SENATE THIRD READING
SB 1340 (Richardson)
As Amended August 21, 2026
Majority vote

SUMMARY

This bill requires state agency small business liaisons to annually report to the Office of Small Business Advocate (OSBA) and post online information about state contracts and subcontracts involving small businesses. The report must include current contracts, contracts with small business subcontractors, and the total amount paid to small businesses under those agreements.

Major Provisions

1) *Commencing January 1, 2028, and annually thereafter, this measure bill requires each state awarding department to publicly post a report concerning payment activity for contracts awarded to small businesses during the prior fiscal year.*

2) *The report includes for each contract:*

3) *Contractor name*

4) *Contract number and description*

5) *Contract term, including amendments*

6) *Total contract amount, including amendments*

7) *Amount paid during the prior fiscal year*

8) *Cumulative amount paid during the contract term*

9) *Requires a contractor, upon completion of a contract that includes a small business or Disabled Veteran Business Enterprise participation commitment, to report the actual percentage of participation achieved.*

10) *Requires an awarding department to obtain certification from a prime contractor that used one or more small business subcontractors. Authorizes the awarding department to request proof of payment from the prime contractor.*

11) *A prime contractor seeking to substitute a listed subcontractor is required to:*

12) *Submit a written substitution request to the awarding department*

13) *Obtain written approval before the proposed subcontractor begins work*

14) *Comply with applicable regulations adopted by the Department of General Services*

15) *Provides that contracts containing DVBE participation requirements continue to comply with the existing provisions of the Military and Veterans Code. This measure does not replace existing DVBE statutory and regulatory framework.*

COMMENTS

SB 1340 strengthens transparency and accountability in state contracting by improving oversight of small business, microbusiness, and Disabled Veteran Business Enterprise (DVBE) participation. The bill requires state agencies to report contract and payment information to CalOSBA, protects listed subcontractors from unauthorized substitution, and requires prime contractors to certify contract payments and small business participation. Under the current CalOSBA procurement tracking framework, the reporting requirement is designed to bridge the gap between California's ambitious contracting goals and real-world execution. This measure is intended to ensure California's existing 25% small business and 3% DVBE participation goals translate into meaningful contracting opportunities and that businesses are fully and fairly compensated.

According to the Author
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 order to fully leverage the goal established by AB 2019 (Petrie-Norris, Ch. 730, Stats. 2022), California must have a standard reporting requirement to ensure state agencies are meeting and/or exceeding the required 25% participation goal for small businesses. SB 1340 will help and identify participation gaps and strengthen accountability by evaluating whether small businesses are receiving meaningful access to state contracting opportunities.″

Arguments in Support
Supporters argue that SB 1340 strengthens California's small business contracting goals by requiring state agencies to report actual payments made to small businesses, not just contracts awarded. This increased transparency will help determine whether existing participation goals are being meaningfully achieved, identify disparities, and ensure small businesses, including those in historically underserved communities, are fairly compensated. Supporters believe the measure will improve accountability and help small businesses create jobs, invest in their communities, and contribute to a stronger and more inclusive California economy.

Arguments in Opposition
None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, Ongoing General Fund costs of $137,000 annually to OSBA for one analyst and, potentially, an additional $25,000 to $75,000 annual IT, web, and data support workload (General Fund) to implement and maintain the annual reporting and publication process. OSBA also reports that if it is required to verify agency submissions independently, then costs would be higher.

It is unknown how much it will cost state agencies with designated small business liaisons, cumulatively statewide, to comply with the bill's expanded reporting mandates. However, according to the OSBA, significant costs, to awarding departments or the Department of General Services, might result from monitoring listed small business and disabled veteran business enterprise (DVBE) subcontractor utilization, reviewing and approving substitutions, requiring completion certifications, reviewing proof of payment upon request, and providing standardized data for CalOSBA publication.

VOTES

SENATE FLOOR: 33-0-7
YES: Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Allen, Alvarado-Gil, Becker, Hurtado, Niello, Padilla, Stern

ASM ECONOMIC DEVELOPMENT, GROWTH, AND HOUSEHOLD IMPACT: 8-0-0
YES: Solache, Castillo, Caloza, Patel, Petrie-Norris, Michelle Rodriguez, Soria, Wallis

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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