

Date of Hearing: April 27, 2021

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 1072 (Reyes) – As Amended April 20, 2021

SUBJECT: Small businesses: technical assistance: public contracts

**POLICY FRAME:** Small businesses play an essential role within the California economy, contributing the most net new jobs, offering an alternative to underemployment, and helping to disburse the financial advantages of the state's globally connected economy. State procurement opportunities, \$10.5 billion in 2018-19, represent an important economic tool to support small business development.

While 26% more state dollars were expended through state contracts during 2018-19, for the first time in six years, the state did not meet the 25% small business goal and barely meet the 3% participation goal for disabled veteran business enterprises (DVBEs). One of the reasons cited for these lower small business and DVBE participation rate was the increase in procurement related to disaster response.

During the COVID-19 pandemic and raging fires of the summer, disaster related procurements have only increased the removal of millions of dollars from one of the state's largest small business development programs – The Small Business and DVBE Procurement Participation Program.

AB 1072 enhances the ability of the Department of General Services (DGS) to work with awarding departments on more effective outreach activities for upcoming disaster-related contracts, as well as other state contracts.

The analysis includes information on the California Small Business Procurement Act, the Small Business Technical Assistance Expansion Program (SB TAEP), challenges of linking small businesses and DVBE in state contracting opportunities, and related state audits. There is no known opposition to this bill.

**SUMMARY:** AB 1072 reinforces the ability of the DGS Office of Small Business and DVBE Services to work with awarding departments on certification of small businesses and DVBEs and targeted outreach for upcoming disaster-related contracts. The bill also creates a more decisive programmatic relationship between the state's small business procurement advocates and the statewide network of 80+ small business technical assistance centers which participate in the SB TAEP. Specifically, **this bill:**

- 1) **Links Procurement Advocates and Technical Assistance Programs:** Requires DGS to assist state agencies, in collaboration with the California Disabled Veteran Enterprise Program Advocate and the Small Business Advocate in improving small business and disabled business enterprise procurement participation. This includes conducting outreach and providing technical assistance to small businesses seeking certification to be eligible for additional small business assistance, as specified.
- 2) **Aligns TA Authority and Responsibility:** Transfers the Small Business Technical Assistance Expansion Program (TAEP) program from the Governor's Office of Business and Economic Development (GO-Biz) to the Office of the Small Business Advocate, which is a division within GO-Biz.
- 3) **Expands Priority Populations to Confirm with Federal-State Procurement Rules:** Adds "disadvantaged business enterprise" to the priority list of entities being served by the TAEP program.

- 4) **Highlights Types of Services Funded:** Requires state TAEP funds to be used to support a range of programs and services delivered through one or more small business technical assistance centers, including, but not limited to, business start-ups, business restructuring, business expansion and retention, accessing capital, participating in government procurement opportunities, becoming and maintaining competitiveness in foreign markets, regulatory compliance, and emergency preparedness.
- 5) **Clarifies the Authority to Address Emergencies:** Authorizes state TAEP funds to be utilized to support emergent small business technical assistance activities, such as those that are created in response to natural disasters and other state of emergencies, economic crises, and new economic market sectors and factors, such as cyber and technology modalities.
- 6) **Authorizes Payment of Outreach and Marketing Costs:** Authorizes state TAEP funds to be applied to costs related to activities that will effectively expand small business technical assistance to priority businesses, including, but not limited to, marketing, travel, and administrative costs, but limits those costs to five percent of the grant.
- 7) **Stabilizes Program Delivery through Pandemic Recovery:** Extends the sunset on the TAEP program from January 1, 2024 to January 1, 2027.
- 8) Makes other technical and conforming changes.

#### **EXISTING LAW:**

- 1) Designates the DGS as the administrator of the state Small Business Procurement and Contract Act, which includes certifying and implementing targeted preference programs for certified small businesses, microbusinesses, and DVBEs.
- 2) Establishes GO-Biz within the Governor's Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth. In this capacity, the office is authorized to undertake a range of activities, which includes, but is not limited to:
  - a) Recommending to the Governor and the Legislature new state policies, programs, and actions, or amendments to existing programs and respond to emerging economic problems and opportunities.
  - b) Coordinating the development of policies and criteria to ensure that federal grants administered or directly expended by state government advance statewide economic goals and objectives.
  - c) Providing key data to support economic development activities in California, including, but not limited to:
    - i) Economic and demographic data.
    - ii) Financial information to help link businesses with state and local public and private programs.
    - iii) Workforce information, including, but not limited to, labor availability, training, and education programs.
    - iv) Information on tax credits and other incentives.
    - v) Permitting, siting, and other regulatory information pertinent to business operations in the state.

