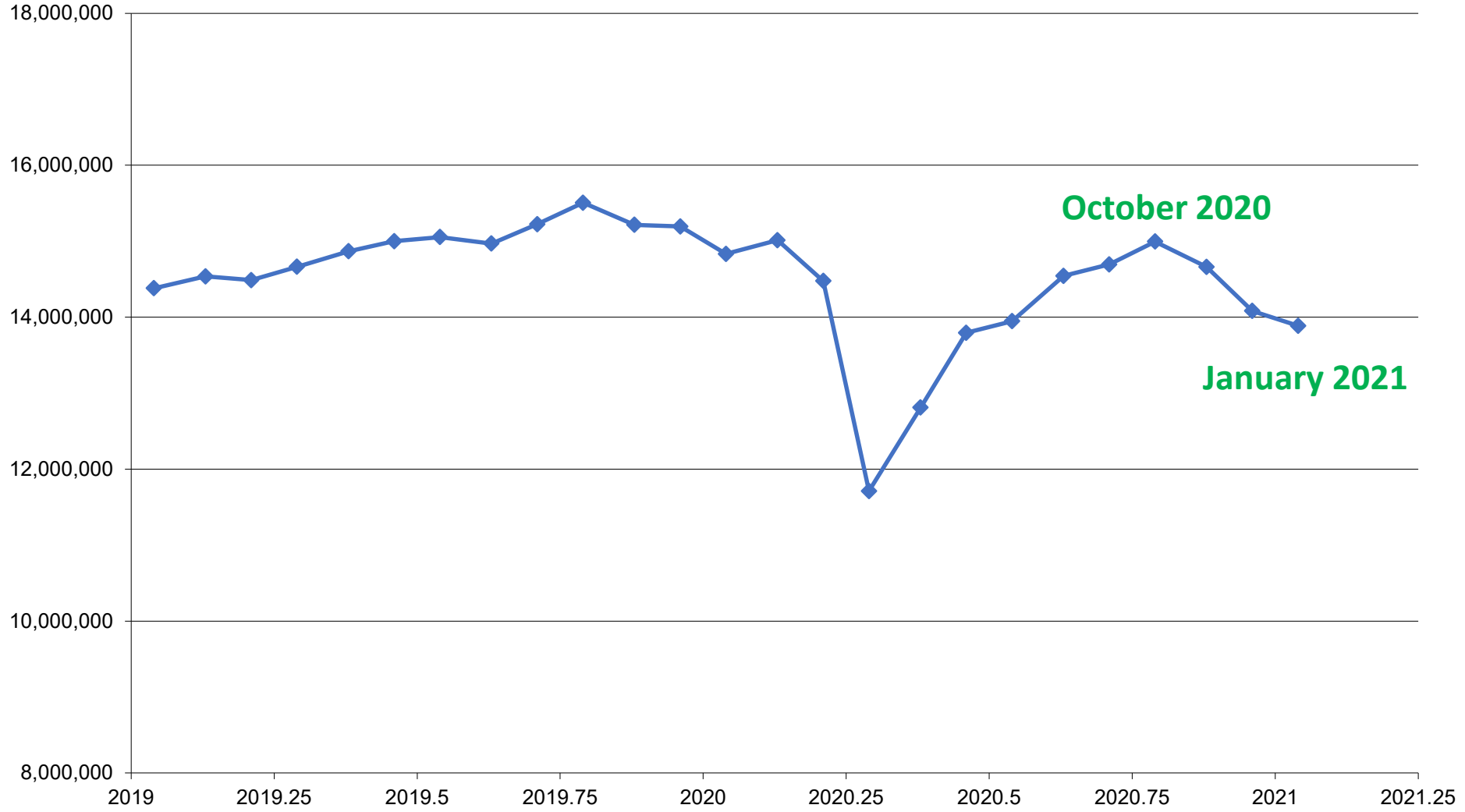
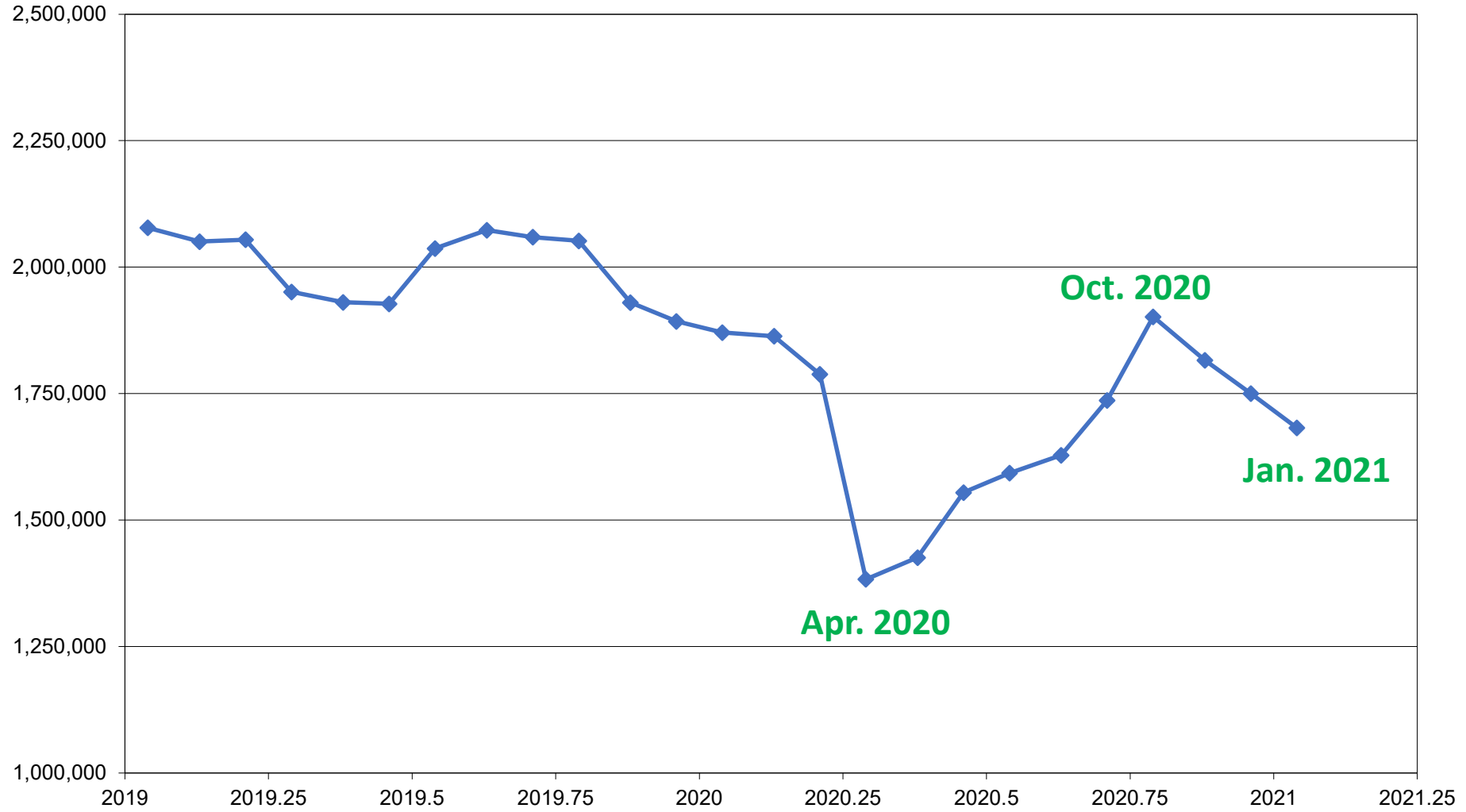


