
SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION
Senator Steve Padilla
Chair
2025 - 2026 Regular

Bill No:	SB 656	Hearing Date:	4/22/2025
Author:	Richardson		
Version:	4/21/2025 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Felipe Lopez		

SUBJECT: Small businesses, disabled veteran enterprises, and minority business enterprises

DIGEST: This bill requires all state agencies to designate at least one person to serve as a small business liaison, as specified. Additionally, the bill requires the small business liaison to annually submit specified information to the Office of the Small business Advocate (Advocate), as specified.

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 Advocate 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.

This bill:

- 1) Requires all state agencies to designate at least one person to serve as a small business liaison. Current law requires only those state agencies that significantly regulates small business or that significantly impacts small business to designate a small business liaison.
- 2) Requires the small business liaison to annually submit the following information to the Advocate and for the Advocate to post the following information on the Advocate's internet website:
 - a) A list of current contracts between the state agency and a small business and all contracts of the state agency that include a subcontract with a small business.
 - b) The total amount of each contract described above.
 - c) The total dollar amount paid to a small business under a contract or subcontract described above.

Background

Author Statement. According to the author's office, "small businesses are drivers of economic growth and mobility, creating 2/3 of net new jobs in the state and employing nearly half of all private sector employees, building wealth, innovating to solve global problems, launching future growth industries, and defining main streets across our local communities. California small businesses are significant contributors to the California economy. California leads the nation in the number of patents, quantity of research institutions, investment, and deploys more venture and equity capital than any other state. However, economic disparities remain for

small businesses when it comes to government contracting with state and local agencies. Several challenges result from capital needed for startup, growth and management, especially innovation-based enterprises.”

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 Advocate 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 being responsible for 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.

This bill would require every state agency to designate at least one person as a small business liaison utilizing existing personnel and resources. The bill would also require the small business to annually submit specified contract information to the Advocate and for the Advocate to post that information on the Advocate’s internet website.

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

The advocate is responsible as 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 affects small businesses, and

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 Advocate 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 Requirements. 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 five percent 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.

Prior/Related Legislation

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 Advocate the reports, document, and information that are

public records and that the advocate deems necessary to carry out the Advocate's functions.

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

SUPPORT:

None received

OPPOSITION:

None received

DUAL-REFERRAL: Senate Governmental Organization Committee & Senate Business, Professions & Economic Development Committee