

**Minutes DGS Small Business Council
Legislative Committee
Thursday, August 7, 2014**

Participants

Bob Door, DGS
Chuck Deyoe, DGS
Marty Keller, DVBA
Debra Roak, Metro Chamber
Angel Carrera, DGS
Robert Ullrey, DGS
Lori Kammerer, SBC
Phil Vermeulen, CSDVB
Alice Perez, CAHCC
Lee Cunningham, CWIC

The meeting was called to order by the Chair, Phil Vermeulen, at 9:40 AM. After self-introductions, Phil reminded the committee that the purpose of the meeting was to discuss and make recommendations to DGS as to the committee's priorities for possible legislation in 2015. Chuck Deyoe informed the participants that DGS' legislative recommendations to the Governor's office must be made in early September.

The first strategic plan recommendation (received the most votes so it is the highest priority issue) of the Small Business Council was:

1). **Raise the cap for incentives to small businesses.**

The current caps were set in the 1980s when the definition of a small business was \$3 million. The definition of a small business is currently at \$14 million but the incentives have never been increased. A discussion ensued as to how large an increase should be recommended.

Phil cautioned that Shirley Weber had introduced AB 2278 this year which would have increased the TACPA preferences to \$350,000 with a total cap of \$400,000 and that it was held on Suspense in the Assembly Appropriations Committee.

Robert Ullrey explained that the committee looks at the total number of contracts times the amount of the incentive. So, if there were 110 contracts last year that qualified for the credit and the cost increase was \$50,000 per contract, the cost to the state would be \$5.5 million increase which is well above the \$50,000 cutoff for bills qualifying for suspense. After a lengthy discussion it was moved, seconded and unanimously approved to **recommend that each**

incentive be raised by \$50,000 and a consumer price index mechanism be included so that in the future as prices rose, so would the incentives.

2). **Make local governments apply small business/DVBE rules when doing projects with state money.** Robert Ullrey discussed the need for enabling legislation which also brings with it the cost to the state when mandating something to the locals. Angel Carrera discussed AB 761 (Coto) which was signed into law back in 2007. The law requires a 25% goal for small business participation on construction projects funded by infrastructure bond. Angel suggested a letter to local government reminding them of this participation when receiving state infrastructure funds. There was also discussion that the Department of Finance is not capturing this information currently or is not reporting it properly? **Marty Keller made a motion that the committee recommend DGS do a pilot project. It was moved, seconded and unanimously approved.**

3). **Consider Set Asides For Small Business/DVBEs**

Robert Ullrey reported that the state does not have the capability like the federal government to target to only small business and DVBE participation. Further, Chuck Deyoe discussed how there is a violation of the interstate commerce clause and the possibility of retaliation by other states. **After a lengthy discussion, the motion was tabled. It was recommended this should be on a future agenda.**

4). **Change language from goal to requirement that 25% of all state contract dollars are to be awarded to small business/DVBEs.**

It was reported by Angel Carrera that an executive order currently exists. It was also discussed that large businesses who utilize small businesses can obtain up to a 5% credit towards their bid. Debra and Lori discussed the merits/cost issues to the state adopting a goal vs. mandate. **After further discussion, it was agreed to recommend to DGS that they sponsor legislation next session to change from a goal to making it a requirement in statute. It was moved, seconded and unanimously approved.**

5). **Recommend that the State establish a credit arm to assist small businesses/DVBE with surety and bonding for state contracts.**

Angel Carrera reported that bonds are required for IT and service and construction contracts, but no others. It was suggested that a program be modeled after Bay Area Rapid Transit's (BART). **After further discussion, it was agreed to recommend to DGS that they establish a credit arm to assist small businesses/DVBE. It will have to be determined which agency or department will be responsible. It was moved, seconded and approved (Lee Cunningham voted no).**

Phil Vermeulen discussed several issues.

1). The EZ Zone employee qualification language needs to be re-established into law. He has been working to have it amended into AB 2022 (Medina). **DGS reported that they have made a request to the Governor's office to support this amendment and to oppose the measure if it is not included.**

2). Require principal business address must be located in a TACPA zone. The manufacturing facilities can be in a different TACPA zone location. **This too has been submitted to the Governor's office as a request to support**

3). The Coalition of Small and Disabled Veteran Businesses sponsored AB 2682 (Wagner) this session, but the bill died in its first committee due to lack of input from DGS' legislative staff. A formal request recommendation was made for DGS to strongly support legislation for next session. **It was moved, seconded and unanimously approved.**

With no further business to discuss, the meeting adjourned at 12:00 Noon

Respectfully submitted,

Phil Vermeulen