

Date of Hearing: January 13, 2026

ASSEMBLY COMMITTEE ON ECONOMIC DEVELOPMENT, GROWTH, AND
HOUSEHOLD IMPACT

José Luis Solache, Jr., Chair

AB 685 (Solache) – As Amended January 12, 2026

SUBJECT: Small Business Resiliency and Innovation Act

SUMMARY: Creates the Small Business Resiliency and Innovation Fund within the State Treasury to provide assistance to small businesses. This bill requires the California Office of the Small Business Advocate (CalOSBA) to administer the fund and allocate moneys in the fund to both the Capital Infusion Program (CIP) and the Small Business Technical Assistance Program (SB-TAP).

Specifically, **this bill:**

- A. Creates the Small Business Resiliency and Innovation Fund within the State Treasury to provide assistance to small businesses.
- B. Appropriate \$26,000,000 from the General Fund to the Small Business Resiliency and Innovation Fund to be allocated as follows:
 1. \$7,000,000 for the Small Business Technical Assistance Program.
 2. \$17,000,000 for the Capital Infusion Program.
 3. \$2,000,000 for staff augmentation, administrative support, program oversight, and accountability activities of the Office of the Small Business Advocate.
- C. Requires the Governor's Office of Business and Economic Development (Go-Biz) to submit a report to the Legislature detailing the allocation and expenditure of funds on or before January 1, 2030.
- D. Takes effect immediately as an urgency statute.

EXISTING LAW: Establishes the Office of Small Business Advocate (OSBA) within the Governor's Office of Business and Economic Development, also known as GO-Biz, to advocate for causes of small business and to provide small businesses with the information they need to survive in the marketplace. Existing law also establishes the California Small Business Technical Assistance Program (SB-TAP) within OSBA, under the direct authority of the Small Business Advocate, for the purpose of assisting small businesses through free or low-cost one-on-one consulting and low-cost training by entering into grant agreements with one or more small business technical assistance centers. Under existing law, OSBA administers the Capital Infusion Program (CIP) pursuant to the SB-TAP, as specified.

FISCAL EFFECT: Keyed fiscal

COMMENTS: Small businesses play a significant role in California's economy, contributing substantially to private-sector employment, innovation, local wealth creation, and economic participation among diverse business owners. Current levels of demand for trusted, no-cost business advising and access to capital exceed the capacity of existing programs, indicating unmet needs within the small business support ecosystem. These capacity gaps point to ongoing

barriers that may limit equitable business formation, growth, and job creation. Addressing these constraints could support more inclusive economic development, help mitigate economic concentration, and strengthen long-term, community-based economic resilience.

- A. Employment Stability and Job Creation: Small businesses are a major source of employment in California. There are approximately 4.2 million small businesses in the state, which represent about 99.9% of all businesses and employ nearly 7 million workers, or around 47% of the state's workforce. These firms also contribute disproportionately to job growth: they account for roughly two-thirds of net new jobs in recent years. Resilience among small businesses supports stability in the labor market and helps dampen employment volatility during economic downturns.
- B. Economic Output and Sectoral Diversity: Small businesses contribute substantially to California's overall economic activity. Diverse small businesses alone are estimated to contribute hundreds of billions in economic output annually and support millions of jobs. For example, minority-owned small businesses contribute an estimated \$192.8 billion in economic output and support 2.56 million jobs statewide. Because most small firms operate in a wide range of sectors, including trade, professional services, manufacturing, and retail; resilience across this segment promotes broader economic diversification and reduces reliance on a small number of large employers.
- C. Fiscal Health and Public Revenues: Small firms generate significant tax revenues for state and local governments. Minority owned small businesses alone contribute roughly \$28.7 billion in tax revenue annually. Comprehensive support that preserves small business viability helps maintain these revenue streams and reduces fiscal stress on public services during economic disruptions.
- D. Equity in Economic Participation: Approximately half of California's small businesses are owned by people of color, reflecting a highly diverse entrepreneurial base. Strengthening resilience can help reduce disparities in business survival and growth outcomes, thereby expanding wealth-building opportunities among historically underserved communities and supporting more equitable economic participation.
- E. Community Stability and Local Economies: Because small businesses often serve local markets, their continuity directly affects community access to goods and services and local quality of life. Resilient small businesses contribute to vibrant neighborhoods and facilitate economic recovery after natural disasters or economic shocks.
- F. Innovation and Adaptability: Small enterprises are a significant source of innovation and responsiveness to changing market conditions. Their ability to innovate during economic stress supports broader productivity and competitiveness gains across the state's economy.

G. Supply Chain and Market Linkages: Many small firms serve as suppliers or service providers to larger companies. Their resilience contributes to supply chain continuity, which is important for both local industries and the competitiveness of California's broader economy.

The California Office of the Small Business Advocate (CalOSBA), housed within the Governor's Office of Business and Economic Development (GO-Biz), administers the Technical Assistance Program (TAP), formerly known as the Small Business Technical Assistance Expansion Program (SB TAP or SB TAEP). TAP focuses on under-resourced businesses, including those owned by women, minorities, veterans, and individuals in low-wealth, rural, or disaster-impacted communities. The Capital Infusion Program (CIP): Often administered alongside TAP, this program helps small businesses access capital through expert guidance on loan and grant applications. Together, TAP and CIP reinforce a two-pronged support structure: building knowledge and confidence through advising (TAP), and facilitating real access to capital markets and funding readiness (CIP).

This combined approach aligns with data from 2022 showing that over 560,000 small businesses have received free or low-cost advising and training under these programs, which has helped generate over \$4.5 billion in capital support, helped start more than 5,000 new businesses, and supported the creation of over 35,000 jobs.

Author Statement: "As Chair of the Assembly Committee on Economic Development, Growth, and Household Impact, and as someone who has spent much of my life working hand-in-hand with small businesses, I am deeply concerned about the urgent need to mitigate economic hardships and strengthen our small business resiliency infrastructure. Small businesses are the state's largest employers. As witnessed with Los Angeles wildfires, disruptions to small businesses spark devastating economic consequences for our entire state. The Capital Infusion Program and Small Business Technical Assistance Program provide essential wraparound technical assistance that offer proven strategies in supporting regional economic recovery, resilience, and innovation. With the increased frequency of natural disasters and economic pressures outside of our control, California must prioritize greater resources for small business resilience and innovation."

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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