

Date of Hearing: May 19, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 915 (Chiu) – As Amended May 3, 2021

Policy Committee: Jobs, Economic Development, and the Economy Vote: 6 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill establishes “Disadvantaged Business Enterprises” (DBE) as a state category of small business for the purposes of state contracting and makes various changes to existing small business programs to provide for this category of small businesses. It also requires state agencies to develop equity plans for procuring goods from DBEs and codifies an executive order that state agencies set a goal of 25% for small business procurement.

Specifically, this bill (a) requires each state agency that regulates or impacts small businesses to develop an equity action plan and policy for its agency for adoption by January 1, 2024, and allows a state agency to meet the requirement by having a current targeted procurement outreach plan for small businesses; (b) requires state agencies to set a minimum goal of 25% participation for small businesses for state agency contracts; (c) requires DGS to consider remedial actions against state agencies that continually fail to meet the minimum 25% participation goal and include its remedial actions in an existing annual report; (d) requires DGS to add information to an existing report about participation of small businesses in state contracts by agency; (e) fast-tracks DGS small business certification for businesses that hold a current federal DBE certification; and (f) adds DBEs to a number of sections of existing statute that currently provide state procurement benefits, such as bid preference.

FISCAL EFFECT:

- 1) One-time General Fund (GF) costs to DGS of \$100,000 for the development of policies related to this bill and staffing costs of \$599,000 for the first two years of the bill. Ongoing GF costs of \$450,000 starting in year three of the bill’s implementation.
- 2) Minor and absorbable GF costs to GO-Biz.
- 3) Potential increased costs for public works projects based on expansion of bid preference provided by this bill. Preference can result in agencies selecting higher bids instead of lower bids and directly increase costs of some contracts.
- 4) Ongoing GF and special fund costs, of an unknown but potentially significant amount, to state agencies to develop equity plans. Costs could be lower to the extent a state agency meets this requirement by having a current targeted procurement outreach plan for small businesses.

COMMENTS:

- 1) **Purpose.** According to one of this bill's supporters, the California Asian Pacific Chamber of Commerce, 1.6 million small businesses in California are minority owned and account for 7 million employees. The organization states, "It is therefore necessary, as a matter of policy, for the State of California to ensure that a fair share of procurement spending be directed and dedicated to small and minority-owned small businesses."
- 2) **Background.** In order to support small businesses, current law creates the "California small business advocate" at GO-Biz. This position is tasked with seeking the assistance and cooperation of all state agencies providing services to, or affecting, small business. Current law also creates agency-level small business liaisons. Each of these positions serves as the single point of contact for small businesses for contract opportunities at agencies that regulate or impact small businesses. One primary objective of the California small business advocate and agency-level small business liaisons is to help ensure the state's annual 25% small business procurement participation goal within state agencies, departments, boards and commissions is met.

This bill requires these state agencies to develop an equity plan for contracting with more DBEs, described below, and puts the 25% small business procurement participation goal into statute. In addition, it provides for remedial actions against agencies that do not meet their 25% goal.

The DBE program is a federal program that provides preference for federally funded projects to small businesses that are certified as owned and controlled by socially and economically disadvantaged individuals. "Socially and economically disadvantaged individual" means an individual in certain groups, including Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, Subcontinent Asian Americans and women.

This bill places the federal definition of a DBE into state statute and makes various changes to add DBEs to small business statutes and state programs.

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