

AMENDED IN ASSEMBLY JULY 14, 2025

AMENDED IN SENATE MAY 1, 2025

AMENDED IN SENATE MARCH 26, 2025

SENATE BILL

No. 781

Introduced by Senator Reyes

(Coauthors: Assembly Members ~~Nguyen and Schiavo~~) *Gipson, Nguyen, Patel, Schiavo, and Solache*)

February 21, 2025

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. 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. The bill would authorize a local agency that establishes an SBUP to engage in specified activities to facilitate contract awards to small businesses.

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, and every year thereafter, as specified. The bill would require the Office of Small Business Advocate to prepare an annual report that may contain, among other things, information received from the data call and to post the report on its internet website within 6 months after each data call. 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~~, *California that are administered by and primarily funded by federal agencies and other nonprofit small business technical assistance centers*, as specified. Existing law sets forth the criteria that an applicant must meet to be eligible to participate in the program. *Existing law authorizes specified state funding provided pursuant to these provisions to be used for outreach efforts.*

~~This bill would, for grants made in fiscal years 2025–26 through 2027–28, inclusive, establish specified exceptions and modifications to the eligibility criteria.~~ *would remove provisions that require an applicant to provide a plan of action and commitment to fully draw down all specified federal funds available to it, that authorize the office to require an applicant to provide details relating to the source and*

amount of nonstate funds, and that require an applicant to demonstrate the ability to fully draw down substantially all federal and private funds available to it in order to be eligible to participate in the program. The bill would authorize an applicant to utilize federal and private funding contracts, as specified. The bill would authorize up to 25% of specified state funding awarded pursuant to these provisions to be used for outreach and limit the awarded funds that may be used for direct program administration expenses to 15%.

Vote: majority. Appropriation: no. Fiscal committee: 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

1 academic community, and individuals who generally represent the
2 public interest.

3 (5) Seek the assistance and cooperation of all state agencies and
4 departments providing services to, or affecting, small business,
5 including the small business liaison designated pursuant to Section
6 11148.5, to ensure coordination of state efforts. The advocate shall
7 fulfill this duty by, among other activities, maintaining, publicizing,
8 and distributing an annual list of persons serving as small business
9 liaisons throughout the state.

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

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

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

26 (9) Collaborate with the California Disabled Veteran Enterprise
27 Program Advocate, appointed pursuant to Section 999.11 of the
28 Military and Veterans Code, regarding the implementation of the
29 California Disabled Veteran Business Enterprise Program (Article
30 6 (commencing with Section 999) of Chapter 6 of Division 4 of
31 the Military and Veterans Code), including, but not limited to,
32 promoting disabled veteran business enterprise certification to
33 veteran entrepreneurs and veteran-owned small businesses and
34 undertaking reasonable means to assist state agencies in improving
35 small business and disabled business enterprise procurement
36 participation. The advocate shall fulfill this duty by, among other
37 activities, publicizing the annual list of persons serving as a
38 Disabled Veteran Business Enterprise Program Advocate,
39 designated pursuant to Section 999.12 of the Military and Veterans
40 Code, throughout the state.

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

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

10 ~~12100.63. (a) The California Small Business Technical~~
11 ~~Assistance Program is hereby created within the California Office~~
12 ~~of the Small Business Advocate.~~

13 ~~(b) The program shall be under the direct authority of the Small~~
14 ~~Business Advocate.~~

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

19 ~~(d) In implementing the program, the office shall consult with~~
20 ~~local, regional, federal, and other state public and private entities~~
21 ~~that share a similar mission to support the needs of small businesses~~
22 ~~in California.~~

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

26 ~~(1) A small business technical assistance center operating as a~~
27 ~~group consisting of centers organized under a coordinating~~
28 ~~administrative or fiscal entity shall apply by submitting a single~~
29 ~~consolidated application to the office.~~

