

Lawmakers Propose Raising Limits for Small Businesses in State Procurement

TECHWIRE

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California State Sen. Cathleen Galgiani on Wednesday talks about her legislation that would raise the limit on annual gross receipts for eligible small businesses. Photo courtesy of CalChannel

The Assembly Appropriations Committee heard legislation Wednesday that would change California's definition of a small business, for contracting and procurement purposes, to a business that earns no more than \$15 million in annual gross receipts. The cap is currently \$10 million.

SB 1176 from Sens. Cathleen Galgiani, D-Stockton, and Ben Hueso, D-San Diego, also would increase the maximum limit for so-called "microbusinesses" from \$2.5 million to \$5 million and create a new category of small businesses at \$25 million for firms seeking public works contracts. Earlier this year the bill was amended to reduce the proposed receipts increase for small business from \$30 million to \$15 million.

"The Small Business Enterprise Program already exists in law. We believe there will be no cost because we're only seeking to merely change the limits. We're not seeking to create any additional program. It's just to simply raise the limits of the existing program," Galgiani said in front of the Appropriations Committee on Wednesday.

The bill says expanding the pool of eligible small businesses would encourage competition and help enterprises "amass the capital and expertise necessary to compete for state procurement of technology, equipment, supplies, services, materials, and construction work, especially in renewable energy, wireless telecommunications, broadband, smart grid, rail, and other mega infrastructure projects."

But the California Department of Finance currently opposes SB 1176 due to what it says would be significant additional cost to state programs. According to Finance, the Department of General Services (DGS) says the bill would necessitate one-time costs in the range of \$5.8 million to \$7.8 million for modifications to California's financial information system and the Small Business Certification System, as well as changes to contracting manuals and other materials.

Small businesses and Disabled Veteran Business Enterprises must certify through the DGS Procurement Division. For eligibility, gross receipts are calculated on a rolling three-year average. Once certified, participating firms generally can receive a bid preference on applicable solicitations.

Of the \$10 billion in contract spending during the state of California's 2014-15 fiscal year, \$2.4 billion was awarded to small businesses, DGS reports. There are about 3.6 million small businesses in California, according A 2015 report from the U.S. Small Business Administration.

SB 1176 is on suspense.