Figure 1
Number of Active Business Owners in the United States (Jan. 2019 - Jan. 2021)



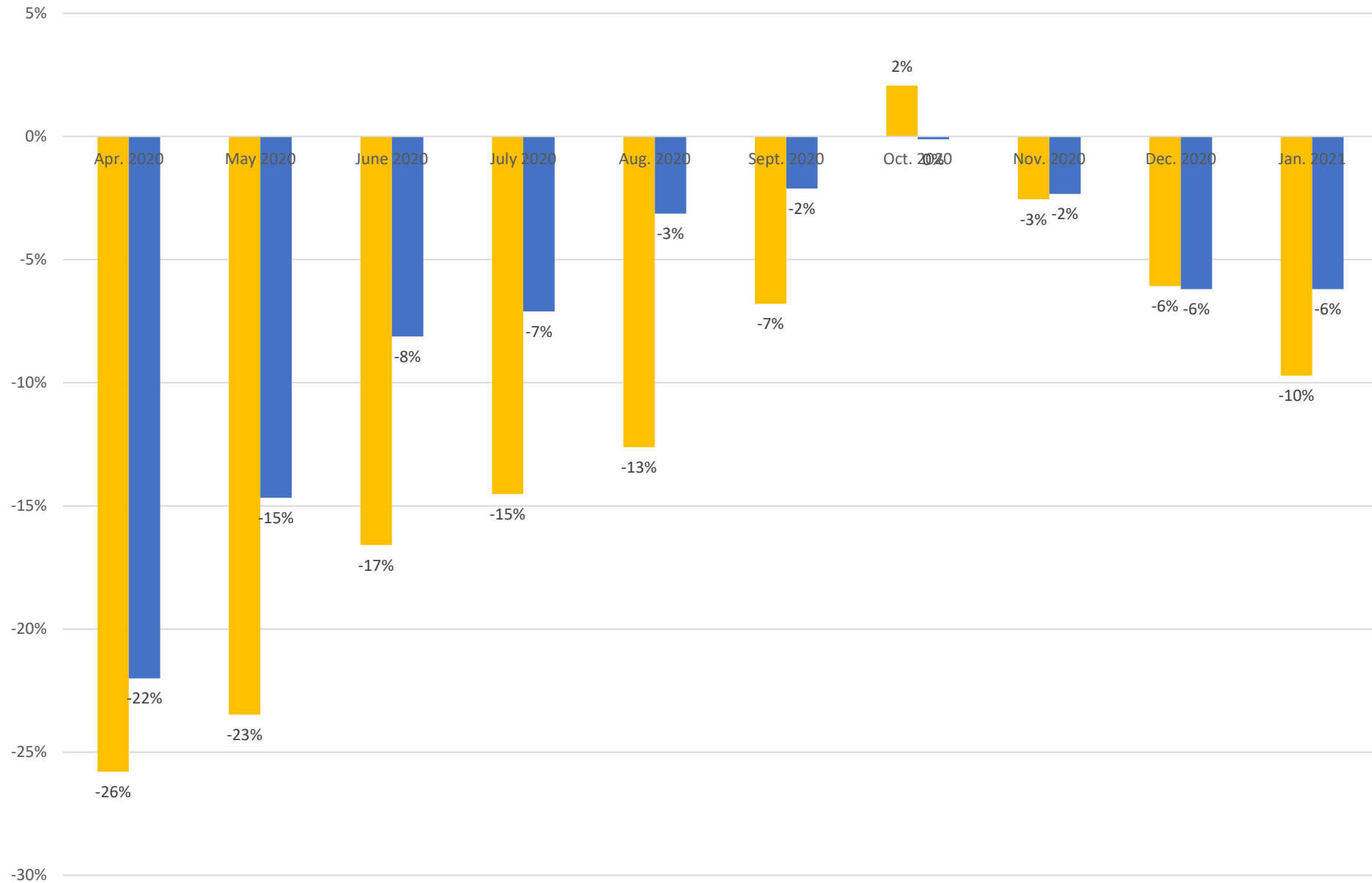
What Happened in California?

Figure 1
Number of Active Business Owners in California (Jan. 2019 - Jan. 2021)

