

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

Susan Talamantes Eggman, Chair

AB 632 (Acosta) – As Amended March 21, 2017

SUBJECT: Small Business Procurement and Contract Act: small business and disabled veteran business enterprises

SUMMARY: Increases the maximum amount for which a state agency can directly contract with a certified small business (SB) or a disabled veteran business enterprise (DVBE) from \$250,000 to \$500,000.

EXISTING LAW:

- 1) Designates the Department of General Services (DGS) as the lead purchasing and procurement agency for the State of California.
- 2) Establishes the certified SB/DVBE option in state contracting, which allows a state agency to award a contract for goods, services, or information technology to a certified SB or DVBE without complying with formal advertising and bidding requirements if the following conditions are met:
 - a) The contract award is greater than \$5,000 and less than \$250,000; and,
 - b) Quotes are obtained from two or more SBs or from two or more DVBEs.
- 3) Requires certain state contracts to have annual statewide participation goals of at least 3% for DVBEs and 25% for small businesses (through executive order).

FISCAL EFFECT: Unknown

COMMENTS: Under current law, certain state contracts with SBs and DVBEs for goods, services, or information technology can bypass formal competitive bidding requirements. Specifically, state agencies are allowed to contract directly with a SB or DVBE after obtaining price quotes from at least two firms before awarding the contract. Contracts offered under this streamlined SB/DVBE option are currently limited to between \$5,000 and \$250,000 in value. This bill increases the maximum amount to \$500,000.

According to the author, "Use of the informal bidding process option is a major tool in the State's efforts to meet its 3% DVBE goal for state contracts. The increase in the maximum contracting amount in this bill is intended to help DVBEs to better compete for state contracts against their big business counterparts while recognizing those who sacrificed a great deal to defend our country."

DGS' most recent consolidated annual report notes that 15,676 contracts were awarded using the SB/DVBE option for fiscal year 2015-16. It is unclear whether or not increasing the maximum contract value under the option to \$500,000 will increase the number of participating SB or DVBE firms. Hypothetically, state agencies could, if they wish, pick specific firms with whom

they have done business before and invite them to make offers since formal bidding requirements do not apply.

Supporters of this bill state that the ability to compete for contracts at a higher threshold from \$250,000 to \$500,000 will provide additional opportunities for more disabled veteran business owners.

The Coalition of Small and Disabled Veteran Businesses objects to the contracting increase in this bill and is concerned that these types of contracts will only benefit a relatively small subset of DVBE firms that enjoy the major part of the State's business.

PRIOR LEGISLATION:

- 1) AB 2358 (Bigelow) of 2016 was substantially similar to this bill but subsequently amended to address a different subject matter.
- 2) AB 1445 (Brown) of 2015 and SB 276 (Roth) of 2013 were both substantively identical to this bill and held in the Assembly and Senate Appropriations Committees, respectively.
- 3) AB 550 (Brown) of 2013 would have made a number of changes to improve state procurement practices relating to SB and DVBE contract participation, including a provision substantively identical to this bill. AB 550 was held in the Assembly Appropriations Committee.
- 4) AB 31 (Price), Chapter 212, Statutes of 2009, includes, among other provisions, the increase in the maximum threshold for contracts under the SB/DVBE option from \$100,000 to the current \$250,000 limit.

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

2020 Vet Intelligent Logistics Solutions
Arktos Incorporated
CMG Alliance
CommTech Systems
D.A. DUE Compliance & Logistics
Fueltec, Inc.
Global Blue DVBE
Global Environmental Network, Inc.
Global Executive Security
Granite Data Solutions
Greater Los Angeles African American Chamber of Commerce
Interval Equipment Solutions, Inc.
KKO Labs Construction
KMEA

Maid Fast Construction
Phazer Electric, Inc.
Solar Energy Fields
Summit Glass Corporation
The Sanberg Group, Inc.
V. Lopez Jr. and Sons, Inc.
Veterans Painting Contractor, Inc.

Opposition

Coalition of Small and Disabled Veteran Businesses

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