

Date of Hearing: May 8, 2024

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 3236 (Hoover) – As Introduced February 16, 2024

Policy Committee: Jobs, Economic Development, and the Economy Vote: 7 - 0

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

SUMMARY:

This bill doubles, from \$250,000 to \$500,000, the maximum contract value under the Small Business Procurement and Contract Act.

Specifically, this bill increases the maximum amount of a contract awarded pursuant to the act from \$250,000 to \$500,000 to a certified small business, including a microbusiness, or to a disabled veteran business enterprise, as long as a contracting state agency obtains price quotations from two or more certified small businesses, including microbusinesses, or from two or more disabled veterans' business enterprises.

FISCAL EFFECT:

One-time General Fund costs to the Department of General Services (DGS) of \$165,000 in the first year of this bill's implementation for one temporary employee to implement the requirements of this bill and ongoing General Fund costs to DGS of \$165,000 thereafter for one permanent employee to assist and oversee the larger contracts.

COMMENTS:

1) **Purpose.** According to the author:

An existing streamlined process, called the Small Business/DVBE Option, is an effective tool to increase small business and disabled veteran business enterprise (DVBE) participation in state contracts. Unfortunately, the current contract award amount limits small businesses from receiving the financial incentive from doing business with the state.

2) **Background.** Current law defines a "disabled veteran business enterprise" as an enterprise certified by DGS as being primarily owned by a disabled veteran or veterans, among other requirements. Current law does not place restrictions on the size of a disabled veteran business enterprise or its annual gross recipients.

Current law allows a state agency to award a contract for goods, services, or information technology with an estimated value between \$5,000 and \$250,000 to a certified small business or to a disabled veteran business enterprise, without complying with certain

competitive bidding requirements, if the agency obtains price quotations from two or more of those businesses.

This bill increases the cap on contracts from \$250,000 to \$500,000.

- 3) **Opposition.** This bill is opposed by Coalition of Small & Disabled Veterans, who write:

The last time the cap was raised was in 2009 with the passage of AB 31 (Price), Chapter 212 of the 2009 Statutes. This measure (which took effect on January 1, 2010) increased the cap from \$100,000 to \$250,000. If this measure achieved what it was intended to do, the evidence would be proven through a dramatic increase in the number of contracts awarded to small and disabled veteran businesses (which would have grown exponentially each year henceforth as more small businesses received calls from DGS and other state agencies and departments). Unfortunately, the opposite has occurred...the number of small and disabled veteran businesses being awarded contracts below \$250,000 has decreased significantly' and to make matters worse, certain companies appear to be winning most of the contract in this sector.

- 4) **Related Legislation.** AB 2030 (Davies) adds LGBT business enterprises, minority business enterprises, and women business enterprises to the businesses a state agency may contract with for goods, services, or information technology contracts valued between \$5,000 and \$250,000 without complying with certain competitive bidding requirements. The bill is pending in this committee.

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