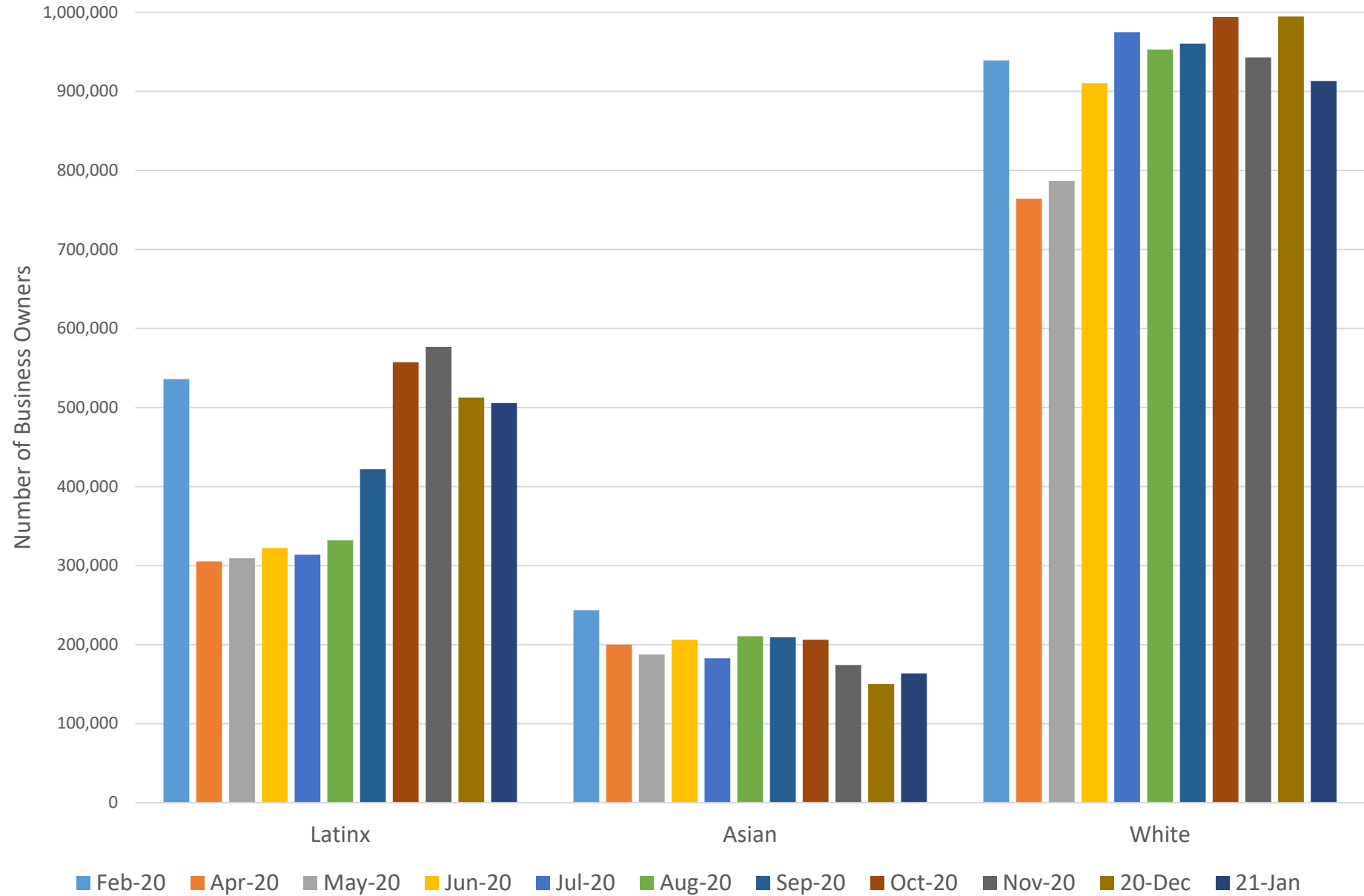


Business Owner Activity Losses Relative to February 2020

California United States



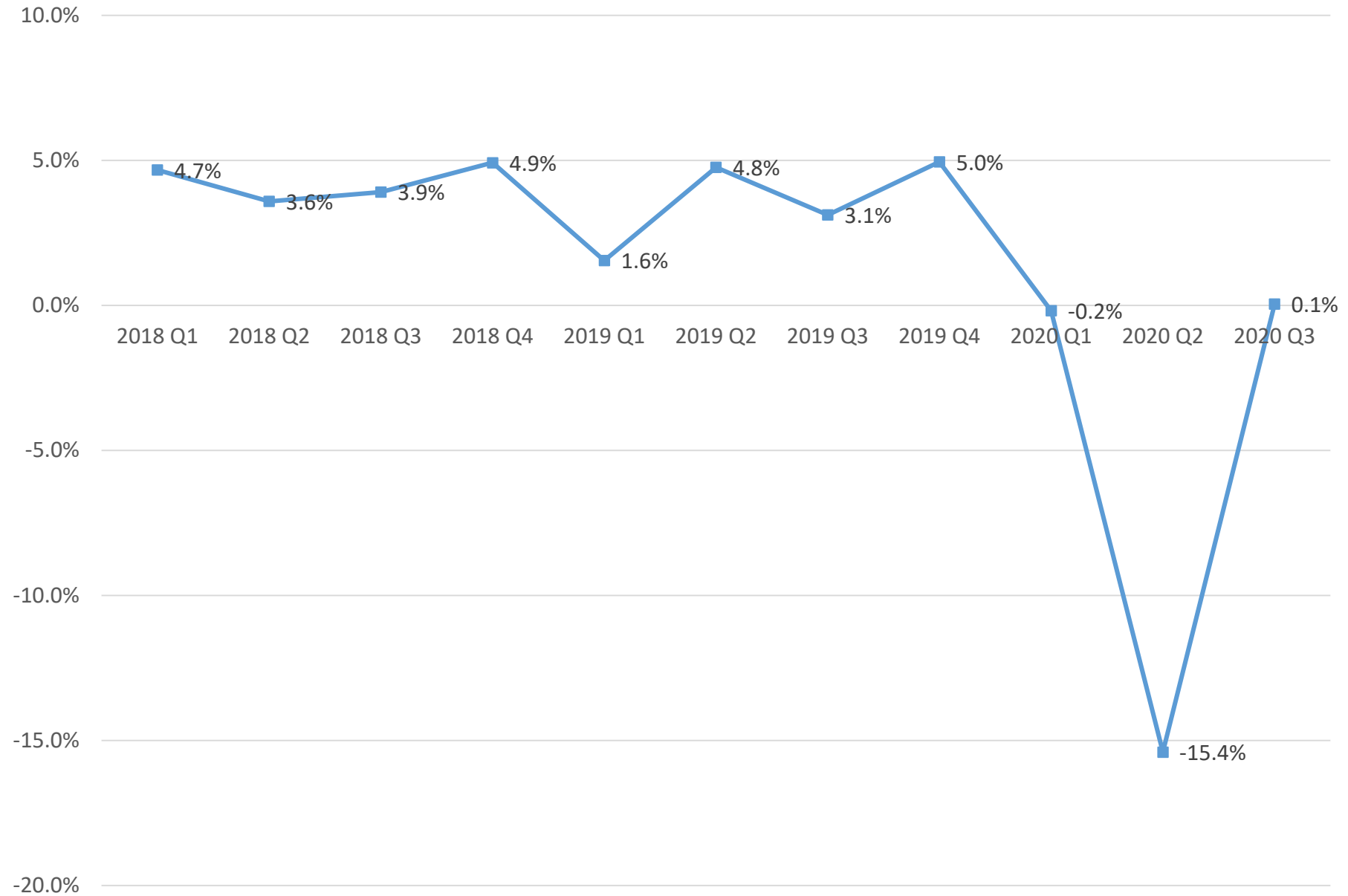
Number of Active Business Owners in California by Race/Ethnicity before and after COVID-19



