

## DOCKETED

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California Energy Commission California: Barriers to Small Businesses in Disadvantaged Communities

August 1, 2017 – Panel

*Tanya Little Business Development Program Manager*  
Department of General Services

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Good afternoon, Commissioner, panelist, distinguished advocates and guests.

I am Tanya Little, the Governor's Appointee to California's Business Development Program, from the Department of General Services (DGS). Since July 25, 2014, the Business Development Program's mission has been to enhance state commerce with California's emerging and underrepresented businesses through community engagement and strategic research.

Points to consider regarding the challenges local small businesses in disadvantaged communities face depends on who their clients are. My focus is the challenges small businesses face when contracting with state government as a prime contractor or subcontractor. In November 2016, with the help of the Contractors State License Board we received 2,337 survey responses 154,448 from public works contractors. The survey revealed:

- Many contractors are financially insecure
  - It takes too long to receive payment from prime contractors
- They usually do not attend networking events during business hours
- They find the administrative burden of state bidding requirements too complicated or costly eating into their already slim profit margins
  - For example: Public works licenses, permits, insurance and bonding requirements; Department of Industrial Relation's (DIR's) \$400 annual fee; the requirement to pay prevailing wages and compliance with certified payroll requirements for all contracts paid with public funds, including pre and post construction activities
  - Projects of \$30,000 or more must meet DIR's apprenticeship requirements. Failure to comply with public works requirements can result in civil penalties, criminal prosecution, or both.
- Those that do bid, do not usually travel more than 50 miles from their business

The hand out provided shows Businesses client base:

- 78.5% of their earnings come from private contracts
- 10.4% from city, county and school districts
- 4.4% state contracts
- 3.2% federal contracts
- 3.5 public utilities
- The handout also captures demographics information

The Business Development Program's final report and analysis will be published later this year after receiving peer review comments from public and private advocates and stakeholders.

The state of California discontinued its diversity program in November 1996 due to the California Civil Rights Initiative, Proposition 209. As a result, the programs DGS oversee are for California Small Businesses and Disabled Veteran Business Enterprises.

DGS has the statutory authority to delegate its purchasing authority to state agencies that meet specific requirements. Proposals to change state contracting policies, may be submitted to DGS for consideration.

DGS hosts a Purchasing Authority Round Table (PART). Members are a consortium of appointed State Purchasing Authority Contacts. The consortium promotes open communications with the Department of General Services, Procurement Division (**DGS-PD**) for revisions to the state contracting manual. I encourage you to consider having your Procurement and Contracting Officer and Purchasing Authority Contact attend quarterly meetings.

In early 2015, I convened a state collaborative focus group to identify gaps and opportunities for construction subcontractors. This research documents the challenges state officials face in its strivings to meet contracting goals. They say"

- Many firms will not travel statewide and state officials have difficulty finding businesses to provide services in rural areas
  - This was confirmed in the 2016 contractors' survey. The majority of contractors only travel 50 miles from their business location
  - The firms located in the area do not want to deal with the state's contracting requirements.
- Prime contractors for private construction projects and state and local governments compete for many of the same small businesses subcontractors. One example from DGS' database in 2015 reflected:

- There were 334 small businesses (SBs) providing plumbing services in San Bernardino County;
  - In reality there were only 28 plumbing firms or 8% located in the county providing plumbing services
  - The nearest counties: Los Angeles (87), Riverside (33), Orange (20), Inyo (1)
  - Private companies, homeowners, CSU Los Angeles, UC San Diego, UC Santa Barbara, CalVet, Food and Agriculture, Water Resources, Employment Development Department, and the High Speed Rail Authority are just a few that may compete for services in San Bernardino County
- Small businesses have difficulty or cannot meet bonding requirements and lack resources to meet the needs of prime contractors
  - Prime contractors experience high bids from subcontractors when the state seeks low bids for its contracts

These are just a few takeaways from my early research.

Thank you for this opportunity to speak with you this afternoon. I'm happy to answer any questions you may have about the state's programs.

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The following background information was not shared during the panel discussion:

Microbusinesses are firms with less than 25 employees and an average gross receipts of \$3.5 million or less, based on the state's certification standards.

DGS has built strong partnerships with ethnic Chambers of Commerce and women's organizations. Last fiscal year, the Communications and Outreach Unit participated in 150 events and reached approximately 20 thousand business attendees, from all demographic groups, through workshops, conferences, webinars, and meetings.

Target Area Target Area Contract Preference Act (TACPA): The DGS provides an interactive map to determine if a business is in or adjacent to TACPA zones.

The state's data collection: Public Contract Code Section 10111(f) requires state departments to request business owners to voluntarily report their race, ethnicity, and gender upon the award of contracts. Business owners are asked to disclose the ethnic and minority classification as defined by Public Contract Code Section 2051 (c). The classifications are: Asian-Indian, Black, Hispanic, Native American, Pacific Asian, or

Other. Business owners are asked to disclose their race classification as defined by the Federal Office of Management and Budget. The classifications are: American Indian/ Alaska Native, Black or African American, Asian, Native Hawaiian/other Pacific Islander, White, or Other.

Public Contract Code Section 10111(f) was enacted in 2005 and amended to include Lesbian, Gay, Bisexual, and Transgender reporting in January 2013. Awarding departments are prohibited from using this data to discriminate or provide a preference in the solicitation or acceptance of bids, quotes, or estimates for goods, services, construction, and/or information technology. This information is not collected until after the contract award is made. Since it is voluntary to submit this information, the response rate is low and the data may not be representative of the total population. This information is not stored with contracting information to ensure anonymity.

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