

AMENDED IN SENATE MARCH 26, 2025

SENATE BILL

No. 781

Introduced by Senator Reyes

(Coauthors: Assembly Members Nguyen and Schiavo)

February 21, 2025

~~An act to amend Section 96101 of the Government Code, relating to education.~~ *An act to amend Sections 12098.3 and 12100.63 of the Government Code, and to add Chapter 2.7 (commencing with Section 22060) to Part 3 of Division 2 of the Public Contract Code, relating to small business.*

LEGISLATIVE COUNSEL'S DIGEST

SB 781, as amended, Reyes. ~~Elementary and secondary education: academic volunteers.~~ *Small business.*

Existing law establishes the Office of Small Business Advocate within the Governor's Office of Business and Economic Development, led by the Small Business Advocate, and sets forth its powers and duties relating to advocacy on behalf of small business and providing small businesses with the information they need to survive in the marketplace. Existing law requires the advocate to, among other duties, collaborate with the Office of Small Business and Disabled Veteran Business Enterprise Services in their activities under the Small Business Procurement and Contract Act, including promoting small business certification.

This bill would require the advocate to also collaborate with local agencies on the development and implementation of local strategies to increase small business participation in local procurement opportunities, as specified. In this connection, the bill would authorize a local agency, as defined, to establish a Small Business Utilization Program (SBUP)

to increase small businesses' participation in local agency procurement opportunities.

This bill would require an SBUP, to facilitate the participation of small businesses in the provision of goods, information technology, and services to the local agency, to establish a small business certification process. As part of this process, the bill would require the SBUP, to the extent feasible, to include all of specified criteria, including, among other things, a minimum goal of 25% procurement participation for small businesses certification.

This bill would authorize a local agency to submit information on its small business procurement participation to the Office of Small Business Advocate, including progress toward meeting utilization goals. The bill would require the Office of Small Business Advocate, subject to funding being available, and upon appropriation by the Legislature for these purposes, to issue its first data call to local agencies by November 15, 2027, as specified. The bill would include related legislative findings.

Existing law creates the California Small Business Technical Assistance Program within the California Office of the Small Business Advocate, under the direct authority of the Small Business Advocate. Existing law requires the office to administer the program to provide grants to expand the capacity of small business development technical assistance centers in California, as specified. Existing law sets forth the criteria that an applicant must meet to be eligible to participate in the program.

This bill would, for grants made in fiscal years 2025–26 through 2027–28, inclusive, establish specified exceptions and modifications to the eligibility criteria.

~~The California Academic Volunteer and Mentor Service Act of 1992 creates the Academic Volunteer and Mentor Service Program, administered by the office of the Governor, in order to provide academic support and guidance to each child who requires it, as provided. The act sets forth related legislative findings and declarations.~~

~~This bill would make nonsubstantive changes to those legislative findings and declarations.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 12098.3 of the Government Code is*
2 *amended to read:*

3 12098.3. (a) The Small Business Advocate shall be appointed
4 by, and shall serve at the pleasure of, the Governor.

5 (b) The Governor shall appoint the employees who are needed
6 to accomplish the purposes of this article.

7 (c) The duties and functions of the advocate shall include all of
8 the following:

9 (1) Serve as the principal advocate in the state on behalf of small
10 businesses, including, but not limited to, advisory participation in
11 the consideration of all legislation and administrative regulations
12 that affect small businesses, and advocacy on state policy and
13 programs related to small businesses.

14 (2) Represent the views and interests of small businesses before
15 other state agencies whose policies and activities may affect small
16 business.

17 (3) Enlist the cooperation and assistance of public and private
18 agencies, businesses, and other organizations in disseminating
19 information about the programs and services provided by state
20 government that are of benefit to small businesses, and information
21 on how small businesses can participate in, or make use of, those
22 programs and services.

23 (4) Consult with experts and authorities in the fields of small
24 business investment, venture capital investment, and commercial
25 banking and other comparable financial institutions involved in
26 the financing of business, and with individuals with regulatory,
27 legal, economic, or financial expertise, including members of the
28 academic community, and individuals who generally represent the
29 public interest.

30 (5) Seek the assistance and cooperation of all state agencies and
31 departments providing services to, or affecting, small business,
32 including the small business liaison designated pursuant to Section
33 11148.5, to ensure coordination of state efforts. The advocate shall
34 fulfill this duty by, among other activities, maintaining, publicizing,
35 and distributing an annual list of persons serving as small business
36 liaisons throughout the state.