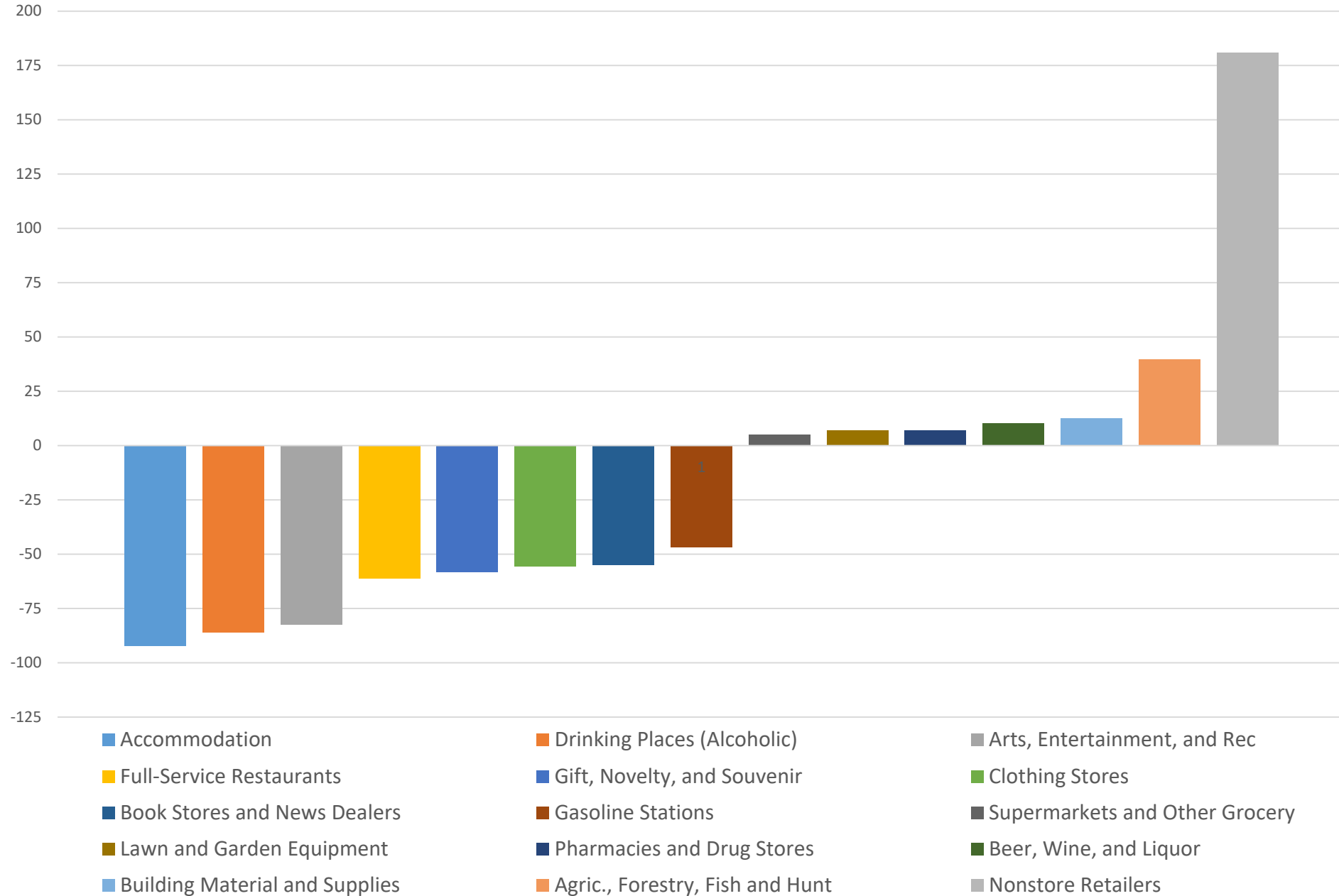
Sales Losses in California

- It has been especially difficult to figure out how much businesses have lost in sales and revenues in the pandemic.
- We suspect that losses have been great but data on actual losses in sales are very difficult to find.
- Using taxable sales data from the California Department of Tax and Fee Administration, we examined average sales losses in the second quarter of 2020.

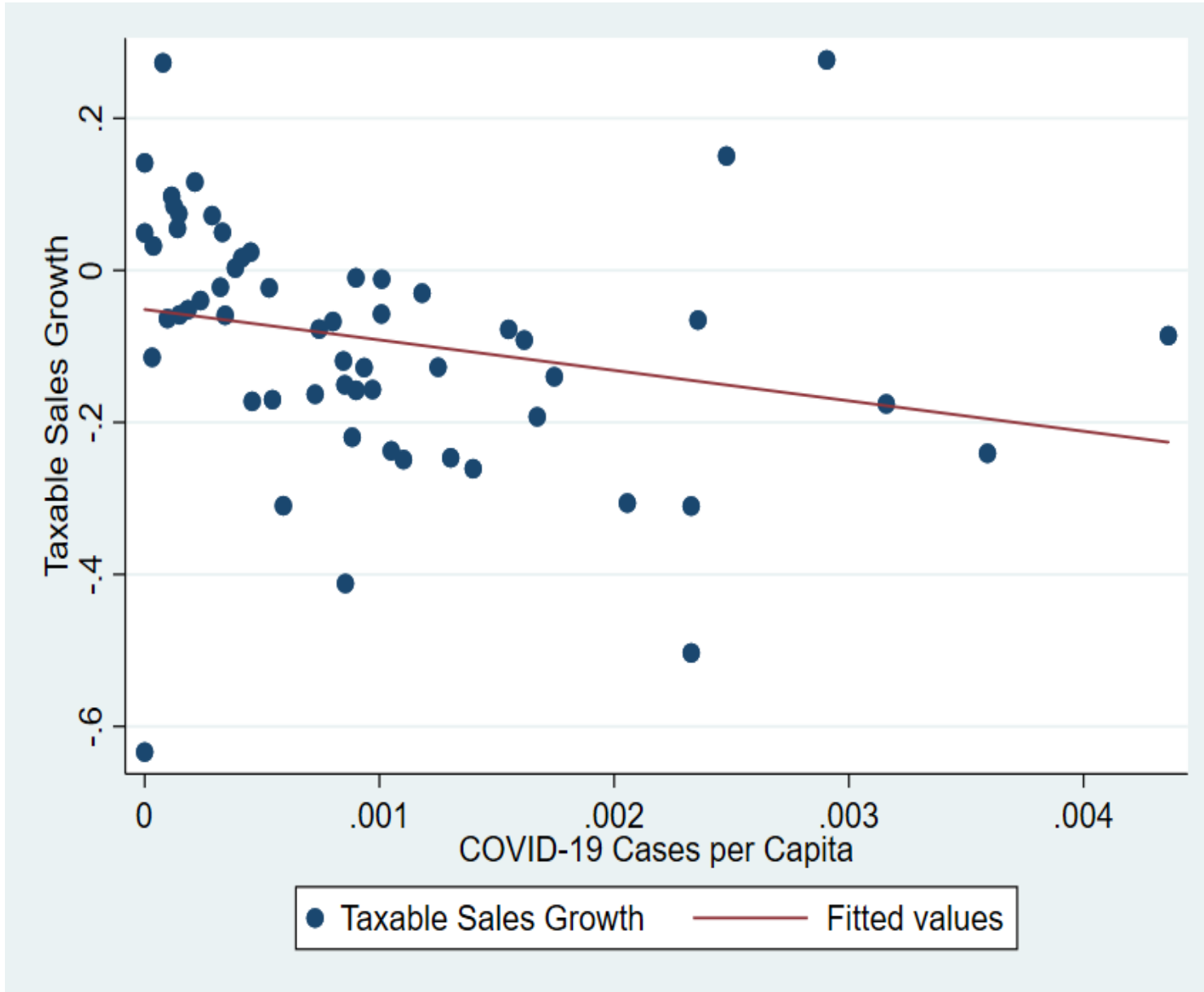
California State Taxable Sales (Annual Change) 2018 Q1 to 2020 Q3



Sales Growth Percent (2019Q2 to 2020Q2) Selected Business Types with Large Losses and Gains



Taxable Sales Losses by County for All Outlets (2020 Q2)



Community Colleges

- The University of California and California State University systems recently reported that total undergraduate enrollment increased slightly from fall 2019 to fall 2020.
- The effects of the COVID-19 pandemic, however, on enrollment in the California Community College system are not known.
- Community colleges serve different student populations, are less selective, and could experience very different effects.
- Might have caused community college students to not enroll given the more tenuous enrollment pattern of these students and the emphasis on hands-on technical training in some programs.
- On the other hand, given the extremely weak labor market during the pandemic, young adults might have been attracted to open-enrollment and relatively inexpensive community colleges.