30 ~~(2) A small business technical assistance center operating as an~~
31 ~~individual center shall apply by submitting a single application for~~
32 ~~that center to the office.~~

33 ~~(f) The office shall administer the program to provide grants to~~
34 ~~expand the capacity of small business development technical~~
35 ~~assistance centers in California, administered by and primarily~~
36 ~~funded by federal agencies, but shall also include other nonprofit~~
37 ~~small business technical assistance centers, that provide one-on-one~~
38 ~~confidential consulting and training to small businesses and~~
39 ~~entrepreneurs in this state. Except as modified by subdivision (l),~~
40 ~~an applicant shall be eligible to participate in the program if the~~

1 office determines that the applicant meets all of the following
2 criteria:

3 (1) At the time of applying for funds, the applicant has an active
4 contract with a federal funding partner to administer a program in
5 this state, or has received a letter of intent from a federal funding
6 partner to administer a federal small business technical assistance
7 center program in this state within the next fiscal year.
8 Alternatively, if the applicant is not a federally contracted small
9 business technical assistance center, the applicant shall document
10 a private funding source with similar intent and meet the criteria
11 defined in subdivision (s) of Section 12100.62.

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

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

26 (3)
27 The requested funding amount does not exceed the total federal
28 award specified in the contract with the federal funding partner
29 contract, or the private funding sources specified, but in any event
30 is no less than twenty-five thousand dollars (\$25,000).

31 (4)
32 The applicant seeks funding for one or more years, but no more
33 than five years in duration.

34 (5)
35 The grant agreements authorized by this article are not subject
36 to the model contract provisions developed pursuant to Chapter
37 14.27 (commencing with Section 67325) of Part 40 of Division 5
38 of Title 3 of the Education Code.

39 (6)

1 ~~The applicant has a fiscal agent that is able to receive nonfederal~~
2 ~~funds.~~

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

5 ~~(1) The eligibility requirements described in subdivision (e).~~

6 ~~(2) The available funding range.~~

7 ~~(3) Funding instruments.~~

8 ~~(4) The local cash match requirement described in subdivision~~

9 ~~(f).~~

10 ~~(5) Operational capacity.~~

11 ~~(6) The duration of the program.~~

12 ~~(7) The start date of the program.~~

13 ~~(8) Narrative requirements.~~

14 ~~(9) Reporting requirements.~~

15 ~~(10) Required attachments.~~

16 ~~(11) Submission requirements.~~

17 ~~(12) Application evaluation criteria.~~

18 ~~(13) An announcement of an awards timeline.~~

19 ~~(h) (1) The office shall evaluate applications received based~~
20 ~~on the following factors:~~

21 ~~(A) The proposed use of the requested funding, including the~~
22 ~~specificity, measurability, and ability of the applicant to document~~
23 ~~and achieve the goals and objectives identified in its application.~~

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

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

29 ~~(D) The applicant's historical performance with federal funding~~
30 ~~partner contracts or private funding sources and the strength of its~~
31 ~~fiscal controls.~~

32 ~~(2) The office shall prioritize funding for applications that best~~
33 ~~meet the factors listed in paragraph (1) and give preference to~~
34 ~~applications that propose new or enhanced services to underserved~~
35 ~~business groups, including women, minority, and veteran-owned~~
36 ~~businesses, and businesses in low-wealth, rural, and~~
37 ~~disaster-impacted communities included in a state or federal~~
38 ~~emergency declaration or proclamation.~~

39 ~~(i) State funds provided pursuant to the program shall be used~~
40 ~~to expand consulting and training services through existing and~~

1 new centers, including satellite offices. State funds provided
2 pursuant to the program shall not supplant nonstate local cash
3 match dollars included in a federal small business technical
4 assistance center's plan described in subparagraph (A) of paragraph
5 (2) of subdivision (f) or in any nonfederal small business technical
6 assistance center's plan.

