

- 3) Requires each state agency that significantly regulates or impacts small business to designate at least one person to serve as a small business liaison for the agency. Requires the small business liaison to be responsible for, among other things, receiving and responding to complaints received by the agency from small businesses and assisting in ensuring that the procurement and contracting processes of the entity are administered in order to meet or exceed the goal of 25% small business participation. (GC § 11148.5)

This bill:

- 1) Requires the small business liaison for each state agency to annually submit the following to OSBA:
 - a) A list of all current contracts between the state agency and a small business, the total dollar amount of each contract, and the total dollar amount paid to a small business
 - b) A list of all contracts of the state agency that include a subcontract with a small business.
- 2) Requires OSBA to post the information on its website.

FISCAL EFFECT: Unknown. This bill is keyed fiscal by Legislative Counsel.

COMMENTS:

1. **Purpose.** The California State Controller's Office is the sponsor of this bill. According to the Author, "Small businesses are significant contributors to California's economy, accounting for 42.3% (\$70.1 billion) of the state's exports annually. These businesses drive economic growth and mobility, creating 7.6 million jobs in 2025 alone. In 2022, California state agencies were required to reach a minimum 25% procurement participation goal for small businesses. However, out of 150 mandatory agencies, only 62.67% met the small business participation goal in fiscal year 2023-24. In order to fully leverage the goal made in 2022, California must have a standard annual report to help the state's progress in meeting its objective of supporting small businesses in contracting processes. SB 1340 will strengthen transparency and fiscal accountability by evaluating contract activity and actual dollars spent on small businesses, both prime and subcontract, to ensure these businesses are receiving meaningful access to state contracting opportunities."

The Author states that "current law lacks transparency and accountability in how state agencies award contracts to small businesses. California has committed to guaranteeing small businesses have a 25% procurement participation; however, there is no clear and consistent statewide tracking mechanism to determine whether agencies are adhering to this law. SB 1340 aims to improve visibility, identify disparities, and strengthen access to state contracting opportunities for small business."

2. Background.

GO-Biz. In February 2010, the Little Hoover Commission undertook a review of the state's economic and workforce development programs. In its final report, *Making up for Lost Ground: Creating a Governor's Office of Economic Development*, it analyzed the status and effectiveness of current programs since the 2003 demise of the Technology, Trade and Commerce Agency and recommended the creation of a new governmental entity to fill the void left by the dismantled agency.

The report called for a single entity that would promote greater economic development, foster job creation, serve as a policy advisor and deliver specific services (i.e., permitting, tax, regulatory, and other information) directly to the California business community. In April 2010, Governor Schwarzenegger issued Executive Order S-05-10 as a means to operationalize the report recommendations, including the creation of the Governor's Office of Economic Development (GOED).

In October 2011, the Governor signed AB 29 (John A. Pérez, Chapter 475, Statutes of 2011), which effectively codified GOED and changed its name to GO-Biz. Since its inception, the office 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 March 2012, Governor Brown initiated a reorganization process to realign the state's administrative structure. Key changes include dismantling of the Business, Transportation and Housing Agency and the shifting of a number of key programs to GO-Biz including the Small Business Loan Guarantee Program, the California Travel and Tourism Commission, the California Film Commission, the Film California First Program, and the Infrastructure and Economic Development Bank (IBank). Currently, GO-Biz administers the following programs and units:

- Made In California program for the purpose of encouraging consumer product awareness and to foster the purchases of products manufactured in California.
- The California Inclusive Innovation Hub Program (iHub2) to incubate and/or accelerate technology and science-based firms, with a focus on underserved regions and communities.
- The California Competes Tax Credit Program under which “businesses who want to come to California or stay and grow in California” can receive an income tax credit.
- The California Business Investment Services Unit, which provides no-fee, tailored site selection services to employers and others who may be considering California for relocation or expansion.
- The California Business Portal, which provides information to California businesses about common questions, permitting, financial options, and more.

- The California Community Reinvestment Grants Program, which was included in Proposition 64, authorized GO-Biz to award grants to local health departments and certain nonprofit organizations to support communities disproportionately affected by the War on Drugs.
- OSBA which provides information and assistance to small businesses.
- The Zero Emission Vehicles (ZEV) Infrastructure Unit which works to accelerate the deployment of ZEV infrastructure.
- The International Affairs and Business Development Unit, which serves as California's primary point of contact for expanding international trade and investment relations. This unit focuses on foreign direct investment (services for foreign investors, foreign investment technical assistance, and the EB-5 Investor Visa Program), international trade promotion (STEP program, trade missions, export assistance, and the California-China Trade Office), and international agreements.

Office of Small Business Advocate. 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.

Small Business Liaison. Current law requires a state agency that significantly regulates small businesses or that significantly impacts small businesses to designate at least one person to serve as a small business liaison utilizing existing personnel and resources. State agencies are required to widely publicize the position of small business liaison on the agency's website. OSBA is also required to establish a web portal that includes the name, telephone number, internet website, and email of the small business liaison.

The small business liaison is responsible for specified duties relating to interactions between the state agency and small businesses, including assisting the head of the state agency in ensuring that the procurement and contracting processes of the state agency are administered in order to meet or exceed the 25 percent small

businesses participation goal, and developing and sharing innovative procurement and contracting practices from the public and private sectors to increase small business participation in state contracting and procurement.

Other responsibilities include receiving and responding to complaints received by the agency from small businesses, providing technical advice and assisting small businesses resolving problems and questions regarding compliance with the agency's regulations and statutes, and reporting small business concerns, and if appropriate, reporting recommendations to the agency secretary or to the agency head.

- 3. Arguments in Support.** CAMEO Network writes that "As the job market faces intense global competition, California must expand its capacity to serve small businesses in order to increase economic resilience. SB 1340 will strengthen transparency and accountability by ensuring state agencies are meeting and/or exceeding the minimum 25% participation goal. This bill establishes a standard report to evaluate state agency performance, identify participation gaps, and help determine whether small businesses are receiving meaningful access to state contracting opportunities."

The Latino Media Collaborative writes that it is committed to guaranteeing small businesses are given a fair opportunity to secure state contracts to support California's economy in its support of this bill.

SUPPORT AND OPPOSITION:

Support:

CAMEO Network
Latino Media Collaborative

Opposition:

None received

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