- d) Establishing an administrative structure that effectively supports the facilitation of business development and investment in the state.
  - e) Encouraging collaboration among research institutions, startup companies, local governments, venture capitalists, and economic development agencies to promote innovation.
  - f) In cooperating with the federal government, foster relationships with overseas entities to improve the state's image as a destination for business investment and expansion.
  - g) Conducting research on the state's business climate, including, but not limited to, research on how the state can remain on the leading edge of innovation and emerging sectors.
  - h) Supporting small businesses by providing information about accessing capital, complying with regulations, and supporting state initiatives that support small business.
- 3) Establishes SB TAEP for the purpose of providing technical assistance to small businesses through partnership agreements with one or more federally designated small business technical assistance centers.
- a) Defines a "federal small business technical assistance center" to include, but not be limited to, small business development centers, women's business centers, veterans business outreach centers, manufacturing extension partnership centers, minority business development business centers, and procurement technical assistance centers that operate in California under federal contracts.
  - b) Specifies, as a condition of SB TAEP funding, that each small business technical assistance center agrees to submit an annual report, which includes, at a minimum, the number of businesses assisted, the amount of funds awarded, the size of businesses assisted, the city and county in which the businesses assisted are located, and the industry sectors of the businesses assisted, as reported by the assisted businesses.
  - c) Requires a preference be given to SB TAEP applications that propose new or enhanced services to underserved business groups, including women-, minority-, and veteran-owned businesses, and businesses in low-wealth, rural, and disaster-impacted communities included in a state or federal emergency declaration or proclamation.
  - d) Sunsets the SB TAEP on January 1, 2024.
- 4) Requires the DGS Small Business Advocate, using existing resources to, at a minimum, provide the following services:
- a) Assist certified small businesses and certified disabled veteran business enterprises by providing information regarding all of the following:
    - i) Identification of potential certified small business and certified disabled veteran business enterprise subcontractors and potential subcontracting opportunities.
    - ii) Solicitation protest procedures and timelines.
    - iii) Prompt payment procedures.
  - b) Develop and maintain an outreach and education program to assist certified small businesses and certified disabled veteran business enterprises to establish the California multiple award schedule.
    - i) The department shall actively promote the availability of certified small business and certified disabled veteran business enterprise suppliers to deliver or provide a broad range of goods and

services to governmental agencies through their participation in the California multiple award schedule program and other types of contracts established by state agencies for repetitively used and commonly needed goods and services.

- ii) Whenever the director consolidates the needs of multiple state agencies and establishes a contract for repetitively purchased or commonly needed goods or services, the director shall both encourage bidders to utilize certified small business and certified disabled veteran business enterprise suppliers and subcontractors, and utilize multiple award methods whenever practicable to further ensure that a fair proportion of needed goods and services are obtained from certified small businesses and certified disabled veteran business enterprises.
  - c) Establish a training and development program for acquisition professionals, including methods for structuring solicitations to enhance the participation of certified small businesses and certified disabled veteran business enterprises in state contracting.
  - d) Establish a recognition and awards program for state employees who make an outstanding contribution to the state's overall effort to increase the level of certified small business participation in state contracting or certified disabled veteran business enterprise participation in state contracting.
  - e) Prepare, and make available to the public, a directory of certified small business and certified disabled veteran business enterprise suppliers.
  - f) In its review of state agency acquisitions, the department, as applicable, shall identify areas where improvements in the level of participation of certified small businesses and certified disabled veteran business enterprises in state contracting can be achieved.
- 5) Defines a "small business" as independently owned, not dominant in its field of operation, domiciled in California, having a principle office in California, employing 100 or fewer employees, and having average annual gross receipts of \$15 million or less over the previous three years.
- a) Defines a small business for the purpose of a competitively bid public works contract and engineering contract, as defined, to mean an independently owned and operated business that is not dominant in its field of operation, the principal office of which is located in California, the officers of which are domiciled in California, and which, together with affiliates, has 200 or fewer employees, and average annual gross receipts of \$36,000,000 or less over the previous three years.
  - b) Defines a small business "manufacturer" as a small business (refer to definition above) that is also primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products and is classified within the 31000 to 33000 codes of the North American Industry Classification System.
  - c) Defines a "microbusiness" as a small business (refer to definition above) that has average annual gross receipts of \$5 million or less during the previous three years or is a manufacturer with 25 or fewer employees.
- 6) Defines a DVBE as a business certified as being a sole proprietorship, corporation, or partnership with its home office located in the U.S. and which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business. In addition, a DVBE meets all of the following:
- a) The disabled veteran is a veteran of the military, naval, or air service of the U.S., including, but not limited to, the Philippine Commonwealth Army, Regular Scouts, "Old Scouts," Special

