

The policy agenda for California's entrepreneurs: 2026 legislative session

We have developed a comprehensive state policy agenda grounded in the recognition that entrepreneurship is the lifeblood of a thriving and inclusive California economy. As the fourth-largest economy in the world—larger than most nations—California's economic strength is driven not just by scale but by the vitality of its small businesses. As the state faces a significant fiscal challenge, with the Legislative Analyst's Office projecting an approximately \$18 billion budget deficit for the 2026–27 fiscal year, we remain focused on the structural imbalances between large and small businesses.

California's 4.3 million small businesses account for 99.8% of all businesses statewide and employ 7.6 million residents, nearly half of our private-sector workforce.¹ By fostering a level playing field, expanding access to affordable and high-quality healthcare and responsible capital, and bolstering an inclusive Main Street workforce, small business owners will continue to drive innovation, job creation and local economic growth. This agenda focuses on targeted, fiscally responsible policies that strengthen small businesses while addressing policy inequities in California's economy that create barriers to entrepreneurship, job quality and revenue generation.

Foster a level playing field for small businesses

Independent businesses play a vital role in creating jobs and economic opportunity across California, yet growing market consolidation and policies that concentrate economic power make it harder for small businesses to compete. In the absence of stronger federal **Robinson-Patman Act** enforcement, which would allow the U.S. Attorney General greater antitrust enforcement, the **California Attorney General** must take punitive actions against bad actors in California that have demonstrated discriminatory practices on small businesses, so that entrepreneurs can compete fairly and strengthen their bottom lines. As federal antitrust enforcement by agencies such as the **Federal Trade Commission (FTC)** faces increasing legal and practical constraints, California must retain and strengthen its authority to enforce its own antitrust laws to protect competition and local economies. To level the playing field, the Legislature should prioritize the following recommendations:

- **Strengthen California's antitrust laws and address single firm conduct.** The Legislature should strengthen California's antitrust framework to provide clearer enforcement tools that protect small businesses from unfair and exclusionary conduct by dominant firms, including through legislation such as **AB 325 (Aguiar-Curry)**, which modernizes the **Cartwright Act** to address algorithmic price fixing and lowers barriers for enforcing antitrust violations.
- Building on the work of the **California Law Revision Commission (CLRC)**, policymakers should continue advancing targeted reforms that reflect modern market realities, improve enforcement clarity, and ensure antitrust policy explicitly centers small business impacts to level the playing field across California's economy.
- The Legislature should protect small businesses from emerging pricing practices that exploit personal data by supporting **AB 446 (Ward)**, which would **prohibit "surveillance pricing"** and prevent companies from using digital tracking data to set individualized prices, promoting fair competition across California.
- **Revise tax policies to create more parity between what small businesses and their larger corporate counterparts pay. Close tax loopholes favoring large corporations.** Policymakers should close tax loopholes that allow large corporations to significantly reduce or eliminate their state tax liability while small business owners pay the full share they owe. For example, reforms to the **Water's Edge Election** would prevent multinational corporations from avoiding taxes on foreign income and help level the playing field for small businesses.

Expand healthcare accessibility and affordability

California has expanded healthcare coverage significantly, but rising costs, consolidation and coverage gaps continue to strain small business owners and their workers. Entrepreneurs and employees still face high premiums, large out-of-pocket costs and barriers to care, underscoring the need for targeted policies that control costs, expand coverage and improve accountability.

- **Advancing healthcare cost control through Office of Health Care Affordability (OHCA) oversight.** With the passage of AB 1415 (Bonta), California strengthened its ability to address hospital consolidation that drives up costs and limits competition. The Legislature should continue to invest in OHCA so it can implement spending growth targets by 2028 to ensure cost controls translate into measurable affordability improvements for small businesses and their workers.
- **Ensure healthcare programs are properly funded to support small business owners and their workers who rely on them for coverage.** If the state pursues a large-employer healthcare responsibility assessment, it should apply only to the largest employers that shift healthcare costs onto Medi-Cal, with clear size thresholds and exemptions for the smallest businesses that struggle to afford to offer coverage. Resulting revenue should be invested in programs that make healthcare coverage more affordable for small businesses such as the **Health Care Affordability Reserve Fund** and restricted to proven affordability tools, including state-funded cost-sharing reductions and premium support for moderate-income business owners and workers in the 400–600% FPL range population, who have just lost their federal Enhanced Premium Tax Credits, while rewinding recent Medi-Cal exclusions for undocumented Californians and preventing spillover onto smaller firms.
- **Improve transparency and accountability in health coverage decisions.** Policymakers should enact legislation such as **AB 280 (Aguiar-Curry)** to require annual verification of provider directories and improve accuracy standards. The Legislature should also support **SB 363 (Wiener)**, which requires reporting on claim denials, reducing inappropriate denials that raise costs and burden small employers.

Increase access to capital and opportunity for entrepreneurs

Entrepreneurs, particularly women, people of color, rural business owners, and businesses rooted in California's immigrant communities, continue to face barriers to accessing responsible, affordable capital. Recent Small Business Administration rules further restrict access by limiting SBA-backed financing to businesses with 100 percent U.S. citizen or lawful permanent resident ownership, excluding many California businesses with immigrant owners or key employees. As federal financial enforcement by agencies such as the Consumer Financial Protection Bureau (CFPB) and the Federal Deposit Insurance Corporation (FDIC) is weakened, and the future of the Community Development Financial Institutions (CDFI) Fund remains uncertain, California must step in to protect small businesses from predatory practices and deploy targeted capital tools that support inclusive growth and local economic stability.