7 (j) Subject to appropriation of necessary funds by the
8 Legislature, a supplemental grant program designated as the
9 California Dream Fund Program shall be established by the office
10 to provide microgrants as described in this subdivision. The
11 microgrants shall be disbursed through California Small Business
12 Technical Assistance Program grantees. California Small Business
13 Technical Assistance Program applicants, as prescribed by the
14 office, may also request state funds designated as the California
15 Dream Fund Program moneys to provide microgrants up to ten
16 thousand dollars (\$10,000) to seed entrepreneurship and small
17 business creation in underserved small business groups that are
18 facing capital and opportunity gaps. These microgrants shall be
19 made available to startup clients participating in intensive startup
20 training and consulting with the center networks.

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

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

31 (1)

32 —An applicant may use its 2023–24 federal fiscal year contract
33 to meet the requirement described in paragraph (1) of subdivision
34 (f) to have an active contract with a federal funding partner to
35 administer a program in this state.

36 (2)

37 —The requirement described in paragraph (2) of subdivision (f)
38 shall be waived for applicants who meet all of the following
39 criteria:

40 (A)

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

~~(B)~~

~~The office determines the applicant successfully implemented their awarded contracts in 2023 and 2024.~~

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

~~(3)~~

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

SEC. 2. Section 12100.63 of the Government Code, as amended by Section 26 of Chapter 20 of the Statutes of 2025, is amended to read:

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

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

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

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

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

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

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

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

(1) At the time of applying for funds, the applicant has an active contract with a federal funding partner to administer a program in this state, or has received a letter of intent from a federal funding partner to administer a federal small business technical assistance center program in this state within the next fiscal year. Alternatively, if the applicant is not a federally contracted small business technical assistance center, the applicant shall document a private funding source with similar intent and meet the criteria defined in subdivision (s) of Section 12100.62.

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

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

~~(3)~~

(2) The requested funding amount does not exceed the total federal award specified in the contract with the federal funding partner contract, or the private funding sources specified, but in

1 any event is no less than twenty-five thousand dollars (\$25,000).
2 *An applicant may utilize up to two federal awards, two private*
3 *funding contracts, or a combination of one federal award and one*
4 *private funding contract.*

5 ~~(4)~~

6 (3) The applicant seeks funding for one or more years, but no
7 more than five years in duration.

8 ~~(5)~~

9 (4) The grant agreements authorized by this article are not
10 subject to the model contract provisions developed pursuant to
11 Chapter 14.27 (commencing with Section 67325) of Part 40 of
12 Division 5 of Title 3 of the Education Code.

13 ~~(6)~~

14 (5) The applicant has a fiscal agent that is able to receive
15 nonfederal funds.

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

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

19 (2) The available funding range.

20 (3) Funding instruments.

21 (4) The local cash match requirement described in subdivision
22 (f).

23 (5) Operational capacity.

24 (6) The duration of the program.

25 (7) The start date of the program.

26 (8) Narrative requirements.

27 (9) Reporting requirements.

28 (10) Required attachments.

29 (11) Submission requirements.

30 (12) Application evaluation criteria.

31 (13) An announcement of an awards timeline.

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

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

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

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

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

7 (2) The office shall prioritize funding for applications that best
8 meet the factors listed in paragraph (1) and give preference to
9 applications that propose new or enhanced services to underserved
10 business groups, including women, minority, and veteran-owned
11 businesses, and businesses in low-wealth, rural, and
12 disaster-impacted communities included in a state or federal
13 emergency declaration or proclamation.