Philippine Scouts, “New Scouts,” and those who have at least a 10% service-connected disability and are domiciled in the state.

- b) The management and control of the daily business operations are by one or more disabled veterans. The disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business.
- c) The DVBE’s ownership of the business meets the following criteria:
  - i) If the DVBE is a sole proprietorship, it is at least 51% owned by one or more disabled veterans.
  - ii) If the DVBE is a publicly owned business, at least 51% of its stock is unconditionally owned by one or more disabled veterans.
  - iii) If the DVBE is a subsidiary, it is wholly owned by a parent corporation, but only if at least 51% of the voting stock of the parent corporation is unconditionally owned by one or more disabled veterans.
  - iv) If the DVBE is a joint venture, it is an entity in which at least 51% of the joint venture’s management, control, and earnings are held by one or more disabled veterans.

**FISCAL EFFECT:** Unknown

**COMMENTS & CONTEXT:**

- 1) **Small Business Procurement and Contract Act:** California has a 40-year history of utilizing state contracting to support business development within targeted business populations. Statute sets an annual 3% DVBE procurement participation goal, and a 2006 executive order sets a 25% small businesses and microbusinesses participation goal for state agencies, departments, boards, and commissions.

While encouraging small business participation furthers the state’s interest in having a robust small business sector, the Small Business Procurement and Contract Act also establishes the policy foundation for DVBE contract participation. The DVBE procurement program is intended to both recognize the sacrifices of California’s disabled military veterans, as well as address the specific needs of disabled veterans seeking rehabilitation and training through entrepreneurship.

To assist state agencies in reaching these targeted procurement participation goals, state law authorizes:

- A procurement preference of 5% for bids using a certified small business as a prime or subcontractor;
- A streamlined alternative procurement process for smaller size contracts (between \$5,000 and \$250,000), known as the Small Business/DVBE Option, whereby an awarding department can contract directly with a certified small business or DVBE after comparing the bid against two other similar businesses.
- A DVBE incentive that allows an awarding department to set an incentive percentage between 1% and 5% for a particular transaction.

In the state’s experience, a majority of DVBEs are smaller size firms, with 86% having dual certifications, including 56.5% of all DVBE’s also holding microbusiness certificates, 25.6% having a small business certification, and 0.6% having a small business public works certification. The remaining 14% of DVBEs operate with only a single DVBE certification.

DGS has a range of responsibilities relating to the implementation of the Small Business and DVBE program, including:

- Certification of DVBEs (866 new and renewed DVBEs certified in 2019-20 which brings the total of certified DVBEs in 2019-20 to 1,795);
- Certification of small businesses and microbusinesses (8,278 new and renewed certifications bringing the total number of certified small businesses and microbusinesses in 2019-20 to 17,374);
- Outreach to the potential small business and DVBE bidders (142 events, including 114 events to the veteran community in 2019-20);
- Marketing of the DVBE program to state agencies;
- Partnering with CalVet on meetings with departments that are not meeting participation goals;
- Consulting with the California Procurement Contracting Academy on the DVBE training of state contracting staff;
- Preparation of an annual consolidated report on DVBEs, small businesses, and microbusinesses participation within state contracting activities; and
- Program oversight to identify abuses by bidders and failures to perform by state departments and agencies.