- **Strengthen Truth-in-Lending protections and reinforce California's financial backstop.** California should strengthen its Truth-in-Lending framework by closing loopholes and holding brokers accountable for steering small businesses toward higher-cost financing products, including through the implementation of **SB 825 (Limón)**, which builds on California's small business lending disclosure law by expanding oversight and enforcement authority. The state must ensure the **Department of Financial Protection and Innovation (DFPI)** has full staffing and enforcement capacity to protect small business owners from unfair, deceptive, and abusive practices across small business lending, fintech, debt collection, and emerging financial products.
- **Create a short-term grant program or tax incentive to cover the cost of tariffs for equipment and materials during a transition period.** The status and rate of tariffs are now always changing and unpredictable, taking businesses by surprise when purchasing new equipment and materials. A grant program would alleviate some of the burden and protect the state's small businesses.

- **Maintain and expand state small business capital programs, including for entrepreneurs with immigrant backgrounds.** The Legislature should preserve and expand core state capital programs that deploy responsible financing to under-resourced entrepreneurs. Recently promulgated rules at the Small Business Administration requires that any SBA-backed financing be limited to businesses with 100% beneficial ownership by citizens of the U.S., U.S. Nationals, or Lawful Permanent Residents (LPRs). Businesses that have partial ownership by a non-U.S. citizen can no longer access SBA loans. Additionally, business owners who employ a “key employee” such as a manager or keyholder, who is of immigrant status is now ineligible for SBA financing in some cases under 7(a) and 504 loan programs. Without support from state government in the form of more lending dollars or grant program dollars, small businesses will continue to feel the credit crunch. Thus, we must renew investment in the **California Investment and Innovation Program (CalIIP)**, or state CDFI Fund, and continued implementation of **State Small Business Credit Initiative** programs through **IBank and the State Treasurer’s Office** with a focus on small-dollar lending.
- State governments should consider allocating dollars to their **small business programs**, or creating new ones, as this will have long-term effects, including increased funding for the Capital Infusion Program to support Small Business Development Centers, SCORE, and community-based technical assistance providers that provide culturally appropriate technical assistance for entrepreneurs of diverse backgrounds.
- **Expand local and statewide public banking efforts.** Public banks can complement existing financing tools by increasing access to affordable capital for small businesses underserved by traditional lenders. California should continue encouraging local governments to charter public banks that reflect regional economic needs and prioritize small business lending and community development.
- **Transparency in procurement to grow diverse small business contracting and promote quality job creation.** As California hosts globally significant events including the NBA All-Star, 2026 FIFA World Cup, and 2028 Olympics projected to generate tens of billions of dollars in regional economic activity, state and local procurement policies should prioritize participation by small and immigrant-owned businesses across goods and services supply chains. **Inclusive procurement requirements** can help translate this spending into quality jobs, local hiring, and durable economic gains in Main Street and predominantly immigrant communities.

Bolster Main Street prosperity through diverse workforce and immigrant entrepreneurship

Small businesses, particularly immigrant-owned and Main Street business owners face persistent workforce challenges driven by a tight labor market and rising benefit and compliance costs. California can strengthen local economies by investing in workforce policies that help small employers attract and retain talent, expand access to benefits, and remove barriers that prevent immigrant entrepreneurs and workers from fully participating in the economy.

- **Ensure small businesses and immigrant workers can access workplace benefits.** California’s **Paid Family Leave and CalSavers programs** must remain available to eligible workers regardless of immigration status, including workers who file taxes using an Individual Taxpayer Identification Number, helping small businesses compete with larger employers on benefits.
- Recent legislative changes to workforce-related policies like **SB 951 (Durazo)** strengthen workplace benefits and reflect the modern labor force, **SB 590 (Durazo)** expands paid family leave in 2028 to include “chosen family” where there is no biological or legal ties, **AB 2123 (Papan)** allows workers to access paid leave before exhausting all accrued vacation days, and **SB 616 (Gonzalez)** increases mandatory paid sick leave to at least five days per year. While these changes will benefit small businesses, most are unaware of them. The state must invest in clear, multilingual outreach and technical assistance so small and immigrant-owned businesses,

particularly microbusinesses without HR capacity, understand these new program requirements and can comply while supporting workforce stability.

- **Modernize workforce systems to reduce burdens on small businesses and unlock immigrant talent.** California should update core workforce systems to reduce disproportionate costs on small employers while expanding access to immigrant talent that supports business growth. This includes modernizing Unemployment Insurance financing to better align employer contributions with system use, removing unnecessary licensing and credential barriers so small businesses can hire immigrant workers immediately upon authorization, and sustaining investments in programs such as **SEED 4.0** that provide culturally specific training, technical assistance, and grants to immigrant entrepreneurs, strengthening Main Street businesses, quality job creation, and local economic stability.

¹ “2025 California Small Business Profile,” U.S. Small Business Administration, https://advocacy.sba.gov/wp-content/uploads/2025/06/California_2025-State-Profile.pdf