Figure 2: California State University and University of California System Fall Student Enrollment

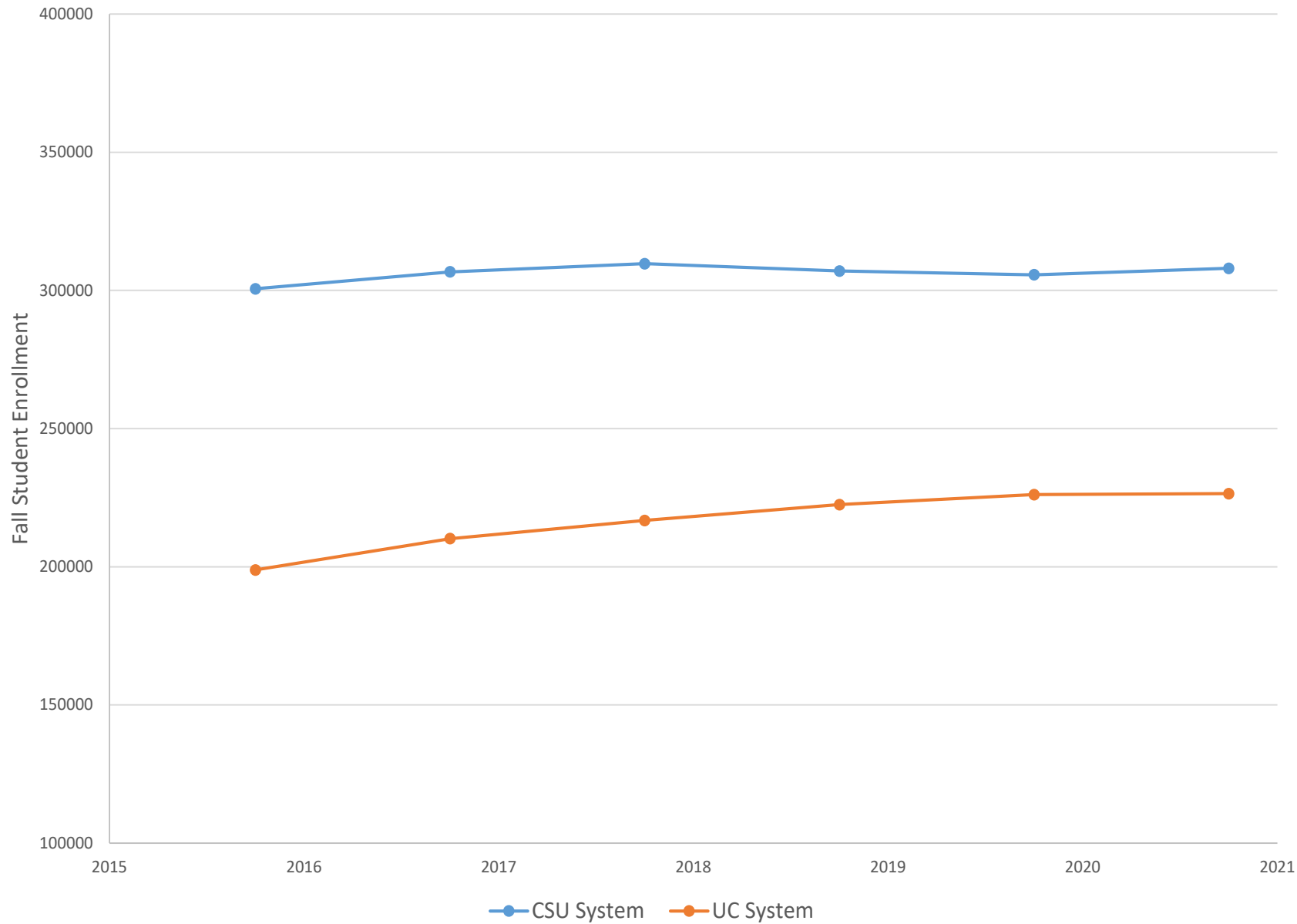
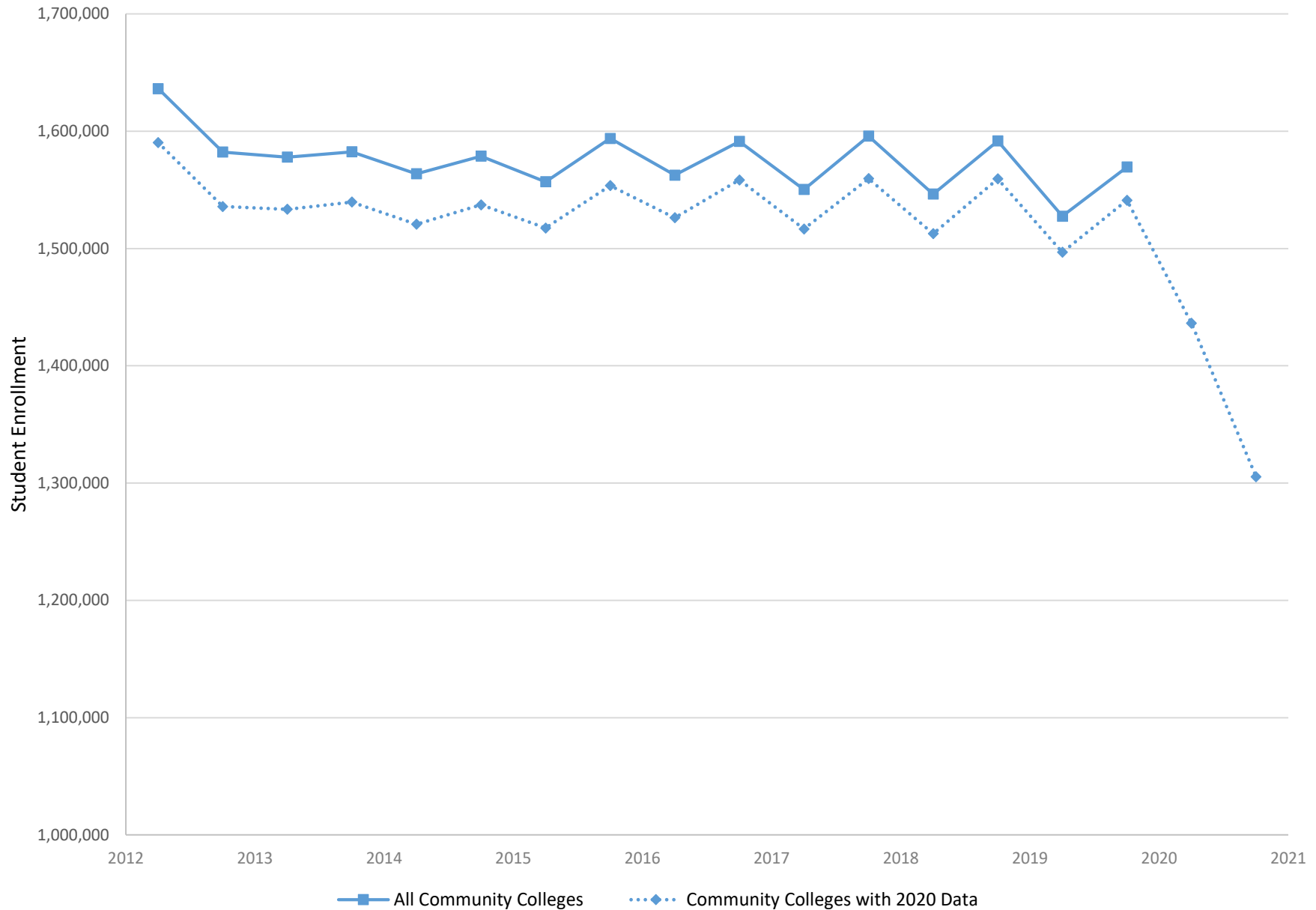