2) **Tracking Small Business and DVBE Procurement:** Given the importance of small businesses to California's economy, these procurement preferences play a key role in distributing state expenditures throughout the state, and among a variety of business types. The charts below (*Charts 1 and 2*) display small business and DVBE procurement participation for the most recent four fiscal years for which data is available.

<b>Chart 1 – Small Business and Microbusiness Contracting Activity of Mandated Reporters (dollars in millions)</b>				
Fiscal Year	Total Contract Dollars	Total Small Business and Microbusiness Contract Dollars	Total Percent	Total Number of Contracts
2018-19	\$10,531	\$2,168	20.58%	96,345
2017-18	\$8,361	\$2,720	32.50%	110,864
2016-17	\$6,329	\$1,683	26.60%	117,624
2015-16	\$5,855	\$2,112	36.08%	116,169
2014-15	\$8,117	\$2,079	25.61%	482,707
2013-14	\$7,101	\$2,013	28.35%	90,784
2012-13	\$7,616	\$1,801	23.66%	105,617
2011-12	\$7,399	\$1,796	24.28%	165,523

Source: DGS Statewide Consolidated Annual Reports for the contracting periods

<b>Chart 2 – DVBE Five-Year Contracting Activity of Mandated Reporters (dollars in millions)</b>				
Fiscal Year	Total Contract Dollars	Total DVBE Dollars	Total DVBE Percent	Total DVBE Contracts
2018-19	\$10,531	\$340	3.23%	23,782
2017-18	\$8,314	\$387	4.7%	19,174
2016-17	\$6,329	\$259	4.1%	19,823
2015-16	\$5,855	\$274	4.6%	18,638
2014-15	\$8,105	\$314	3.8%	16,192
2013-14	\$6,566	\$241	3.6%	12,777
2012-13	\$7,151	\$216	3.0%	14,907
2011-12	\$7,173	\$340	4.7%	16,246

Source: DGS Statewide Consolidated Annual Reports for the contracting periods

Based on the data displayed above, the state appears to have consistently met its 25% small business (except in 2018-19) and 3% DVBE procurement participation goals. This is, however, only part of a program assessment and these numbers may be misleading. Although DGS works diligently to gather and aggregate this information, the data is not consistently reported by state agencies, nor do all of the agencies report annually. As an example, in 2012-13, only 79% of the mandatory reporting entities reported their contracting activity to DGS.

The data is further compromised by the lack of follow-up by awarding departments to ensure that small business and DVBE procurement participation commitments have been kept or that these subcontractors were paid. A state audit of the DVBE Program, released in 2019, suggests that very few state agencies have implemented practices to monitor and report DVBE procurement participation violations for follow-up by DGS.

State departments that fail to meet the annual 3% or 25% goal can have their delegated contracting authority removed, although DGS has never removed program authority solely based on an agency's or department's failure to meet its Small Business or DVBE contracting goal.

- 3) **COVID-19 Procurement Opportunities:** Procurement reporting for the period of COVID-19 pandemic is difficult to track. Being under a state of emergency, allows state agencies to use alternative contracting protocols. Many small business groups have expressed concern over the lack of access to new procurement opportunities.

There is good evidence that small business and DVBE participation in 2019-20 and 2020-21 procurement periods will not meet the 25% and possibly the 3% goal. DGS reported in its most recent report (2018-19) that the “primary reason departments gave for not meeting the SB or DVBE participation goals was the large number of emergency contracts related to the 2018 wildfires, such as the Camp Fire.”

The DGS Office of the Small Business and DVBE Procurement has taken a number of steps to address the impact of large emergency/disaster related contracts on small businesses and DVBEs. A few highlights from their 2018-19 a consolidated report are provided below:

- ***New Register of Certified Firms for Emergency-related Contracts:*** Working with departments that make large disaster-related contracts, DGS identified approximately 32 activity/supplies categories for which small businesses and DVBEs will be able to register. Categories include but are not limited to: debris removal, energy generators, equipment rentals, rescue supplies, medical supplies, respiratory products, sanitation, food and fuel.

