

Date of Hearing: May 14, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 783 (Caloza) – As Amended May 1, 2025

Policy Committee:	Governmental Organization	Vote:	16 - 3
	Emergency Management		5 - 1

Urgency: No                      State Mandated Local Program: No                      Reimbursable: No

**SUMMARY:**

This bill authorizes the Department of General Services (DGS) to negotiate and enter into contracts for construction materials commonly used in residential structures, and require such materials be offered at cost to certain entities in an area affected by certain states of emergency.

Specifically, this bill:

- 1) Authorizes, until January 1, 2031, DGS to negotiate and enter into contracts on a bid or negotiated basis for construction materials commonly used in residential structures, which may include price discounts, rebates, refunds, or other strategies aimed at lowering the cost of materials. DGS must give priority to sustainable and locally sourced materials, if possible.
- 2) Exempts the contracts from certain existing laws governing public procurement, such as competitive bidding.
- 3) Requires the materials be offered at cost or with the addition of minimal administrative fees to homeowners, contractors, non-profit organizations, and local governments in any area affected by a state of emergency resulting from a natural disaster. The materials must be used only for recovery efforts directly linked to housing losses caused by the state of emergency.
- 4) Requires DGS to annually report related performance metrics to the Legislature.

**FISCAL EFFECT:**

Annual costs of approximately \$3.4 million to DGS for up to 20 positions to develop, implement, monitor, and facilitate this procurement program (General Fund or special fund). DGS notes that considerable time is needed to hire, train, and situate these new positions. DGS does not have the resources to begin implementation of this bill within its existing budget, so the best-case scenario is DGS beginning implementation activities by January 1, 2027, with full implementation not realized until the end of the year. Thus, DGS would have, at most, four years to complete the actual purchasing of materials before the program sunsets on January 1, 2031.

Additionally, DGS notes that this bill does not provide guidance regarding which entity would screen homeowners for eligibility to ensure that materials are used only for rebuilding efforts directly linked to housing losses caused by a state of emergency. DGS does not have sufficient data to make informed purchasing decisions on behalf of homeowners, contractors, non-profit

organizations, or local governments. If DGS is responsible for resolving these issues, DGS may incur sizeable additional administrative costs, potentially in the millions of dollars.

#### COMMENTS:

1) **Purpose.** According to the author:

California communities devastated by wildfires, earthquakes, floods and natural disasters often face significant financial barriers to rebuilding, including high construction costs and limited access to essential materials. AB 783 takes a proactive approach to disaster recovery by authorizing the DGS to negotiate discounted contracts for commonly used materials and make them available at cost or with minimal administrative fees. This bill will ensure a more efficient and cost-effective rebuilding process for those in our state recovering from disaster.

2) **Bulk Purchasing.** DGS's Procurement Division acts as a bulk purchaser for state and local government agencies, allowing local agencies to leverage the state's buying power and make purchases directly from suppliers through the Procurement Division's existing contracts and agreements, without further competitive bidding. Before utilizing a Leveraged Procurement Agreement, a local agency must review the contract user instructions to determine whether the contract is available for use by their agency and follow order procedures. DGS charges an administrative fee for use of these contracts. This bill similarly authorizes DGS to serve as a bulk purchaser of essential residential construction materials commonly and allows local governments to directly utilize the contracts, as well as homeowners, contractors, and non-profit organizations, if the entities are in an area affected by a state of emergency resulting from a natural disaster and the materials are used for related housing recovery.

3) **Support and Opposition.** This bill is supported by housing groups and local government entities, with the Housing Action Coalition arguing, "There is no centralized system for bulk purchasing and distributing essential construction materials at affordable prices for post-disaster rebuilding efforts" and this this bill "provides a meaningful solution."

This bill is opposed by the Construction Employers' Association, which argues:

Public agencies, private developers, etc., do not purchase construction materials directly, the contractors they employ do the purchasing as per the specifications, and those costs are included in the bids. Your measure would have the state front the money for construction materials to be used by local agencies, non-profits and residential developers, though it's unclear how those materials would be priced given that structural steel, concrete, windows, doors, etc., are all manufactured to specifications.