Figure 1: California Community College System Student Enrollment by Semester



Appendix Figure 1: Year-Over-Year Changes in Student Enrollment

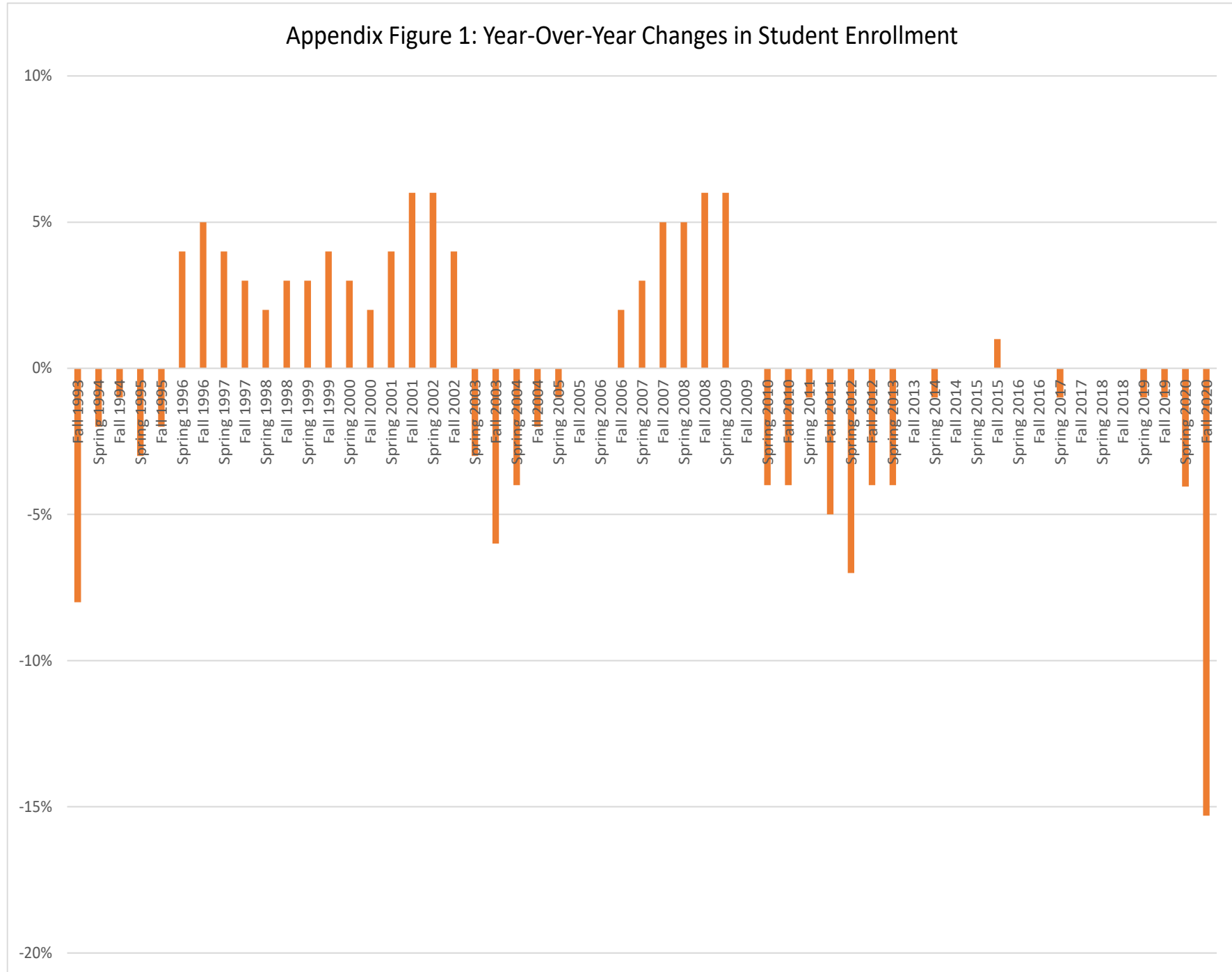


Figure 3: Year-Over-Year Change in Enrollment by Race, California Community College System

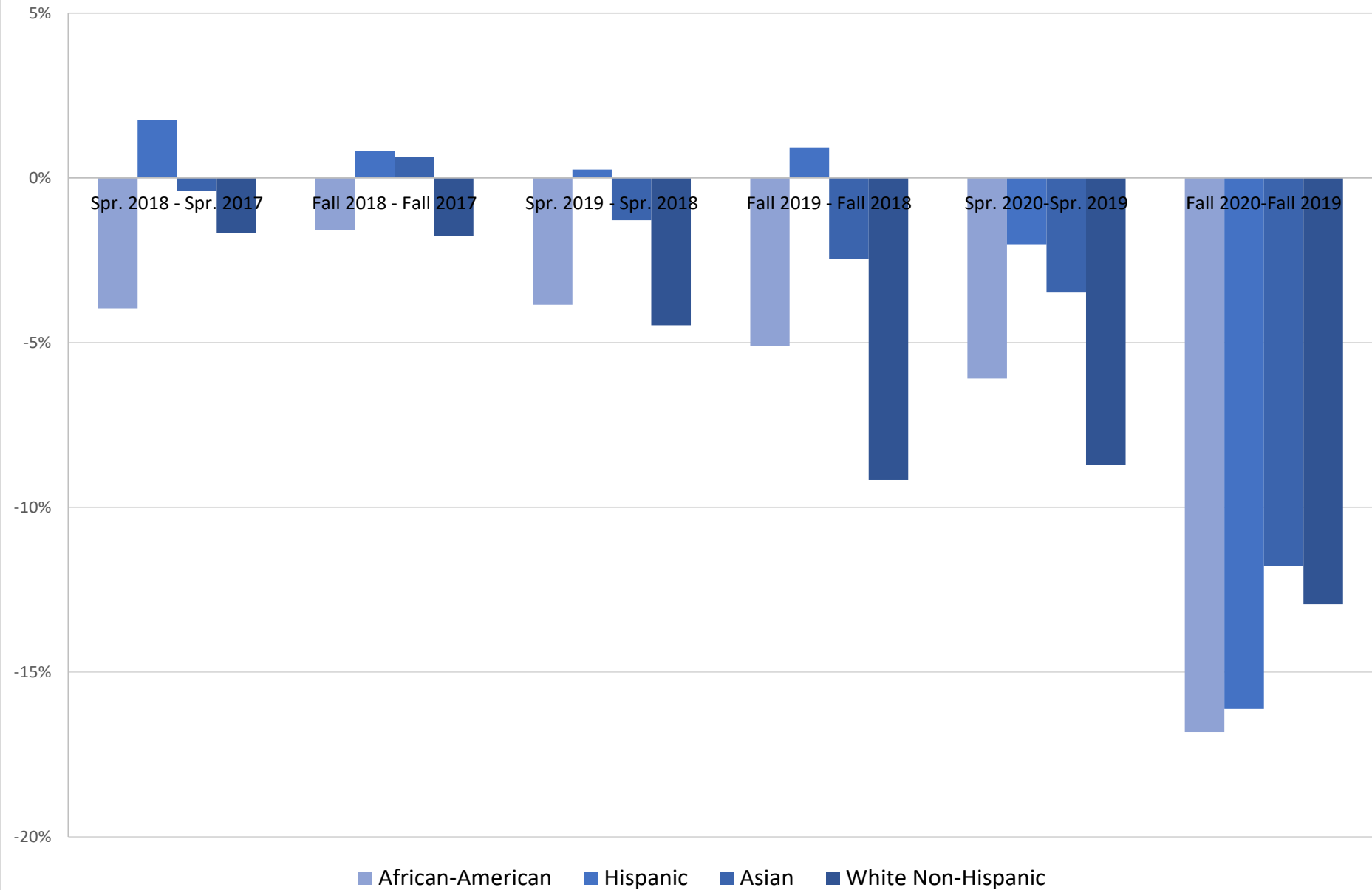


Table 1: Enrollment Changes by Type of Student

Student Type	Fall 2019	Fall 2020	Change	Percent
Continuing Student	856,323	754,317	-102,006	-12%
First-Time Student	241,913	188,817	-53,096	-22%
First-Time Transfer Student	107,787	91,285	-16,502	-15%
Returning Student	171,417	140,603	-30,814	-18%
Special Admit Student	103,722	102,979	-743	-1%

Notes: Calculated from administrative data from the California Community College system. The total number of students enrolled of each type is reported. Enrollment is for all colleges except four colleges that did not report enrollment data in fall 2020. See text for more details.