- **Leveraged Procurement Agreements for Emergency Purchases.** DGS finalized and expanded the Master Service Agreement (MSA) and California Multiple Award Schedule contracting opportunities for emergency procurement. This included the debris removal MSA.
- **Targeted Outreach for Emergency Purchases.** DGS is encouraging, and in some cases requiring, departments to reach out to DGS when conducting emergency procurements. DGS has committed to assisting awarding departments with identifying certified small businesses and DVBEs to meet their needs.

DGS believes that these changes will begin to show improvements in the 2021-22 contract activities. Implementation of AB 1072 would enhance these activities by reinforcing the role of the DGS Small Business Advocate to work with awarding departments on certification of small businesses and DVBEs and targeted outreach for upcoming disaster-related contracts. The bill would also add new external partners by linking in the 80+ small business technical assistance centers which participate in the SB TAEP.

- 4) **2019 DVBE Program Audit:** AB 1072 addresses a key challenge to the state's targeted procurement participation program – the need to expand the number of small businesses and DVBE that participate in state contracting. The proposals in the bill align with recommendations from the 2014 and 2019 reports by the State Auditor on the DVBE Program. Below is a synopsis of those audits.

In 2017-18, the Joint Legislative Audit Committee approved a program review of the DVBE program. As part of the State Auditor's review, six awarding departments were visited in order to evaluate the documentation used to support their reported DVBE participation data and to better understand why relatively few DVBE firms are contracting with the state. The State Auditor made similar findings as were made in a 2014 audit, including that “[n]one of the six awarding departments we reviewed could fully support the value of DVBE contracting activity they reported to General Services during fiscal year 2017–18.” In addition, the audit issued the following findings:

- a) The DVBE program continues to benefit a small percentage of certified DVBEs. In 2017-18, only 133 (8%) of state awards went to certified DVBE prime contractors and 30 of those firms received 89% of the revenues.
- b) The state continues to lack accurate data to measure the program's success.
- c) Awarding departments, in explaining why so few DVBEs benefit from state contracting opportunities, stated that they have difficulties in finding qualified DVBE firms to meet their specific needs and that DGS's electronic procurement system is overly complex.
- d) Neither DGS nor CalVet has adequately overseen the DVBE program. Key deficiencies included the failure of both entities in the establishment of methods and metrics for regularly evaluating the effectiveness of outreach efforts in bringing more DVBEs into the program or addressing specific needs of awarding departments, as well as DGS's insufficient guidance to awarding departments on how to identify and investigate program abuse.
- e) CalVet does not have the necessary staffing nor access to the necessary data to fully assist underachieving awarding departments in meeting the 3% DVBE procurement participation goal.

Several bills were introduced last session to address the 2019 audit findings. Three of the bills were signed, AB 230 (Brough), AB 1365 (Assembly Veterans Affairs Committee) and SB 588 (Archuleta). AB 1809 (Cervantes) was held in Senate Appropriations. This session both AB 1072 and AB 1574 were introduced to further this work. These and other related bills are described in Comment 6.



- 5) **2019 Audit Recommendations:** The State Auditor's review of the 2017-18 DVBE Program included a number of recommendations for increasing the number of individuals businesses that participate in state procurement activities, which includes proactively helping awarding departments identify potential DVBEs to fill potentially difficult to fill contracting opportunities. A selection of the related recommendations from the State Auditor's 2017-2018 review of the DVBE program are listed below. Please note that 85% of DVBE's (most recent data from February 2019) hold dual certifications as a small business or microbusiness.
- a) ***For the Department of Veterans Affairs:*** To ensure that its outreach efforts are effective and result in a greater number of DVBE firms available that can provide the necessary goods and services awarding departments are seeking, CalVet should:
- i) Assess, at least annually, the effectiveness of its past outreach efforts in increasing the number of DVBE firms that become certified.
  - ii) Work with awarding departments to identify the types of goods and services for which they struggle to find a DVBE contractor or subcontractor.
  - iii) Develop an outreach plan to include outreach activities found to be effective in the past based on its assessment.
  - iv) Develop better tracking of the businesses owned by disabled veterans that attend its outreach events and review certification data to determine whether these businesses obtained their certifications.
  - v) Conduct periodic surveys of businesses owned by disabled veterans that attended its outreach events but chose not to become DVBE certified to determine the reasons for not applying for the certification. The department should use this information to improve its outreach and any other areas of the program.
  - vi) Develop and follow policies and procedures to identify and assist awarding departments that fail to meet, or are at risk of not meeting, the 3% DVBE participation goal, until the Legislature amends the law to transfer its responsibility for assisting underachieving departments to General Services.
- b) ***For DGS:*** To ensure that its outreach efforts are effective and result in a greater number of DVBE firms available that can provide the necessary goods and services awarding departments are seeking, DGS should:
- i) Assess, at least annually, the effectiveness of its past outreach efforts in increasing the number of DVBE firms that become certified.
  - ii) Work with awarding departments to understand why only a few DVBE firms receive a large number of contract awards and take steps to remedy this situation.
  - iii) Work with awarding departments to identify the types of goods and services for which they struggle to find a DVBE contractor or subcontractor.
  - iv) Develop an outreach plan to include outreach activities found to be effective in the past based on its assessment.
  - v) Develop and implement a plan to encourage DVBE firms to participate in leveraged procurement agreements.

