

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

Susan Talamantes Eggman, Chair

AB 1635 (Quirk-Silva) – As Amended April 5, 2017

**SUBJECT:** Public contracts: small business participation

**SUMMARY:** Requires state agencies to establish and achieve a goal of 25% small business (SB) participation in their procurement activities. Specifically, **this bill:**

- 1) Requires each state agency to establish and achieve an annual goal of 25% SB participation in the agency's procurement activities.
- 2) Makes heads of agencies responsible for meeting or exceeding the 25% annual goal and reporting to the Department of General Services (DGS) on their agency's progress.
- 3) Requires agencies that fail to meet the 25% annual goal to submit a corrective action plan to DGS within 45 days of the close of any fiscal year.
- 4) Requires DGS to monitor agencies' progress in meeting the 25% annual goal and to regularly share related information with the Office of the Small Business Advocate (OSBA), including corrective action plans.
- 5) Directs DGS and the OSBA to undertake reasonable means to assist agencies in improving SB participation in their contracting.
- 6) Requires DGS to actively promote SB certification, help SBs market their products to the state, and promote the use of technologies and other innovative solutions in notifying small businesses of state contracting opportunities.
- 7) Requires DGS to collaborate with the OSBA to assist small businesses with access to capital and other resources to successfully fulfill state contracts.
- 8) Defines the term 'state agency' to mean all state agencies, departments, boards, commissions, and other state public entities that receive state funding, including the University of California, the California State University, and the California Community Colleges.

**EXISTING LAW:**

- 1) Designates DGS as the lead purchasing and procurement agency for the State of California tasked with administering the SB certification programs.
- 2) Requires, through executive order, various state contracts to have annual statewide participation goals of at least 25%.

**FISCAL EFFECT:** Unknown

**COMMENTS:** According to the author, "small businesses play an essential role within the California economy and state procurement opportunities represent an important economic tool to support small business development. Small business groups are concerned that without codification, affirmative implementation of the small business participation goal may wane as Administrations change in coming years."

DGS compiles an annual consolidated report on procurement each fiscal year (FY). For FY 2015-16, departments statewide awarded approximately \$8 billion in total contracts, with almost \$2.5 billion, or about 30%, awarded to small businesses. The report also indicates that statewide departments achieved 36% SB participation in contracts. In the last five report periods, the state has met or exceeded the 25% SB participation goal three times.

To increase statewide consistency in achieving the SB participation goal, this bill places the goal in statute; charges DGS with monitoring agencies' progress in meeting the goal on a regular basis; and requires corrective action plans from poor performing departments.

**PRIOR LEGISLATION:** AB 351(Jones-Sawyer) of 2015, which was substantially similar to this bill, was held in the Assembly Appropriations Committee Suspense File.

**DOUBLE REFERRAL:** This measure was previously heard in the Assembly Jobs, Economic Development and the Economy Committee on March 28, 2017, with a vote of 7-0.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Small Business Association

**Opposition**

None on file.

**Analysis Prepared by:** Cassie Royce / A. & A.R. /