Figure 4: Year-Over-Year Changes in Course Enrollments by Type of Course (Fall 2020)

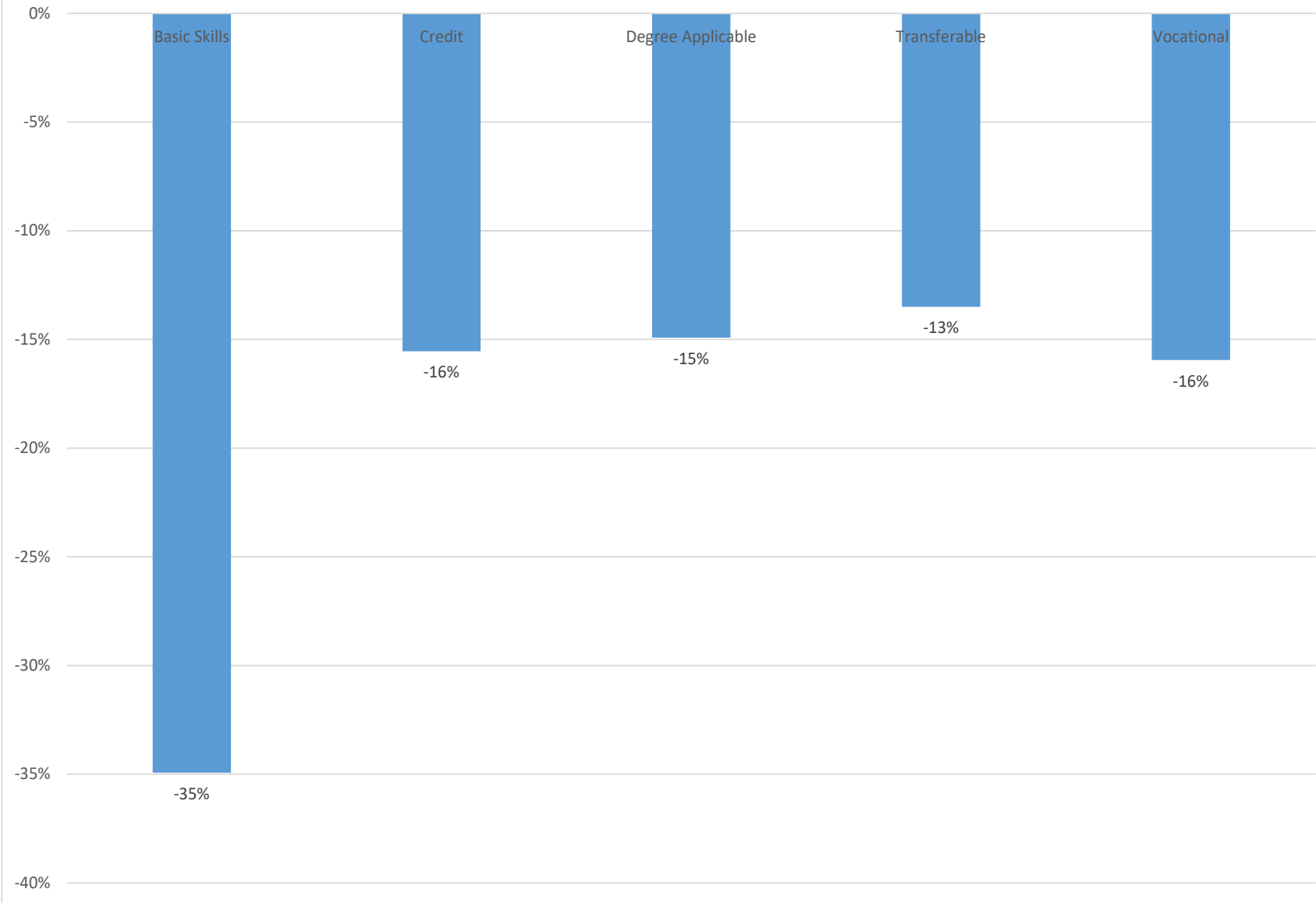


Figure 6: Change in Course Enrollment in Fall 2020 by Pre-Pandemic Online Course Percentage across Colleges

