

Date of Hearing: April 16, 2026

Fiscal: Yes

ASSEMBLY COMMITTEE ON PRIVACY AND CONSUMER PROTECTION

Rebecca Bauer-Kahan, Chair

AB 2583 (Hoover) – As Introduced February 20, 2026

PROPOSED AMENDMENTS

SUBJECT: Office of Small Business Advocate: artificial intelligence

SYNOPSIS

As artificial intelligence (AI) tools continue to permeate personal and professional life, businesses have begun relying on these tools to streamline workflows and reduce administrative burdens. However, the burgeoning AI revolution threatens to leave behind small businesses that may not have the staff or technical expertise needed to implement these tools.

This bill requires the Director of the Office of the Small Business Advocate to assist small businesses in evaluating AI tools. The Director is encouraged to provide information, guidance, and training to small businesses as it relates to best practices for using AI, protecting data and intellectual property, improving cybersecurity, and planning for the unexpected, among other things. The Office of the Small Business Advocate is required to develop appropriate training materials for incorporating AI into business operations and is expected to perform outreach to small businesses regarding the use of AI.

Proposed amends outlined in Comment#4 ensure the training materials provided by the Office of the Small Business Advocate focus on a diverse array of AI products.

This bill is sponsored by Google. The bill is supported by the California Hispanic Chamber of Commerce, the San Francisco Chamber of Commerce, and TechNet. The bill has no registered opposition.

This bill is being heard by the Assembly Economic Development, Growth, and Household Impact Committee and due to a short timeline between hearings, this analysis is made public before that hearing.

EXISTING LAW:

- 1) Defines “artificial intelligence” to mean an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments. (Gov. Code § 11546.45.5.)
- 2) Establishes the Office of the Small Business Advocate in order to advocate for the causes of small business and to provide small businesses with the information they need to survive in the marketplace, including assisting business owners and employees in navigating available resources. (Gov. Code § 12098(b).)
- 3) Requires the Director of the Office of the Small Business Advocate to be prepared for designation by the Office of Emergency Services to serve as an official liaison between small

businesses impacted by a state-declared state of emergency and other government and nonprofit service providers. (Gov. Code. § 12098.5(a).)

- 4) Requires the Director of the Office of the Small Business Advocate to assist in the state emergency recovery, response, and preparedness related to small businesses including microenterprises. Requires the Director's efforts to be coordinated and consistent with the Office of Emergency Services, the California Emergency Services Act, and the State of California Emergency Plan. (Gov. Code. § 12098.5(b).)
- 5) Requires the Director of the Office of the Small Business Advocate to conduct at least one public meeting every year, in coordination with appropriate state agencies, to share best practices for small business disaster preparedness. Requires the meetings to be held in coordination with regional and statewide small business organizations and take place in different locations throughout the state. (Gov. Code. § 12098.5(c).)

THIS BILL:

- 1) Requires the Director of the Office of the Small Business Advocate to provide assistance to California small businesses in evaluating artificial intelligence concerning operations including:
 - a. Providing information, guidance, and training to small business concerns on the use of artificial intelligence, best practices for using artificial intelligence, using artificial intelligence to plan for the unexpected, protecting data and intellectual property, improving cybersecurity, facilitating compliance with regulations, and improving customer trust.
 - b. Developing training materials for incorporating artificial intelligence into business operations.
 - c. Conducting outreach to small businesses regarding the use of artificial intelligence.

COMMENTS:

- 1) **Author's statement.** According to the author:

Small businesses are the backbone of California's economy and community, and while the California Office of the Small Business Advocate provides resources and support to millions of small businesses, it is essential for these businesses to be trained effectively and securely on using new technology advancements like artificial intelligence. This bill requires the Office of Small Business Advocate to assist California small businesses on how to use artificial intelligence and incorporate it into standard business operations by providing training best practices, protecting data and intellectual property, improving cybersecurity, and conducting outreach to small businesses regarding potential AI adoption concerns. Technology like artificial intelligence, will allow small businesses to be more competitive in today's economy.

- 2) **Artificial intelligence tools in business.** The reliance on AI tools has skyrocketed in recent years, with people and employees alike using these tools for nearly everything from streamlining workflows and email responses to generating funny pictures and tips on what music to listen to.

In brief, AI is the mimicking of human intelligence by artificial systems such as computers. AI uses algorithms – sets of rules – to transform inputs into outputs. Inputs and outputs can be anything a computer can process: numbers, text, audio, video, or movement. AI is not fundamentally different from other computer functions; its novelty lies in its application. Unlike normal computer functions, AI is able to accomplish tasks that are normally performed by humans.

Businesses have come to rely on AI tools to improve efficiency, save time, and decrease costs. A survey of over 600 businesses conducted by Forbes reports that over half (51 percent) of businesses use AI for cybersecurity and fraud management, as well as for customer service management (56 percent).¹ Other notable uses include managing inventory (40 percent), content production (35 percent), and talent sourcing (26 percent).² Nearly three-quarters (73 percent) of the businesses indicated an intent to use AI-powered chatbots for instant messaging customer experiences, and nearly all businesses surveyed (97 percent) believe that chatbots such as ChatGPT will help their businesses.