(6) Receive and respond to complaints from small businesses concerning the actions of state agencies and the operative effects of state laws and regulations adversely affecting those businesses.

(7) Counsel small businesses on how to resolve questions and problems concerning the relationship of small business to state government.

(8) Collaborate with the Office of Small Business and Disabled Veteran Business Enterprise Services in their activities under the Small Business Procurement and Contract Act (Chapter 6.5 (commencing with Section 14835) of Part 5.5), including, but not limited to, promoting small business certification and undertaking reasonable means to assist state agencies in improving small business participation. Among other activities, the advocate shall maintain, publicize, and distribute an annual list of persons serving as a small business advocate, designated pursuant to Section 14846, throughout state government.

(9) Collaborate with the California Disabled Veteran Enterprise Program Advocate, appointed pursuant to Section 999.11 of the Military and Veterans Code, regarding the implementation of the California Disabled Veteran Business Enterprise Program (Article 6 (commencing with Section 999) of Chapter 6 of Division 4 of the Military and Veterans Code), including, but not limited to, promoting disabled veteran business enterprise certification to veteran entrepreneurs and veteran-owned small businesses and undertaking reasonable means to assist state agencies in improving small business and disabled business enterprise procurement participation. The advocate shall fulfill this duty by, among other activities, publicizing the annual list of persons serving as a Disabled Veteran Business Enterprise Program Advocate, designated pursuant to Section 999.12 of the Military and Veterans Code, throughout the state.

(10) Collaborate with local agencies on the development and implementation of local strategies to increase small business participation in local procurement opportunities, including facilitating discussions and sharing examples, when known and available, of small business utilization strategies, technical assistance and outreach models, reciprocity agreements, and structures of preferences and other incentives.

SEC. 2. Section 12100.63 of the Government Code is amended to read:

1 12100.63. (a) The California Small Business Technical
2 Assistance Program is hereby created within the California Office
3 of the Small Business Advocate.

4 (b) The program shall be under the direct authority of the Small
5 Business Advocate.

6 (c) The purpose of the program is to assist small businesses
7 through free or low-cost one-on-one consulting and low-cost
8 training by entering into grant agreements with one or more small
9 business technical assistance centers.

10 (d) In implementing the program, the office shall consult with
11 local, regional, federal, and other state public and private entities
12 that share a similar mission to support the needs of small businesses
13 in California.

14 (e) An applicant pursuant to this article shall be a small business
15 technical assistance center, including a regional or statewide
16 network, operating as a group or as an individual center.

17 (1) A small business technical assistance center operating as a
18 group consisting of centers organized under a coordinating
19 administrative or fiscal entity shall apply by submitting a single
20 consolidated application to the office.

21 (2) A small business technical assistance center operating as an
22 individual center shall apply by submitting a single application for
23 that center to the office.

24 (f) The office shall administer the program to provide grants to
25 expand the capacity of small business development technical
26 assistance centers in California, administered by and primarily
27 funded by federal agencies, but shall also include other nonprofit
28 small business technical assistance centers, that provide one-on-one
29 confidential consulting and training to small businesses and
30 entrepreneurs in this state. ~~An~~ *Except as modified by subdivision*
31 *(l)*, an applicant shall be eligible to participate in the program if
32 the office determines that the applicant meets all of the following
33 criteria:

34 (1) At the time of applying for funds, the applicant has an active
35 contract with a federal funding partner to administer a program in
36 this state, or has received a letter of intent from a federal funding
37 partner to administer a federal small business technical assistance
38 center program in this state within the next fiscal year.
39 Alternatively, if the applicant is not a federally contracted small
40 business technical assistance center, the applicant shall document

1 a private funding source with similar intent and meet the criteria
2 defined in subdivision (s) of Section 12100.62.

3 (2) (A) The applicant provided a plan of action and commitment
4 to fully draw down all of the federal funds available using local
5 cash match and state funds not described in Section 12100.65
6 during the duration of the award period. Alternatively, if the
7 applicant is not a federally contracted small business technical
8 assistance center, the applicant shall present a plan of action for
9 drawing down any match required by those private funding sources
10 using local cash match outside of state funds not described in
11 Section 12100.65 during the award period. The office may request
12 that the applicant provide details relating to the source and amount
13 of these nonstate local match funds.

14 (B) If the applicant is a new small business technical assistance
15 center, the applicant has demonstrated the ability to fully draw
16 down substantially all federal or private funds available to it.