- vi) Develop better tracking of the businesses owned by disabled veterans that attend its outreach events and review certification data to determine whether these businesses obtained their certifications.
- vii) Conduct periodic surveys of businesses owned by disabled veterans that attended its outreach events but chose not to become DVBE certified to determine the reasons for not applying for the certification. This information should be used to improve outreach activities and other areas of the program.
- viii) To ensure that awarding departments can effectively identify DVBE firms that provide needed products and services, DGS should:
  - (1) Work with these departments to continue to narrow the codes available to those commonly used by awarding departments to more precisely identify what the state purchases and streamline search criteria in Cal eProcure.
  - (2) Explore other options for making the Cal eProcure search engine more effective for awarding departments.
  - (3) Ensure that by October 2019, departments identify their contracting needs and then post these needs prominently on their websites as a resource for DVBE firms.
  - (4) Continue to provide outreach services to DVBE firms on how to create effective keywords and choose appropriate codes.

6) **Related Legislation:** Below is a list of bills from the current and prior sessions.

- a) **AB 31 (Price) Public Contracts: Small Business Procurement and Contract Act:** This bill increases the maximum contract threshold amount for awards to small businesses (SME), including microbusinesses, and DVBEs under the state's streamlined procurement process, from \$100,000 to \$250,000, as specified. This bill requires contractors to report the contract amount allocated to SMEs and DVBEs with which they made contract commitments. Status: Signed by the Governor, Chapter 212, Statutes of 2009.
- b) **AB 309 (Price) Public Contracts: Small Business Participation:** This bill would have required the establishment of a 25% small business participation goal for all state entities and directed DGS to monitor each agency's progress in meeting this goal. The bill would have required that the Office of the Small Business Advocate receive the same progress report information as state entities and directed DGS and the Office of the Small Business Advocate to work collaboratively to assist state entities in meeting their goals. This goal is currently provided for in Executive Order (EO) D-37-01 and EO S-02-06. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2010.
- c) **AB 550 (Brown) State Procurement Procedures for Small Businesses:** This bill would have required the establishment of a 25% small business participation goal for all state entities and directed DGS to monitor each agency's progress in meeting this goal. The bill would have required that the Office of the Small Business Advocate receive the same progress report information as state entities and directed DGS and the Office of the Small Business Advocate to work collaboratively to assist state entities in meeting their goal. This goal is currently provided for in Executive Order (EO) D-37-01 and EO S-02-06. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2013.

