
THIRD READING

Bill No: AB 265
Author: Caloza (D), et al.
Amended: 8/29/25 in Senate
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 11-0, 7/7/25
AYES: Ashby, Choi, Archuleta, Arreguín, Grayson, Menjivar, Niello,
Smallwood-Cuevas, Strickland, Umberg, Weber Pierson

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/29/25
AYES: Caballero, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 79-0, 6/2/25 - See last page for vote

SUBJECT: Small Business Recovery Fund Act

SOURCE: Author

DIGEST: This bill establishes the Small Business Recovery Fund Act which includes a small business recovery grant program to provide competitive grants to small businesses directly impacted by a state of emergency.

ANALYSIS:

- 1) Requires the Governor to appoint a Small Business Advocate who is Director of the Office of Small Business Advocate (OSBA) and outlines the duties and functions of the Small Business Advocate (Government Code (GC) §§ 12098-12098.7)
- 2) Establishes a Small Business Technical Assistance Program (TAP) within OSBA to assist small businesses through free or low-cost one-on-one consulting and low-cost training by entering into grant agreements with small business technical assistance centers. Requires OSBA to administer a grant program and establishes parameters for small business technical assistance centers to apply and to be eligible, among other aspects. Requires OSBA,

subject to appropriation of necessary funds, to establish the California Dream Fund Program to provide microgrants through TAP, up to \$10,000 each, to seed entrepreneurship and small business creation in underserved small business groups that are facing capital and opportunity gaps. (GC §12100.63)

This bill:

- 1) Establishes the Small Business Recovery Fund Act until January 1, 2032 which includes a small business recovery grant program to provide competitive grants to small businesses directly impacted by a state of emergency. Creates a Small Business Recovery Fund in the State Treasury, 90 percent of the monies appropriated to which shall be allocated by the OSBA for the grant program.
- 2) Requires the grant program to prioritize funding for eligible small businesses 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.
- 3) Specifies that funds awarded must be used to support recovery and rebuilding efforts for grantees; to promote investment in more resilient infrastructure, and to ensure that grantees can reopen and remain viable. Authorizes funds to be used retroactively for work already performed in response to the proclaimed disaster, provided sufficient documentation is submitted to OSBA.
- 4) Requires an applicant for the grant program to be current with all state payroll taxes, sales taxes, and income taxes; to not be the subject of an order for relief in bankruptcy as of the date of the declared disaster; to not have permanently ceased operations; and to not be barred from receiving federal or state funds. Specifies that OSBA must award grants in amounts of \$2500 to \$100,000 through a competitive process with a specified rating criteria and requires a grantee to match the amount of funds awarded by using insurance claims, small business association recovery loans, or in-kind contributions to fund the match.
- 5) Prohibits funds from being awarded to foundations and charitable trusts, gambling establishments, adult entertainment establishments, hospitals or nursing facilities, and rental property businesses.
- 6) Specifies that five percent of the monies appropriated to the Fund 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 and five percent be allocated to the Capital Infusion Program, administered by GO-Biz, to support increased demand for capital-related technical assistance in disaster areas. States Legislative intent that that funds be prioritized to provide outreach and assistance to small businesses owned by ethnic minorities, women, and other disenfranchised segments of the population.

- 7) 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. Requires the Director of OSBA to prepare a report on the results of grant funds awarded pursuant to this article for each state of emergency proclaimed by the Governor, submitted to the Legislature on or before 180 days after a state of emergency is proclaimed by the Governor.

Background

OSBA. Since its inception, GO-Biz has served thousands of businesses, 95 percent of which are small businesses. The most frequent types of assistance include help with permit streamlining, starting a business, relocation and expansion of businesses, and regulatory challenges. 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 oversees the Capital Infusion Program, which enables the California Small Business Development Center Networks to expand their one-to-one, no-cost, confidential consulting to small business owners. From its inception in 2014 to 2016, the Capital Infusion Program resulted in roughly \$379 million in documented capital infusion and served over 20,000 small business owners across the state. In 2015, GO-Biz launched a new California Business Portal; the site includes a Business Navigator feature, which provides custom information regarding permits, licenses, and incentives that relate specifically to the user's business. OSBA also provides emergency preparedness resources on its website, and is involved in facilitating disaster relief financing efforts for small businesses due to California wildfires. OSBA has also administered numerous grants programs to support small businesses and respond to specific issues impacting small businesses, including coordinating California Microbusiness (\$2,500) and Small Business (\$5,000 - \$25,000) COVID-19 Relief Grants.