17 (3) The requested funding amount does not exceed the total
18 federal award specified in the contract with the federal funding
19 partner contract, or the private funding sources specified, but in
20 any event is no less than twenty five thousand dollars (\$25,000).

21 (4) The applicant seeks funding for one or more years, but no
22 more than five years in duration.

23 (5) The grant agreements authorized by this article are not
24 subject to the model contract provisions developed pursuant to
25 Chapter 14.27 (commencing with Section 67325) of Part 40 of
26 Division 5 of Title 3 of the Education Code.

27 (6) The applicant has a fiscal agent that is able to receive
28 nonfederal funds.

29 (g) The office shall issue a request for proposal for grants under
30 the program, which may contain the following information:

31 (1) The eligibility requirements described in subdivision (e).

32 (2) The available funding range.

33 (3) Funding instruments.

34 (4) The local cash match requirement described in subdivision
35 (f).

36 (5) Operational capacity.

37 (6) The duration of the program.

38 (7) The start date of the program.

39 (8) Narrative requirements.

40 (9) Reporting requirements.

1 (10) Required attachments.

2 (11) Submission requirements.

3 (12) Application evaluation criteria.

4 (13) An announcement of an awards timeline.

5 (h) (1) The office shall evaluate applications received based
6 on the following factors:

7 (A) The proposed use of the requested funding, including the
8 specificity, measurability, and ability of the applicant to document
9 and achieve the goals and objectives identified in its application.

10 (B) The proposed management strategy of the applicant to
11 achieve its goals and objectives identified in its application.

12 (C) The applicant's ability to complement and leverage the work
13 of other local, state, federal, nonprofit, or private business technical
14 assistance resource providers.

15 (D) The applicant's historical performance with federal funding
16 partner contracts or private funding sources and the strength of its
17 fiscal controls.

18 (2) The office shall prioritize funding for applications that best
19 meet the factors listed in paragraph (1) and give preference to
20 applications that propose new or enhanced services to underserved
21 business groups, including women, minority, and veteran-owned
22 businesses, and businesses in low-wealth, rural, and
23 disaster-impacted communities included in a state or federal
24 emergency declaration or proclamation.

25 (i) State funds provided pursuant to the program shall be used
26 to expand consulting and training services through existing and
27 new centers, including satellite offices. State funds provided
28 pursuant to the program shall not supplant nonstate local cash
29 match dollars included in a federal small business technical
30 assistance center's plan described in subparagraph (A) of paragraph
31 (2) of subdivision (f) or in any nonfederal small business technical
32 assistance center's plan.

33 (j) Subject to appropriation of necessary funds by the
34 Legislature, a supplemental grant program designated as the
35 California Dream Fund Program shall be established by the office
36 to provide microgrants as described in this subdivision. The
37 microgrants shall be disbursed through California Small Business
38 Technical Assistance Program grantees. California Small Business
39 Technical Assistance Program applicants, as prescribed by the
40 office, may also request state funds designated as the California

1 Dream Fund Program moneys to provide microgrants up to ten
2 thousand dollars (\$10,000) to seed entrepreneurship and small
3 business creation in underserved small business groups that are
4 facing capital and opportunity gaps. These microgrants shall be
5 made available to startup clients participating in intensive startup
6 training and consulting with the center networks.

7 (k) For purposes of implementing the California Dream Fund
8 Program, a person or entity shall not seek information that is
9 unnecessary to determine eligibility, including whether the
10 individual is undocumented. Information that may be collected
11 from individuals participating in the California Dream Fund
12 Program shall not constitute a record subject to disclosure under
13 Division 10 (commencing with Section 7920.000) of Title 1.

14 (l) *For grants made in fiscal years 2025–26 through 2027–28,*
15 *inclusive, the requirements in subdivision (f) are modified as*
16 *follows:*

17 (1) *An applicant may use its 2023–24 federal fiscal year contract*
18 *to meet the requirement described in paragraph (1) of subdivision*
19 *(f) to have an active contract with a federal funding partner to*
20 *administer a program in this state.*

21 (2) *The requirement described in paragraph (2) of subdivision*
22 *(f) shall be waived for applicants who meet all of the following*
23 *criteria:*

24 (A) *The applicant received an award pursuant to this chapter*
25 *as a federal small business technical assistance center during the*
26 *2022–23, 2023–24, and 2024–25 funding rounds.*

27 (B) *The office determines the applicant successfully implemented*
28 *their awarded contracts in 2023 and 2024.*

