

GOVERNOR'S VETO
AB 265 (Caloza)
As Enrolled September 16, 2025
2/3 vote

SUMMARY

The Small Business Recovery Fund Act creates a \$100 million state-funded grant program to support small businesses affected by a declared state of emergency. Administered by CalOSBA, it offers grants of \$2,500 to \$100,000 with matching requirements, supports technical assistance, and requires reporting to the legislature. The program runs through January 1, 2032.

Senate Amendments:

Narrow the scope of the grant program to remove nonprofits and only include small businesses.

Governor's Veto Message

This bill establishes an unfunded program within the Office of the Small Business Advocate to provide competitive grants to small businesses and eligible nonprofit organizations directly affected by a declared state of emergency.

I wholeheartedly support the author's intent to assist small businesses in disaster-affected areas in their rebuild and recovery efforts. Just two weeks after the deadly Los Angeles wildfires began in January, I signed legislation providing over \$2.5 billion in disaster relief to immediately help bolster emergency response and jumpstart recovery efforts. In the months since, the state has also administered over \$3 billion in federal small business assistance, including more than \$325 million in loans to repair or replace physical property, and more than \$235 million in economic injury disaster loans to help businesses meet their financial obligations.

While well-intentioned, an unfunded grant program is of little use to small businesses and nonprofits without dedicated resources provided through the budget process. In partnership with the Legislature this year, my Administration has enacted a balanced budget that recognizes the challenging fiscal landscape our state faces while maintaining our commitment to working families and our most vulnerable communities. With significant fiscal pressures and the federal government's hostile economic policies, it is vital that we remain disciplined when considering bills with significant fiscal implications that are not included in the budget, such as this measure.

COMMENTS

The California Office of the Small Business Advocate (OSBA), a division of GO-Biz, provides vital support to small businesses through consulting, technical assistance, and grant programs. Key initiatives include the Capital Infusion Program, COVID-19 relief grants, and the Technical Assistance Program (TAP), which funds training in business planning, capital access, marketing, and disaster recovery. Following the devastating January 2025 wildfires including the Palisades and Eaton Fires that destroyed over 16,000 structures in L.A. County, OSBA's role in advancing small business recovery and resilience has become increasingly critical amid the growing threat of climate-driven disasters.

According to the Author

The author states, "Small businesses and nonprofits anchor our communities, and they have been deeply impacted by the Los Angeles County wildfires of 2025. Not only are they anchors in our communities, but they also provide a lifeline to the local economy by ensuring that jobs are being created and essential services are being provided. The lives and livelihoods of so many families and communities were torn apart. Our recovery must be swift, inclusive, and effective. AB 265 will do just that."

Arguments in Support

Arguments in support state this vital legislation addresses a critical gap in disaster recovery assistance for small businesses and nonprofit organizations that are disproportionately affected by severe weather events and other declared states of emergency.

Arguments in Opposition

Arguments in opposition state due to the amendments, this change lacks clear justification, contradicts past state relief efforts, and overlooks the critical role nonprofits play in disaster response, particularly in communities affected by events like the 2025 Los Angeles wildfires. They are calling for AB 265 to be made a two-year bill to allow for collaboration and the restoration of nonprofit eligibility, ensuring equitable recovery support.

FISCAL COMMENTS

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.

VOTES**ASM ECONOMIC DEVELOPMENT, GROWTH, AND HOUSEHOLD IMPACT: 8-0-0**

YES: Solache, Castillo, Bonta, Patel, Petrie-Norris, Soria, Stefani, Wallis

ASM APPROPRIATIONS: 11-0-4

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache

ABS, ABST OR NV: Sanchez, Dixon, Ta, Tangipa

ASSEMBLY FLOOR: 79-0-0

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, 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

SENATE FLOOR: 40-0-0

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ASSEMBLY FLOOR: 80-0-0

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, 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, Johnson, 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

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