- d) **AB 657 (Cunningham) State Government Small Business Liaisons:** This bill requires certain state agencies to prominently display the name and contact information of the small business liaison on the agencies' websites and to notify the Governor's Office of Business and Economic Development and the Department of General Services of liaison position vacancies, as specified. Status: Signed by the Governor, Chapter 81, Statutes of 2017.
- e) **AB 1365 (Quirk-Silva and Reyes) Small Business Procurement Goal:** This bill would have expressed the Legislature's intent that all California government agencies should have a 25% goal for small business participation in state procurement and contracting activities. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2018.
- f) **AB 1734 (Jones-Sawyer) Public Contracts: Small Business Participation: Disabled Veterans:** This bill would have required each state agency to establish and achieve a 25% small business participation goal and increased the annual procurement participation goal for disabled veteran business enterprise from 3% to 5% of the value of state contracts. In addition, the bill required greater reporting and accountability of DVBE program information. Status: Held on the Suspense File in the Assembly Committee on Appropriations, 2014.
- g) **AB 1554 (Reyes and Quirk-Silva) Reporting of Small Business and DVBE Procurement Participation:** As passed by this committee, the bill would have required a state department to annually report small business and DVBE participation based on prime and subprime contracts beginning with the 2018-19 contract period. Status: Gutted and used for a different policy purpose. Signed by the Governor, Chapter 380, Statutes of 2018.
- h) **AB 1635 (Quirk-Silva) Public Contracts and Small Business Participation:** This bill would have required specified state agencies to establish and achieve a 25% small business participation goal within their annual state contracting and permitting activities. The bill would have also required DGS and the state Small Business Advocate to take reasonable steps to assist state agencies in meeting this goal. The Assembly Committee on Jobs, Economic Development, and the Economy was the sponsor of this bill. Status: Held in the Assembly Committee on Appropriations, 2017.
- i) **AB 1809 (Cervantes) DVBE Accountability:** This bill would have modified the role of the Department of Veterans Affairs Small Business Advocate, by enhancing enforcement of commercially useful function violations, and tightens the existing monitoring and accountability requirements for state procurement activities related to the DVBE targeted procurement program. Status: Held in the Senate Committee on Appropriations, 2020.
- j) **AB 2249 (Ruskin) DVBE Documentation:** This bill requires applicants for small business or DVBE certification to submit a written declaration, under penalty of perjury, that the information submitted to DGS is true and correct. The bill also authorizes DGS, if it determines that just cause exists, to require the owner of a DVBE or small business to submit the Internal Revenue Service Form 4506-T which would allow DGS to obtain a copy of their tax return. Finally, the bill requires that at least 51% of the stock or voting stock of a disabled veteran business enterprise be unconditionally owned by disabled veterans. Status: Signed by the Governor, Chapter 383, Statutes of 2010.
- k) **AB 2682 (Wagner) Responsible Small Business and DVBE Contractors:** This bill would have required a state agency that solicits offers, awards a contract, or consents to subcontracts, under the Small Business Procurement and Contract Act, to do so only with responsible and reliable parties. This bill would have prohibited a state agency from allowing a party to participate in any procurement activity if the party had been suspended, debarred, or otherwise excluded from

participation in a state contract. Status: Died in the Assembly Committee on Accountability and Administrative Review, 2014.

- l) **AB 2905 (Assembly Committee on Jobs) Small Business Procurement Goal:** This bill would have expressed the Legislature's intent that all California government agencies should have a 25% goal for small business participation in state procurement and contracting activities. To assist in furthering the state goal, the bill would have required each state department to disclose its small business participation goal when making its annual procurement report. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2016.
- m) **SB 67 (Price) Small Business Participation in Public Contracts:** This bill would have authorized DGS to direct all state entities to establish an annual goal of achieving no less than 25% small business participation in state procurement contracts, as specified. This goal is currently provided for in Executive Order (EO) D-37-01 and EO S-02-06. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2011.
- n) **SB 430 (Borgeas) California Small Business Regulatory Fairness Act:** This bill would have required a state agency, as defined, to assist small businesses in complying with statutes and regulations and to establish a policy that sets the parameters under which the agency can reduce or waive certain civil penalties conferred on a small business, as defined. Status: Held in the Senate Committee on Appropriations.
- o) **SB 839 (Correa) Reporting on Procurement Activities with DVBEs:** This bill would have modified reporting requirements for state departments with respect to DVBEs, including contracts where the DVBE acted as the prime and as a subcontractor. Status: Held on the Suspense File of the Senate Committee on Appropriations, 2014.
- p) **SB 941 (Florez) DVBE Contracting Advocates:** This bill requires the Department of Veterans Affairs and awarding departments to appoint DVBE advocates to assist in meeting DVBE procurement participation goals. Status: Signed by the Governor, Chapter 666, Statutes of 2002.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

California Association of Orthodontists

##### **Opposition**

None on File

**Analysis Prepared by:** Toni Symonds / J., E.D., & E. / (916) 319-2090