29 (C) *The applicant’s federal contract was canceled or otherwise*
30 *rescinded in the 2024–25 fiscal year. This subparagraph shall not*
31 *apply if the office determines the contract was canceled due to*
32 *compliance issues.*

33 (3) *An applicant may use the total contract award amount in*
34 *its 2023–24 federal fiscal year contract to meet the requirement*
35 *described in paragraph (3) of subdivision (f) that the requested*
36 *funding amount made in a grant pursuant to this chapter not exceed*
37 *the total federal award specified in the contract with the federal*
38 *funding partner contract.*

39 SEC. 3. Chapter 2.7 (commencing with Section 22060) is added
40 to Part 3 of Division 2 of the Public Contract Code, to read:

CHAPTER 2.7. SMALL BUSINESS UTILIZATION PROGRAM

Article 1. General

22060. This chapter shall be known, and may be cited, as the Small Business Utilization Act.

22061. The Legislature finds and declares all of the following:

(a) Small businesses play a crucial role in the state economy and contribute significantly to job creation and economic growth.

(b) Establishing a Small Business Utilization Program will promote the inclusion and participation of small businesses in government contracts, fostering economic development.

(c) It serves a public purpose and is of benefit to the state to promote and facilitate the fullest possible participation by all citizens.

(d) It serves the public interest to ensure fair and equal opportunities for small businesses to compete for and perform local contracts.

Article 2. Definitions

22062. For the purposes of this chapter, the following terms have the following meanings:

(a) “Commercially useful function” means:

(1) A contractor is deemed to perform a commercially useful function if the contractor, including a subcontractor, does all of the following:

(A) Is responsible for the execution of a distinct element of the work of the contract.

(B) Carries out its obligation by actually performing, managing, or supervising the work involved.

(C) Performs work that is normal for its business services and functions.

(D) Is responsible, with respect to products, inventories, materials, and supplies required for the contract, for negotiating price, determining quality and quantity, ordering, installing, if applicable, and making payment.

1 (E) Is not further subcontracting a portion of the work that is
2 greater than that expected to be subcontracted by normal industry
3 practices.

4 (2) A contractor or subcontractor does not perform a
5 commercially useful function if the contractor's or subcontractor's
6 sole role is that of an extra participant in a transaction, contract,
7 or project through which funds are passed in order to obtain the
8 appearance of a small business, a disabled veteran business, or a
9 social enterprise.

10 (b) "Contract" or "procurement" means the procurement of
11 goods, information technology, or delivery of services.

12 (c) "Local agency" means a city, county, or city and county,
13 including charter cities and charter counties.

14
15 Article 3. Small Business Utilization Program

16
17 22063. (a) A local agency may establish a Small Business
18 Utilization Program (SBUP) to increase small businesses'
19 participation in local agency procurement opportunities.

20 (b) In order to facilitate the participation of small businesses,
21 including microbusinesses, in the provision of goods, information
22 technology, and services to the local agency, the SBUP shall, to
23 the extent feasible, include all of the following:

24 (1) A small business certification process, including certification
25 criteria, that shall, at minimum, include each small business
26 certification identified in Section 14837 of the Government Code.
27 In developing the process and certification criteria, the local
28 agency shall consider reciprocity with the state and other local
29 agencies. Nothing in this chapter prohibits a local agency from
30 also adopting a local small business certification.

31 (2) A minimum goal of 25 percent procurement participation
32 for small businesses, including microbusinesses, in local agency
33 contracts.

34 (3) A small business preference and a nonsmall business
35 preference for bidders that provide for small business and
36 microbusiness subcontractor participation in the award of
37 contracts for goods, information technology, and services. These
38 small businesses are required to serve a commercially useful
39 function in the completion of the contract.

1 (4) Policies and strategies related to training, technical
2 assistance, and resources available to small businesses to enhance
3 their ability to compete for local agency contracts.

4 (5) Policies and strategies that provide specific considerations
5 to be taken in designing and issuing solicitations to increase small
6 business and microbusiness procurement opportunities while also
7 meeting local agency needs and available funding, including, but
8 not limited to:

9 (A) Determining when appropriate and how to unbundle larger
10 contracts to allow smaller ones.

11 (B) Reducing the minimum years of experience a business must
12 have to submit a fully compliant bid.

13 (C) Reducing the level of inventory normally required.

14 (D) Streamlining the bidding process.

15 (6) Policies and strategies to assist departments that fail to meet
16 the small business participation goal.

17 (7) Baseline data on local procurement activities and methods
18 that will be used to monitor and report on the participation of
19 small businesses in local agency contracts.

