
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1044 (Reyes) - Public contracts: Small Business Procurement and Contract Act

Version: February 11, 2026
Urgency: No
Hearing Date: April 13, 2026

Policy Vote: G.O. 14 - 0
Mandate: No
Consultant: Janelle Miyashiro

Bill Summary: SB 1044 increases the maximum contract cap for goods, services, or information technology (IT) under the Small Business Procurement Contract Act (Act) from \$250,000 to \$350,000. SB 1044 also requires the Director of the Department of General Services (DGS) to biennially review this limit beginning January 1, 2029, and authorizes adjustments to the cap based on the California Consumer Price Index (CPI).

Fiscal Impact: DGS reports costs of approximately \$85,000 for one limited-term staff to develop a process for changing the cap based on the California CPI, track biennial review dates, and update the State Contract Manual, purchasing authority documents, and other applicable training materials available to state agencies (General Fund).

Background: The Act is administered by DGS and requires all departments to offer procurement opportunities to certified small businesses (SBs), disabled business enterprises (DVBES), and microbusinesses whenever possible. The Act establishes a 25 percent participation goal for SBs and a three-percent goal for DVBES. Departments unable to meet these required participation goals are required to submit an Improvement Plan to DGS each year.

In order for a small business to be eligible for certification under the Act, the small business must be independently owned and operated, not dominant in its field of operation, and its principal office must be located in California. In addition, the business must be either a business with 100 or fewer employees and average annual gross receipts of \$15 million or less over the last three tax years, a manufacturer with 100 or fewer employees, or a microbusiness. A small business will automatically be designated as a microbusiness if gross annual receipts are less than \$3.5 million or the small business is a manufacturer with 25 or fewer employees.

Upon meeting eligibility requirements, certified small businesses and microbusinesses are entitled, to among other things, a five percent bid preference. The goal of the preference is to help small and micro businesses to be more competitive in the bidding process, thereby enhancing state contract awards directly or indirectly to these types of businesses. The preference is only used for computation purposes to determine the winning bidder; the contract is awarded at the actual bid amount.

The Act authorizes a state agency to award a contract for the acquisition of goods, services, and IT that has an estimated value of greater than \$5,000, but less than \$250,000, to a certified SB, including a microbusiness, or a DVBE, as long as the agency obtains price quotations from two or more SBs or DVBEs, without complying with specified competitive bidding requirements.

Proposed Law:

- Increases the cap for the maximum estimated value of a contract for goods, services, or IT awarded pursuant to the Act from \$250,000 to \$350,000.
- Beginning January 1, 2029 and biennially thereafter, requires the Director of DGS to conduct a review of the maximum estimated contract value under the Act and authorizes the director to adjust this value to reflect changes in the California CPI.

Related Legislation: SB 70 (Seyarto, 2025) would have similarly increased, from \$250,000 to \$350,000, the maximum estimated value of a contract awarded pursuant to the Act which allows state agencies to award a contract to SB or DVBE without complying with competitive bidding requirements. SB 70 would have also required DGS to biennially review the maximum contract value and authorized the director to adjust the value to reflect changes in the CPI. SB 70 was held on the Assembly Appropriations Suspense File.

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