14 (i) State funds provided pursuant to the program shall be used
15 to *provide or* expand consulting and training services through
16 existing and new centers, including satellite offices. State funds
17 provided pursuant to the program shall not supplant nonstate local
18 cash match dollars ~~included in a federal small business technical~~
19 ~~assistance center's plan described in subparagraph (A) of paragraph~~
20 ~~(2) of subdivision (f) or in any nonfederal small business technical~~
21 ~~assistance center's plan.~~ *used by a small business technical*
22 *assistance center's plan to fully draw down the federal or private*
23 *funds used to apply for the program.*

24 (j) Subject to appropriation of necessary funds by the
25 Legislature, a supplemental grant program designated as the
26 California Dream Fund Program shall be established by the office
27 to provide microgrants as described in this subdivision. The
28 microgrants shall be disbursed through California Small Business
29 Technical Assistance Program grantees. California Small Business
30 Technical Assistance Program applicants, as prescribed by the
31 office, may also request state funds designated as the California
32 Dream Fund Program moneys to provide microgrants up to ten
33 thousand dollars (\$10,000) to seed entrepreneurship and small
34 business creation in underserved small business groups that are
35 facing capital and opportunity gaps. These microgrants shall be
36 made available to startup clients participating in intensive startup
37 training and consulting with the center networks.

38 (k) For purposes of implementing the California Dream Fund
39 Program, a person or entity shall not seek information that is
40 unnecessary to determine eligibility, including whether the

1 individual is undocumented. Information that may be collected
2 from individuals participating in the California Dream Fund
3 Program shall not constitute a record subject to disclosure under
4 Division 10 (commencing with Section 7920.000) of Title 1.

5 (l) (1) If an applicant's federal contract was canceled, frozen,
6 or rescinded in the 2024–25 fiscal year, then for grants made in
7 fiscal years 2025–26 to 2027–28, inclusive, the requirements in
8 subdivision (f) are modified, as follows:

9 (A) The applicant may use its 2023–24 federal fiscal year
10 contract to meet the requirement described in paragraph (1) of
11 subdivision (f) to have an active contract with a federal funding
12 partner to administer a program in this state.

13 (B) The requirement described in paragraph (2) of subdivision
14 (f) shall be waived if the applicant meets all of the following
15 criteria:

16 (i) The applicant received an award pursuant to this chapter as
17 a federal small business technical assistance center during the
18 2022–23, 2023–24, and 2024–25 funding rounds.

19 (ii) The office determines that the applicant successfully
20 implemented their awarded contracts in 2023 and 2024.

21 (C) An applicant may use the total contract award amount in
22 its 2023–24 federal fiscal year contract to meet the requirement
23 described in paragraph (3) of subdivision (f) that the requested
24 funding amount made in a grant pursuant to this chapter not exceed
25 the total federal award specified in the contract with the federal
26 funding partner contract.

27 (2) This subdivision shall not apply if the office determines that
28 the contract was canceled, frozen, or rescinded based upon a
29 finding and declaration of noncompliance.

30 (3) State funding adjustments authorized pursuant to this
31 subdivision shall be temporary and limited.

32 (4) State funding provided pursuant to this subdivision may also
33 be used for outreach efforts to ensure that small businesses,
34 including those in underserved and rural communities, are aware
35 of, and can access, technical assistance services. *Up to 25 percent*
36 *of the awarded funds may be used for outreach. No more than 15*
37 *percent of awarded funds shall be used for direct program*
38 *administration expenses.*

39 (5) The office shall review and confirm that the applicant
40 continues to meet state performance standards and provides

1 high-quality, equitable technical assistance services. The office
2 shall report its findings and actions to the Legislature. A report to
3 be submitted pursuant to this paragraph shall be submitted in
4 compliance with Section 9795 of the Government Code.

5 (6) This subdivision shall remain operative until June 30, 2029.

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

8
9 CHAPTER 2.7. SMALL BUSINESS UTILIZATION PROGRAM

10
11 Article 1. General

12
13 22060. This chapter shall be known, and may be cited, as the
14 Small Business Utilization Act.