According to OSBA, TAP was created in 2018 to expand the services of federally-awarded small business technical assistance programs in California, administered by and primarily funded by federal agencies that provide one-on-one confidential free or low-cost consulting and training to small businesses and entrepreneurs in this state. TAP is intended for centers with the capacity to build on existing work, expand to serve California's underserved business groups, and ensure equitable access and opportunity for all California small businesses. Eligible consulting and training services covered by TAP grant funding includes, among others: Business plans and strategy; Capital readiness and fundraising; Expansion and revenue growth strategies such as export training, government and private procurement, e-commerce marketplace development and other business development strategies; Marketing; Management; Operations; Financial management; Cybersecurity; Production/manufacturing assistance and increased productivity strategies; Innovation and tech transfer; and Business resilience, such as emergency preparedness, disaster economic recovery, succession planning, and youth entrepreneurship.

The California Small Business COVID-19 Relief Grant Program was established in 2020 to provide \$500 million in grant monies to eligible small businesses impacted by COVID-19. Businesses had to be located in California and have gross receipts of less than \$2.5 million on their most recent income tax return. Eligible small businesses could apply to OSBA for grants of between \$5,000 and \$25,000.

The 2021 budget (SB 151, Committee on Budget and Fiscal Review, Chapter 74, Statutes of 2021) established a California Microbusiness COVID-19 Relief Grant Program which required OSBA to solicit applications from county governments and eligible nonprofits to administer local microbusiness relief programs to support entities impacted by COVID-19 with less than \$50,000 in annual revenue and fewer than five employees, emphasizing outreach to underserved business communities. Funds could be used for business investments or costs resulting from COVID-19 and the grants were exempt from state income tax.

Wildfires. Climate change, primarily caused by the burning of fossil fuels, is increasing the frequency and severity of wildfires, not only in California, but also all over the world. Since 1950, the area burned by California wildfires each year has been increasing. Drought conditions have brought unusually warm temperatures, intensifying the effects of very low precipitation and snowpack and creating conditions for extreme, high severity wildfires that spread rapidly.

In January 2025, Los Angeles experienced the most catastrophic wildfires in its history. Beginning January 7, a series of wildfires ravaged L.A. County,

consuming tens of thousands of acres due to strong Santa Ana winds and severe dry conditions. The Palisades and Eaton Fires were the most destructive, burning over 20,000 and almost 14,000 acres, respectively. The fires claimed at least 28 lives and destroyed over 16,240 structures.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Committee on Appropriations, this bill will result in 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.

SUPPORT: (Verified 9/8/25)

Asian Business Association of San Diego
Asian Pacific Islander Small Business Collaborative
Association of California Goodwills
Association of Financial Development Corporations; the
Cal Asian Chamber of Commerce
CalChamber
California Apartment Association
California Association for Local Economic Development
California Charter Schools Association
California Community Foundation
California Dental Association
California Hispanic Chamber of Commerce
California Restaurant Association
California Retailers Association
California State Treasurer
California Association for Micro Enterprise Opportunity
Central California SBDC
City of Oakland
City of Santa Monica
City of Thousand Oaks
El Pajaro Community Development Corporation
Independent Hospitality Coalition

Jefferson Economic Development Organization
League of California Cities
Long Beach Area Chamber of Commerce
Long Beach Community College District
Los Angeles Area Chamber of Commerce
Los Angeles County Economic Development Corporation
Los Angeles SBDC Network
Madera County Economic Development Commission
Mastercard International INC.
Mission Community Services Corporation
National Federation of Independent Business
National Small Business Advocacy Council
Norcal SBDC Network
North East Trees
Orange County Business Council
Orange County Inland Empire Sbdc Network
Power California Action
Renaissance Entrepreneurship Center
Rural County Representatives of California
Sacramento Metro Chamber of Commerce
San Diego and Imperial SBDC Network
Small Business Majority
Women's Business Center At Jedi
Women's Economic Ventures

OPPOSITION: (Verified 8/29/25)

None received

ARGUMENTS IN SUPPORT: Supporters state that this bill is a crucial step toward creating a more equitable and robust recovery framework for California's small businesses. Supporters cite the importance of small businesses to California's economy and note that communities impacted by wildfires need access to every resource available in order to rebuild their economic base. According to supporters, the bill supports small and medium-sized businesses by enhancing access to critical financial tools, and it promotes a regulatory environment that enables growth while maintaining necessary safeguards.

ASSEMBLY FLOOR: 79-0, 6/2/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Fariás, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon,

Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

Prepared by: Sarah Mason / B., P. & E.D. /
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