20 (8) A process for a nonsmall business prime that receives a
21 preference pursuant to this chapter to verify all of the following:

22 (A) The small business subcontractors identified in the bid
23 package have been notified that the prime has been awarded the
24 contract.

25 (B) The small business subcontractors identified in the bid
26 package have been paid in full.

27 (C) The amount paid, in the aggregate, to small business
28 subcontractors meets or exceeds the amount committed to in the
29 bid and as modified by the local agency contract.

30 (D) The small business subcontractors serves a commercially
31 useful function.

32 (9) A process for a nonsmall business that receives a preference
33 pursuant to the chapter to replace the small business subcontractor
34 identified in the bid for another qualified small business
35 subcontractor after the contract has been awarded. This shall
36 include a requirement for approval by the local agency and the
37 notification and payment of costs already incurred by the small
38 business subcontractors named in the bid.

39 (10) To the extent feasible and consistent with state law,
40 incentives to small businesses in the procurement process,

1 including, but not limited to, set-asides, subcontracting
2 opportunities, and mandatory small business participation in
3 certain local agency contracts for qualified small businesses.

4 (11) Policies and strategies that support the local agency in
5 continuously expanding the pool of small businesses and
6 microbusinesses participating in the local agency contracts.

7 (12) A requirement for the local agency to review the Small
8 Business Utilization Plan and update it as needed, but not less
9 than every four years.

11 Article 4. Reporting Requirements

13 22065. (a) A local agency may submit information on their
14 small business procurement participation to the Office of Small
15 Business Advocate, including progress toward meeting utilization
16 goals.

17 (b) Subject to funding being available, and upon appropriation
18 by the Legislature for purposes of this chapter, the Office of Small
19 Business Advocate shall issue its first data call to local agencies
20 by November 15, 2027. The data call shall cover contracting
21 activities during the prior fiscal year.

22 (c) Information from the data call shall include the total number
23 and dollar amount of contracting activities entered into by the
24 local agency during the prior fiscal year in dollars and percentages
25 compared to the baseline year identified in the Small Business
26 Utilization Plan or set by the local agency through another means.
27 The report may also summarize any substantive changes made to
28 the Small Business Utilization Plan, if one has been adopted,
29 during the reporting year.

31 Article 5. Operative Date

33 22067. This chapter shall become operative on January 1,
34 2026.

35 ~~SECTION 1. Section 96101 of the Government Code is~~
36 ~~amended to read:~~

37 ~~96101. The Legislature finds and declares all of the following:~~

38 ~~(a) Every California child is encouraged to have a caring adult~~
39 ~~who, along with parents and teachers, is able to offer support,~~

1 friendship, encouragement, and motivation to help the child excel
2 academically and lead a productive life.

3 (b) ~~As a society, we look to a child's family to provide a~~
4 ~~supportive home environment and realize that the primary~~
5 ~~responsibility for child rearing must remain with the family.~~
6 ~~However, we are keenly aware of increases in child abuse and~~
7 ~~neglect, the escalation of drug and alcohol abuse, and that many~~
8 ~~children who could excel in school are not receiving all the help~~
9 ~~and support they need to succeed.~~

10 (c) ~~Untapped human resources exist in local communities~~
11 ~~throughout the state that can provide many children with an~~
12 ~~additional caring person, in support of the family and school~~
13 ~~system, to volunteer as a positive academic role model or mentor.~~
14 ~~These individuals will help those children progress in school and~~
15 ~~help direct and reinforce the many opportunities that will further~~
16 ~~enhance each child's life.~~

17 (d) ~~The private sector throughout California should be~~
18 ~~commended for its generous financial support of public schools.~~
19 ~~Now, there is another significant contribution that the private sector~~
20 ~~can, and must, make to California's children and youth — the~~
21 ~~investment of human capital in our children's future as academic~~
22 ~~volunteers and mentors.~~

23 (e) ~~Programs such as the 100 Black Men, which provides~~
24 ~~encouragement and support to children through the use of mentors,~~
25 ~~have resulted in significant increases in graduation rates at the~~
26 ~~secondary level and in much improved enrollment rates in~~
27 ~~postsecondary education for some of our most vulnerable youth.~~

28 (f) ~~Local, regional, and statewide resource referral systems must~~
29 ~~be established to more efficiently link children and potential~~
30 ~~academic volunteers and mentors with existing programs and~~
31 ~~organizations.~~

32 (g) ~~Volunteer and mentor service must be encouraged and~~
33 ~~appropriately recognized.~~