SENATE RULES COMMITTEE SB 1340

Office of Senate Floor Analyses

(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 1340

Author: Richardson (D), et al.

Amended: 8/21/26

Vote: 21

SENATE GOVERNMENTAL ORG. COMMITTEE: 14-0, 3/24/26

AYES: Rubio, Valladares, Alvarado-Gil, Archuleta, Blakespear, Cervantes, Dahle, Hurtado, Ochoa Bogh, Padilla, Richardson, Smallwood-Cuevas, Wahab, Weber Pierson

NO VOTE RECORDED: Ashby

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 11-0, 4/13/26

AYES: Wahab, Choi, Archuleta, Arreguín, Caballero, Grayson, Menjivar, Niello, Smallwood-Cuevas, Strickland, Umberg

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SENATE FLOOR: 33-0, 5/22/26

AYES: 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

NO VOTE RECORDED: Allen, Alvarado-Gil, Becker, Hurtado, Niello, Padilla, Stern

ASSEMBLY FLOOR: Passed, 8/26/26

SUBJECT: Small business liaison: contract information

SOURCE: Author

DIGEST: This bill 1) 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 with small businesses, contracts with small businesses subcontractors, and the total amount paid to small businesses under those agreements; Additionally, and 2) requires an awarding department, upon completion of an awarded contract for which a commitment to achieve a small business goal was made, to require the prime contractor that entered into a subcontract with a small business to certify specified information related to the awarded contract.

Assembly Amendments require an awarding department, upon completion of an awarded contract for which a commitment to achieve a small business goal was made, to require the prime contractor that entered into a subcontract with a small business to certify specified information related to the awarded contract.

ANALYSIS:

Existing law:

1) Requires, under the Small Business Procurement and Contract Act (Act), state agencies to take certain actions in order to facilitate the participation of small businesses and microbusinesses in the provisions of goods, information technology, and services to the state, and in the construction of state facilities.

2) Defines a "small business" to mean an independently owned and operated business that is not dominant in its field of operation, the principal office of which is located in California, the officers of which are domiciled in California, and which, together with affiliates, has 100 or fewer employees, and average annual gross receipts of $10 million or less over the previous three years, or is a manufacturer, as defined, and has 100 or fewer employees.

3) Requires a state agency that significantly regulates small business or that significantly impacts small business to designate at least one person to serve as a small business liaison.

4) Requires the small business liaison to be responsible for specified duties relating to interactions between the state agency and small businesses, including assisting the head of the agency in ensuring that the procurement and contracting processes of the state agency are administered in order to meet or exceed the 25% small business participation goal, and developing and sharing

innovative procurement and contracting practices from the public and private sectors to increase small businesses.

5) Establishes the Office within the Governor's Office of Business and Economic Development (GOBiz) to advocate for causes of small businesses and to provide small businesses with information they need to survive in the marketplace.

6) Establishes, under the California Disabled Veteran Business Enterprise Program, a statewide participation goal of three-percent of total contract value expended each year for contracts awarded by any state agency, department, officer, or other state governmental entity, as specified.

This bill:

1) Requires the small business liaison of every awarding department, to make available a report on payment activity during the previous fiscal year related to all contracts awarded to a small business that includes specified information, and requires the small business liaison to submit the report to OSBA.

2) Requires a department, upon completion of an awarded contract for which a commitment to achieve a small business goal was made, to require the prime contractor that entered into a subcontract with a small business to certify all of the following to the awarding department:

   a) The total amount that the prime contractor received under the contract.
   b) The contract number and description.
   c) The name, address, and certification identification number of the small business that participated in the performance of the contract.
   d) The amount and percentage of work the prime contractor committed to provide to one or more small businesses under the requirements of the contract and the total payment amount of each small business received from the prime contractor.
   e) That all payments under the contract have been made to the small business.
   f) The actual percentage of small business participation that was achieved.

3) Requires a prime contract to use the small business or microbusiness subcontractors proposed on its bid unless a substitution is requested in writing by the prime contractor and approved by the awarding department in writing.

Background

Author's Statement. According to the author's office, "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), 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 1430 will help and identify participation gaps and strengthen accountability by evaluating whether small businesses are receiving meaningful access to state contracting requirements."

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. The Office 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. This includes 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% 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, reporting small business concerns, and if appropriate, reporting recommendations to the agency secretary or to the agency head.

This bill would require the small business liaison for each state agency to annually submit contract information to the Office including, among other things, a list of all contracts of the state agency that include a subcontract with a small business.

The bill would require the Office to post that contract information on its internet website.

Office of Small Business Advocate. Housed within GOBiz, the OSBAwas created by AB 29 (John A. Perez, Chapter 475, Statutes of 2011) “in order to advocate for the causes of small business and to provide small businesses with the information they need to survive in the marketplace.”

The Office is responsible for serving as the principal advocate in the state on behalf of small business. This includes advisory participation in the consideration of all legislation and administrative regulations that affect small businesses, advocacy on state policy and programs related to small businesses, and representing the views and interest of small businesses before other state agencies whose policies and activities may affect small businesses. The Office is also required to seek the assistance and cooperation of all state agencies and departments providing services to, or affecting, small business, including the small business liaison, to ensure coordination of state efforts.

*Small Business Eligibility Requirement*s. In order for a small business to be eligible for certification, 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 an average annual gross receipts of $15 million or less over the last three tax years; a manufacturer, as defined, with 100 or fewer employees; or, a microbusiness. A small business will automatically be designated as 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 5% bid preference. The goal of the preference is to help small and micro businesses to be more competitive in the bid 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.

In addition, certified small businesses are eligible for the State’s Business Participation Program, which sets a goal for the use of small businesses in at least 25% of the state’s overall annual contract dollars.

Related/ Prior Legislation

SB 656 (Richardson, 2025) would have required all state agencies to designate at least one person to serve as a small business liaison, as specified. Additionally, the bill would have required the small business liaison to annually submit specified information to the Office. (Held in the Senate Appropriations Committee Suspense File)

SB 2019 (Petrie-Norris, Chapter 730, Statutes of 2022) codified, among other things, a 25% small business goal for state procurement and proposes a number of actions to enhance the ability and commitment of state agencies to include small business, including microbusinesses in state contracting, as specified.

AB 29 (John A. Perez, Chapter 475, Statutes of 2011) created GO-Biz and established specific tasks and duties for the office, including reorganizing such entities as the Advocate into this new office. Additionally, the bill required state agencies to furnish the Office the reports, document, and information that are public records and that the Office deems necessary to carry out the Office's functions.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Assembly Appropriations Committee, 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 OSBA publication.

SUPPORT: (Verified 8/24/26)

California African American Chamber of Commerce
California Asian Pacific Chamber of Commerce
California Black Chamber of Commerce
California Edge Coalition
California Retailers Association
CAMEO Network
Career Launch Path
Family Business Association of California
Latino Media Collaborative
Long Beach Area Chamber of Commerce
Los Angeles County Business Federation
Prismatic Research & Strategy

OPPOSITION: (Verified 8/24/26)

None received

ARGUMENTS IN SUPPORT: According to the California Black Chamber of Commerce, "by requiring state agencies, departments, boards, and commission to report not only contract awards but also the actual payments made to small businesses, this measure will provide critical data needed to evaluate whether participation goals are being meaningfully achieved. This level of transparency is essential to ensuring that small businesses – particularly those in historically underserved communities – are not awarded contracts, but are fully and fairly compensated."

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8/26/26 15:08:50

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