
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 265 (Caloza) - Small Business and Nonprofit Recovery Fund Act

Version: June 26, 2025

Urgency: No

Hearing Date: August 18, 2025

Policy Vote: B., P. & E.D. 11 - 0

Mandate: No

Consultant: Janelle Miyashiro

Bill Summary: AB 265 establishes the Small Business and Nonprofit Recovery Fund Act and, upon appropriation by the Legislature, directs the Office of Small Business Advocate (OSBA) to develop and implement a grant program for small businesses and qualified nonprofits directly impacted by a declared state or local emergency, as specified.

Fiscal Impact:

- Unknown General Fund cost pressures, likely ranging in the tens to hundreds of millions of dollars, to fund the grant program.
- The Governor's Office of Business and Economic Development (GO-Biz), which houses OSBA, reports the need for a one-time General Fund appropriation of at least \$650,000 to support the establishment of the new grant program. Ongoing costs to administer the program would depend on the amount of funds appropriated. While it is unknown at what level the program would be funded at, GO-Biz notes that the standard practice is five percent of the amount allocated for awards for a third-party fiscal agent capable of deploying grant funds at the scale intended by this bill.

Background: In addition to economic development programs, GO-Biz is responsible for specialized assistance to small businesses through the OSBA. OSBA directly serves the small business community through hosting summits, forums, and interagency meetings; maintaining resources for technical assistance, financing, and state procurement; holding webinars, and other outreach methods.

OSBA currently administers nine active programs representing appropriations of more than \$140,000,000. This current roster of programs is administered by a team of three permanent positions as well as a Regional Advisor appointed to head the team.

Proposed Law:

- Establishes the Small Business and Nonprofit Recovery Fund Act and creates the Small Business and Nonprofit Recovery Fund within the State Treasury for purposes of a small business and nonprofit recovery grant program to provide competitive grants to small businesses and qualified nonprofit organizations that are directly impacted by a declared state or local emergency.
- Requires OSBA to allocate 90 percent of the moneys appropriated to the fund to grant recipients.
- Requires the grant program to prioritize funding for eligible small businesses and qualified nonprofit organizations affected by the natural disasters referenced in the

Governor's Proclamation of a State of Emergency, issued January 7, 2025, and by any subsequent disasters covered by a proclamation of a state of emergency issued by the Governor while the fund is in existence.

- Specifies uses for the funds awarded pursuant to the grant program.
- Specifies the entities that are and are not eligible to apply for funds under the grant program.
- Specifies qualifications for applicants applying for the grant program, and requires OSBA to award grants through a competitive process.
- Specifies grant award amounts are between \$2,500 and \$100,000, inclusive.
- Requires a grantee to match on a dollar-for-dollar basis, the amount of the funds awarded under the grant program, and specifies the applicant may use funds received from insurance claims, small business association recovery loans, or in-kind contributions to satisfy the match requirement.
- Requires OSBA to allocate 10 percent of the fund appropriated to the fund for both of the following purposes:
 - Five percent shall be allocated to the Small Business Technical Assistance Program for grants to small business technical assistance centers that provide direct service to disaster-affected areas.
 - Five percent shall be allocated to the Capital Infusion Program, administered by GO-Biz, to support increased demand for capital-related technical assistance in disaster areas.
- Requires OSBA to prepare a report on the result of grant funds awarded under the program for each state of emergency proclaimed by the Governor and submit a report to the Legislature within 180 days after a state of emergency is proclaimed by the Governor.
- Sunsets the Act on January 1, 2032.
- States legislative intent that funds allocated pursuant to the grant program be prioritized to provide outreach and assistance to small businesses owned by ethnic minorities, women, and other disenfranchised segments of the population.
- States legislative intent to evaluate the effectiveness of the fund periodically and appropriate additional funds as necessary to address ongoing and future disaster recovery needs.
- States legislative findings and declarations.

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