Small businesses, defined as firms with fewer than 500 employees by the U.S. Small Business Administration (and firms with less than 100 employees as defined by California Government Code), account for 99.8% of all California businesses, representing 7.6 million employees, or nearly half of all California employees.³ According to the Connected Commerce Council, nearly 64 percent of small and medium businesses (SMBs) are already using AI tools or intend to in the next two years, and of the SMB leaders already using the tools, some 82 percent say they have already experienced positive outcomes.⁴ However, these businesses typically operate on smaller margins compared to larger businesses, and often do not have the staff or expertise needed to effectively implement AI tools. According to the bill’s author:

Many small business owners lack the technical expertise and resources necessary to understand how AI can be applied within their industries or how to begin integrating it into their operations. Unlike large corporations, small businesses typically do not have dedicated technology teams or specialized staff to evaluate and implement emerging tools. While many currently lack access to the educational materials, training, and AI literacy needed for responsible and productive adoption.

Without appropriate guidance, small businesses face growing risks related to cybersecurity, data protection, and intellectual property. Small business leaders may be concerned about cyberattacks, and especially among those already using AI tools. Despite these concerns, only a small portion of small businesses currently have a formal cybersecurity plan in place. At the same time, small business leaders report that privacy, trust, and safety are their top priorities when implementing AI, highlighting the need for practical guidance and best practices.

¹ Katherine Haan, “How Businesses Are Using Artificial Intelligence,” *Forbes*, (Apr. 24, 2023), <https://www.forbes.com/advisor/business/software/ai-in-business/>.

² *Ibid.*

³ “2025 Small Business Profile,” *U.S. Small Business Administration Office of Advocacy*, https://advocacy.sba.gov/wp-content/uploads/2025/06/California_2025-State-Profile.pdf.

⁴ “Small Businesses See the Transformative Potential of Artificial Intelligence,” *Connected Commerce Council*, (2024), <https://connectedcouncil.org/wp-content/uploads/2024/03/Small-Businesses-See-the-Transformative-Potential-of-Artificial-Intelligence.pdf>.

As larger companies rapidly adopt AI to increase productivity and reduce costs, many small businesses risk falling further behind. This concern is particularly significant given that small and medium-sized businesses rely on digital tools as a “safety net” to maintain efficiency during periods of inflation and economic uncertainty. Without accessible education and support, small businesses may lose the opportunity to use AI to improve operations and remain competitive.

3) **This bill requires the Office of the Small Business Advocacy to provide appropriate training materials to small businesses about the applications of artificial intelligence.** This bill mimics H.R. 5764, also known as the AI for Main Street Act, that directs the Small Business Administration’s Small Business Development Centers to help small businesses evaluate and adopt AI by providing guidance, training, and outreach.⁵ AB 2583 would require the Office of the Small Business Advocacy to provide training and guidance to small businesses regarding the use of AI as it relates to planning for the unexpected, improving cybersecurity and consumer trust, protecting data and intellectual property, and facilitating compliance with relevant regulations, among other things. The bill also requires the Office to perform appropriate outreach to small businesses to make them aware of available tools and resources.

4) **Amendments.** To ensure that the training provided covers a range of AI products and brands, the author has agreed to the following amendment:

(d) Provide assistance to California small businesses in evaluating artificial intelligence concerning operations, including by doing all of the following:

(1) Providing information, guidance, and training to small business concerns on the use of artificial intelligence, best practices for using artificial intelligence, using artificial intelligence to plan for unexpected circumstances, protecting data and intellectual property, improving cybersecurity, facilitating regulatory compliance, and improving customer trust.

*(2) Developing training materials for incorporating artificial intelligence into business operations. **The training materials shall address a diverse range of artificial intelligence products.***

(3) Conducting outreach to the extent practical to small business concerns regarding the use of artificial intelligence.

ARGUMENTS IN SUPPORT: Google, sponsors of the bill, write:

Small businesses are the backbone of California’s economy, yet they often lack the technical capacity and dedicated resources available to larger firms. According to the Connected Commerce Council, while many small and medium-sized businesses already rely on digital tools to maintain operations and manage economic uncertainty, the rapid emergence of artificial intelligence represents a new and critical frontier—one that offers substantial opportunity, but also real risk if left unaddressed.¹

⁵ *AI for Main Street Act. H.R. 5764*, 119th Congress, 2026. Congress.gov, <https://www.congress.gov/bill/119th-congress/house-bill/5764>.

Evidence shows that AI adoption is already delivering meaningful benefits for small businesses. A majority of SMB leaders report that AI helps level the playing field with larger competitors, while businesses actively using AI cite significant gains in productivity, operational effectiveness, and overall growth.² Among current adopters, the overwhelming majority report positive outcomes.¹

However, a clear “technical gap” persists. Many Main Street business owners lack the guidance needed to evaluate, adopt, and deploy AI tools safely and effectively. Without trusted resources, these businesses risk falling behind more sophisticated competitors or exposing themselves to cybersecurity threats, data vulnerabilities, and misuse of emerging technologies.

AB 2583 directly addresses this gap by expanding the role of the Office of Small Business Advocate to provide:

- Practical guidance and workforce training to help small businesses integrate AI into day-to-day operations;
- Education on risk mitigation, including data protection, cybersecurity, and responsible use of AI tools; and
- Targeted outreach to ensure diverse and underserved small business communities can access these critical resources.

REGISTERED SUPPORT / OPPOSITION:

Support

Google (Sponsor)
California Hispanic Chambers of Commerce
San Francisco Chamber of Commerce
Technet

Opposition

None on file.

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