Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 247 (Smallwood-Cuevas) – As Amended April 21, 2025

Policy Committee: Economic Development, Growth, and Household Impact   Vote: 6 - 2

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

SUMMARY:

This bill requires a state agency, department, governmental entity, or other officer or entity authorized to award contracts on behalf of the state to provide bid preference to contractors that meet specified equity metrics, defined as hiring certain percentages of persons residing in a distressed area or a disadvantaged community. The bill applies only to contracts in excess of $35,000,000 using funds from the federal Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act of 2022 (IRA) or the CHIPS and Science Act of 2022.

Specifically, the bill prescribes a tiered set of bid preference ranges, from one percent to 10% preference, depending on the percentage labor hours performed by eligible persons, from five-to-nine percent up to 90% or more of total labor hours. Lastly, the bill requires DGS to promulgate regulations regarding compliance and reporting requirements.

FISCAL EFFECT:

One-time costs of $928,000 in the first year of implementation, $898,000 in the second year, and $724,000 annually ongoing (General Fund) for DGS to develop a new unit within the State Procurement Oversight Services branch to develop required regulations and policies and oversee implementation statewide.

According to DGS, the bill may also result in state agencies paying more for goods and services if the winning bid utilizes an eligible preference, possibly in the millions to tens of millions of dollars, as equity metrics preferences can range as high as 10% of the $35 million minimum project cost provided for under this bill.

COMMENTS:

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

> California is home to one of the most diverse populations in the world – communities that are now at risk of losing both job opportunities and economic stability. This bill helps protect and uplift these communities by offering [up to] a 10% bid preference for public infrastructure projects that meet disadvantaged worker equity metrics. This sends a message: diversity, equity, and inclusion are not just

> priorities, they are essential to the success of California's workforce and economy.

2) **Background.** Current law includes multiple contract procurement programs aimed at incentivizing state contracting with small businesses, disabled veteran owned businesses, businesses performing work in distressed areas and employing individuals at higher risk of unemployment, and for projects servicing disadvantaged communities identified by CalEPA. Depending on the specific program, a percentage-based preference is applied to the total bid cost for eligible businesses. Under the typical process, absent such preferences, agencies are required to award a contract to the lowest responsible bidder. This bill establishes a bid preference for projects over $35 million for businesses meeting specified equity metrics as a measure of the percentage of their workforce that are persons residing in a distressed area or a disadvantaged community, with businesses demonstrating a 5-to-9% percent eligible labor hours percentage receiving a one percent bid preference at the lowest tier and businesses demonstrating a 90% or more eligible labor hours percentage receiving 10% bid preference at the highest tier.

3) **Support and Opposition.** This bill has multiple organizations on file in support and opposition, with Equality California writing in support of the bill that "SB 247 helps ensure that public investments create pathways to good-paying jobs for communities that have historically been excluded from economic opportunity." However, the Associated General Contractors (AGC) write the following:

> Bid preferences do not create new value; they simply shift awards away from the lowest-cost bidder. As a result, the state pays more for the same project, agencies lose the ability to select the most cost-effective contractor, and construction budgets stretch further, reducing the number of projects that can be delivered. In a year when California faces significant fiscal constraints, SB 247 would increase project costs without improving safety, quality, or performance.

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