15 22061. The Legislature finds and declares all of the following:

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

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

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

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

27
28 Article 2. Definitions

29
30 22062. For the purposes of this chapter, the following terms
31 have the following meanings:

32 (a) “Commercially useful function” means:

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

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

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

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

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

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

10 (2) A contractor or subcontractor does not perform a
11 commercially useful function if the contractor's or subcontractor's
12 sole role is that of an extra participant in a transaction, contract,
13 or project through which funds are passed in order to obtain the
14 appearance of a small business, a disabled veteran business, or a
15 social enterprise.

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

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

20
21 Article 3. Small Business Utilization Program
22

23 22063. (a) A local agency may establish a Small Business
24 Utilization Program (SBUP) to increase small businesses'
25 participation in local agency procurement opportunities.

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

30 (1) A small business certification process, including certification
31 criteria, that shall, at minimum, include each small business
32 certification identified in Section 14837 of the Government Code.
33 In developing the process and certification criteria, the local agency
34 shall consider reciprocity with the state and other local agencies.
35 Nothing in this chapter prohibits a local agency from also adopting
36 a local small business certification.

37 (2) A minimum goal of 25 percent procurement participation
38 for small businesses, including microbusinesses, in local agency
39 contracts.

1 (3) A small business preference and a nonsmall business
2 preference for bidders that provide for small business and
3 microbusiness subcontractor participation in the award of contracts
4 for goods, information technology, and services. These small
5 businesses are required to serve a commercially useful function
6 in the completion of the contract.

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

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

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

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

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

20 (D) Streamlining the bidding process.

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

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

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

28 (A) The small business subcontractors identified in the bid
29 package have been notified that the prime has been awarded the
30 contract.

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

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

36 (D) The small business subcontractors serve a commercially
37 useful function.

38 (9) A process for a nonsmall business that receives a preference
39 pursuant to the chapter to replace the small business subcontractor
40 identified in the bid for another qualified small business

1 subcontractor after the contract has been awarded. This shall
2 include a requirement for approval by the local agency and the
3 notification and payment of costs already incurred by the small
4 business subcontractors named in the bid.

5 (10) To the extent feasible and consistent with state law,
6 incentives to small businesses in the procurement process,
7 including, but not limited to, set-asides, subcontracting
8 opportunities, and mandatory small business participation in certain
9 local agency contracts for qualified small businesses.

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

13 (12) A requirement for the local agency to review the Small
14 Business Utilization Program and update it as needed, but not less
15 than every four years.

16 (c) Notwithstanding any other provision, a local agency may
17 engage in the activities to facilitate contract awards to small
18 businesses described in Section 2002 if it establishes an SBUP.
19 However, the value of any preference awarded pursuant to this
20 chapter shall not exceed two hundred thousand dollars (\$200,000)
21 for any single bid.

22 Article 4. Reporting Requirements

23
24
25 22065. (a) A local agency may submit information on their
26 small business procurement participation to the Office of Small
27 Business Advocate, including progress toward meeting utilization
28 goals.

29 (b) Subject to funding being available, and upon appropriation
30 by the Legislature for purposes of this chapter, the Office of Small
31 Business Advocate shall issue its first data call to local agencies
32 by November 15, 2027, and every year thereafter. The data call
33 shall cover contracting activities during the prior fiscal year.

34 (c) Information from the data call shall include the total number
35 and dollar amount of contracting activities entered into by the local
36 agency during the prior fiscal year in dollars and percentages
37 compared to the baseline year identified in the SBUP or set by the
38 local agency through another means.

39 (d) (1) The Office of Small Business Advocate shall prepare
40 an annual report that may include the following information:

1 (A) A review of the information received from the data call and
2 an accurate display of the data in the form of a table, graph, chart,
3 or other diagram.

4 (B) An outline of the best practices of local agencies for small
5 business procurement participation.

6 (C) A summary of any substantive changes made to each local
7 agency SBUP during the reporting year.

8 (2) The Office of Small Business Advocate shall post the annual
9 report on its internet website within six months after each data
10 call.

11
12 Article 5. Operative Date

13
14 22067. This chapter shall become operative on January 1, 2026.