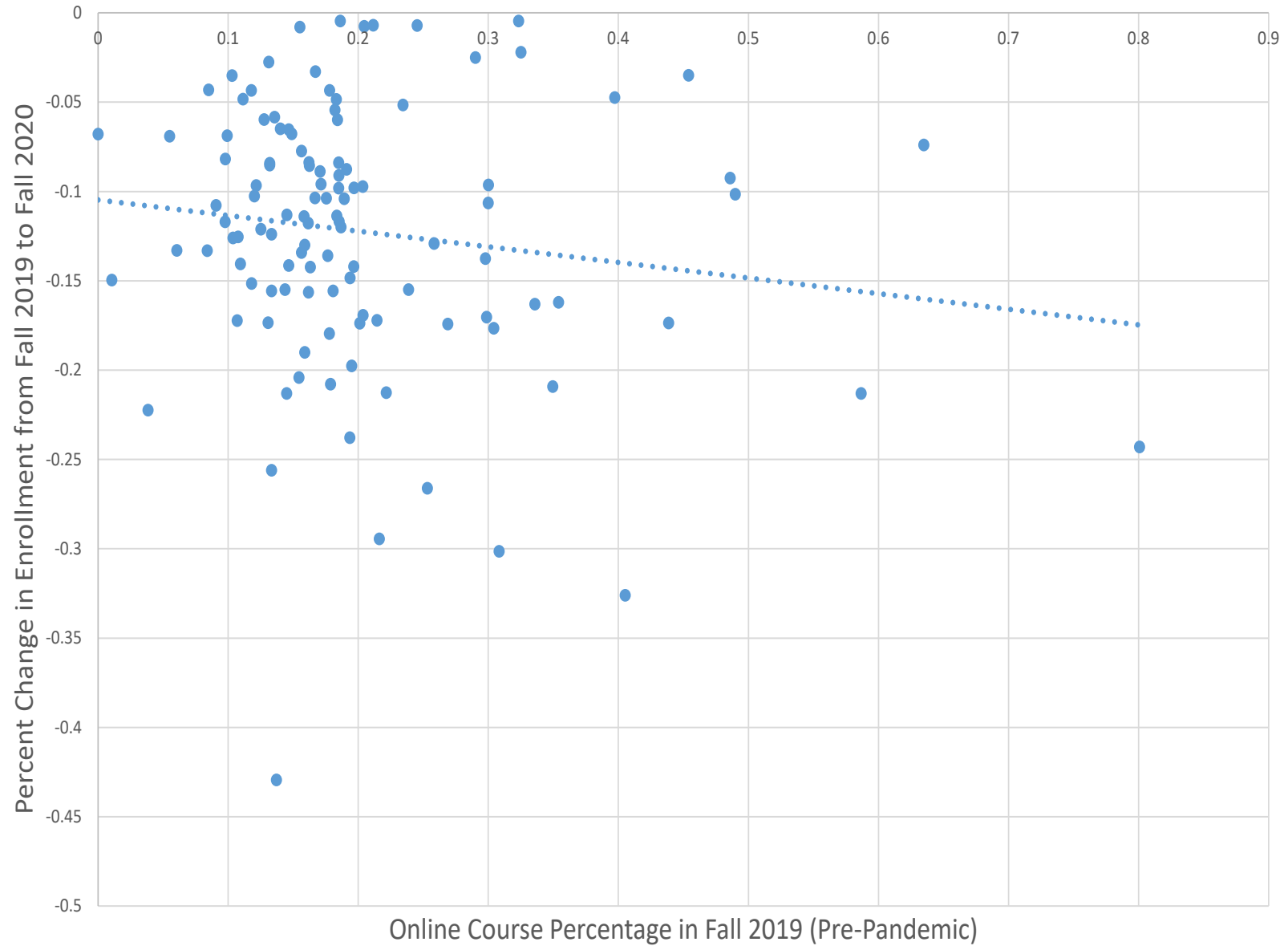


Figure 7: California Community College System Course Completion Rates

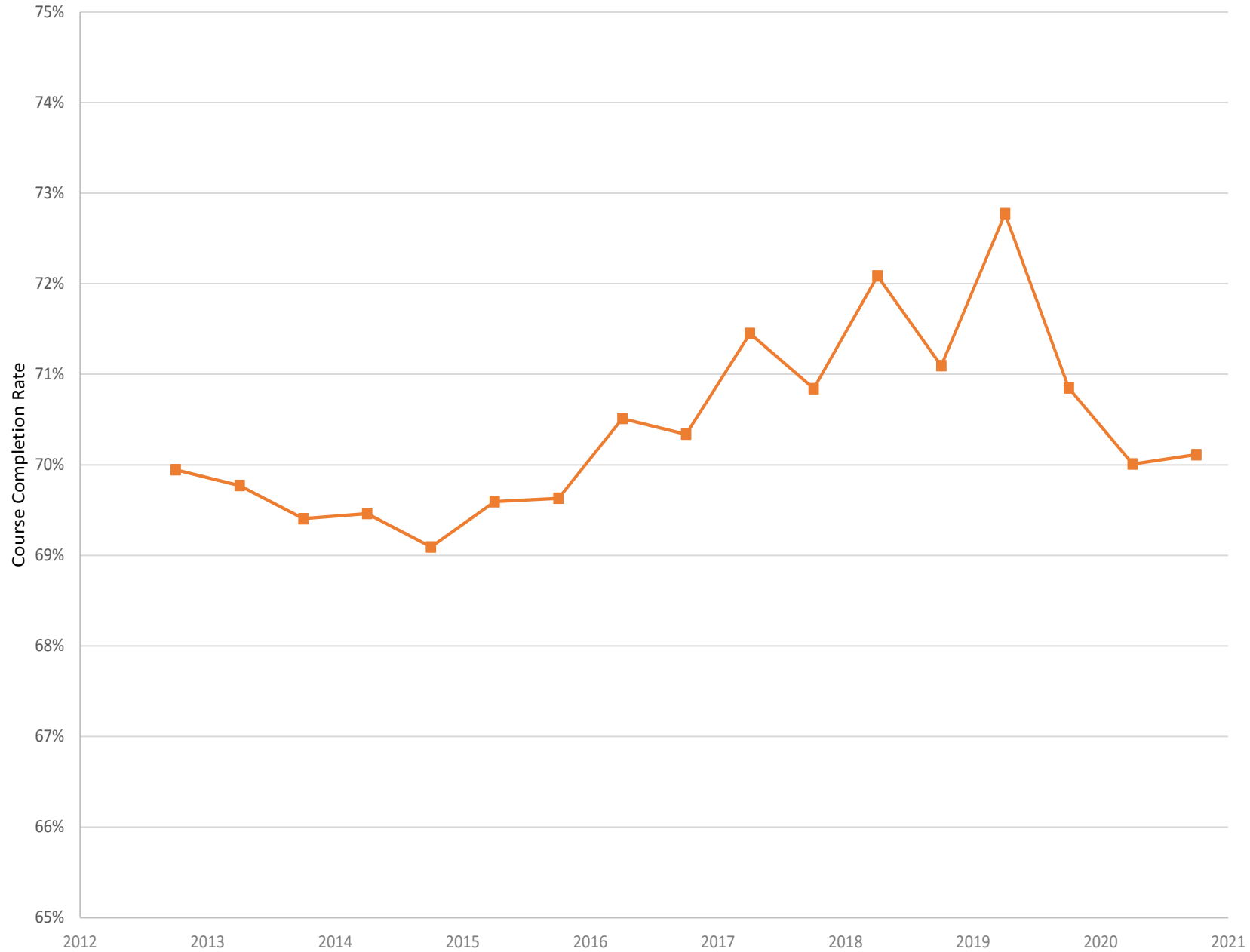


Table 3: Course Grades Year over Year Changes

	Spring 2019		Spring 2020		Fall 2019		Fall 2020	
	Courses	Share	Courses	Share	Courses	Share	Courses	Share
Grade A	1,258,314	40%	1,368,272	50%	1,295,484	39%	1,294,648	45%
Grade B	738,512	24%	617,801	22%	766,587	23%	616,345	22%
Grade C	457,591	15%	322,876	12%	485,786	15%	348,734	12%
Pass (No Letter)	156,094	5%	144,501	5%	168,665	5%	114,544	4%
Fail	497,184	16%	303,330	11%	598,579	18%	471,462	17%

Notes: Calculated from administrative data from the California Community College system. The total number of courses with each grade is reported.

What Can We Do to Move Forward?

1. Consumers need to feel safe again. The number one priority for helping small businesses is to get the vaccine out faster. People are anxious to get back to restaurants and shops.
2. We need to slow down the extensive shift to online shopping which was happening prior to the pandemic.
3. Small businesses need to have more of an online presence. Aid in the form of web page assistance could be useful.
4. Search engines could prioritize local small businesses instead of online retailers and big box stores.
5. Community colleges might need one- or two-time emergency funds to offset losses.

References

Fairlie, Robert W. 2020. "The impact of COVID-19 on small business owners: The first three months after social-distancing restrictions." *Journal of Economics & Management Strategy*, 29(4): 727-740.

Fairlie, Robert, and Frank Fossen. 2021. "Sales Losses in the First Quarter of the COVID-19 Pandemic: Evidence from California Administrative Data," NBER Working Paper No. 28414.

Ongoing Small Business Activity Tracking: <https://people.ucsc.edu/~rfairlie/recent/>

Bulman, George, and Robert Fairlie. 2021. "The Impact of COVID-19 on Community College Enrollment and Student Success: Evidence from California Administrative Data," UCSC Working Paper.