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**SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION**  
**Senator Bill Dodd**  
**Chair**  
**2021 - 2022 Regular**

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<b>Bill No:</b>	AB 1072	<b>Hearing Date:</b>	7/6/2021
<b>Author:</b>	Reyes		
<b>Version:</b>	5/24/2021 Amended		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Felipe Lopez		

**SUBJECT:** Small businesses: technical assistance: public contracts

**DIGEST:** This bill relocates the California Small Business Technical Assistance Expansion Program (Program) from the Governor's Office of Business and Economic Development (GO-Biz) to a division of GO-Biz, the Office of Small Business Advocate (Advocate). Additionally, the bill requires the Department of General Services' (DGS) small business advocate to assist state agencies in improving small business and disabled business enterprise (DBE) procurement participation, as specified.

**ANALYSIS:**

Existing law:

- 1) Creates, until January 1, 2024, the Program within (GO-Biz), to assist small businesses through free or low-cost one-on-one consulting and low-cost training by entering into grant agreements with one or more federal small business technical assistance centers, as prescribed.
- 2) Establishes GO- Biz within the Governor's Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth.
- 3) Requires GO-Biz, upon appropriation of funds by the Legislature, to make grants to federal small business technical assistance centers that the office determines meets specified eligibility criteria.

- 4) Requires GO-Biz to evaluate applications received based on prescribed factors, to prioritize funding for applications that best meet the factors, and give preference to applications that propose new or enhanced services to specified undeserved business groups.
- 5) Requires the use of state funds provided to the Program to expand consulting and training services through existing and new centers, including satellite offices.
- 6) Requires the DGS small business advocate, using existing resources, to provide certain services, including; developing and maintaining an outreach and education program to assist certified small businesses and certified disabled veteran business enterprises (DVBE) in establishing the California multiple aware schedule (CMAS), actively promoting the availability of these suppliers to deliver or provide a broad range of goods and services to governmental agencies through their participation in the CMAS program, establishing a training and development program for acquisition professionals, establishing a recognition and awards program, and preparing and making available to the public a directory of certified small business and certified DVBE suppliers.

This bill:

- 1) Relocates the Program within the Office of Small Business Advocate, under the direction of the Advocate.
- 2) Expands undeserved business groups to be prioritized to include DBEs.
- 3) Requires the use of state funds provided to the Program to support a range of programs and services delivered through one or more small business technical centers, including, but not limited to, business startups, business restructuring, business expansion and retention, accessing capital, participating in government procurement opportunities, becoming competitive and maintaining competitiveness in foreign markets, regulatory compliance, and emergency preparedness.
- 4) Authorizes the use of state funds provided to the Program to be utilized for emergency small business technical assistance activities, such as those that are created in response to natural disasters and other states of emergency, economic crises, and new economic market sectors and factors, such as cyber and technology modalities.

- 5) Requires DGS' small business Advocate to assist state agencies in improving small business and DBE procurement participation by including outreach and providing tech assistance to small businesses seeking certification to be eligible for additional small business assistance. In undertaking these requirements, DGS and the advocates shall at least annually consider how to align existing programs, services, and initiatives.
- 6) Extends the Program sunset date from January 1, 2024 to January 1, 2026.

## Background

*Purpose of the bill.* According to the author's office, "AB 1072 will support our small businesses by making changes to the Program and requiring DGS to assist state agencies in improving small business procurement participation. The program's funding is focused on services to underserved business groups, including women, people of color, veterans and low-wealth, rural, and disaster impacted communities. State contracts can be a boon to businesses as they can provide stable and a much needed cash flow due to the size of the contract. For small businesses this can be a lifeline to maintain and grow their businesses especially during COVID. These changes will make the Program better equipped to help small businesses during the pandemic. Many small businesses in California would love to partner with the state but often do not have the technical expertise to navigate the public procurement process. This bill will expand those services to get more small businesses ready and able to bid on state contracts."

*California Small Business Technical Assistance Expansion Program.* The Program, until January 1, 2024, was established by AB 1817 (Committee on Budget, Chapter 37, Statutes of 2018). The purpose of the Program is to assist small businesses by entering into grant agreements with one or more federal small business technical assistance centers. Since its inception, the Program has provided \$17 million each through to expand small business services.

Funds are available to small business technical assistance centers, which are designed by federal funding partners to operate federal small business technical assistance programs throughout the state. These centers provide free one-on-one confidential consulting and low-cost or free training to help small businesses and entrepreneurs start, expand, facilitate investment and create jobs in California.

The program's funding is focused on services to underserved business groups, including women, people of color, veterans and low-wealth, and disaster impacted communities. This bill expands undeserved business groups to be prioritized to

include DBEs. DBEs are for-profit small business concerns where socially disadvantaged individuals own at least 51% interest, and also control management and daily business operations. African Americans, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans, and women are presumed to be socially and economically disadvantaged. Other individuals can also qualify as socially and economically disadvantaged on a case-by-case basis.

Additionally, the bill requires the use of state funds provided to the Program to support a range of programs and services delivered through one or more small business technical centers, including, but not limited to, business startups, business restructuring, business expansion and retention, accessing capital, participating in government procurement opportunities, becoming competitive and maintaining competitiveness in foreign markets, regulatory compliance, and emergency preparedness.

Finally, the bill authorizes the use of state funds provided to the Program to be utilized for emergency small business technical assistance activities, such as those that are created in response to natural disasters and other states of emergency, economic crises, and new economic market sectors and factors, such as cyber and technology modalities.

*DGS' small business advocate.* Existing law requires the DGS' small business advocate to provide a number of services to assist certified small businesses and certified DVBES. For Example, existing law requires the DGS' small business advocate to establish a training and development program to enhance the participation of certified small businesses and certified DVBES in state contracting. This bill would additionally require the DGS' small business advocate to assist state agencies in improving small business and DBE procurement participation.

*Small business eligibility requirements.* In order for a small business to be eligible for certification, the small business must be independently owned and operated; not dominant in its field of operation; and, its principal office must be located in California. In addition, the business must be either a business with 100 or fewer employees and an average annual gross receipts of \$15 million or less over the last three tax years; a manufacturer, as defined, with 100 or fewer employees; or, a microbusiness. A small business will automatically be designated as microbusiness, if gross annual receipts are less than \$3.5 million; or the small business is a manufacturer with 25 or fewer employees.

Upon meeting eligibility requirements, certified small businesses and microbusinesses are entitled, to among other things, a five percent bid preference.

The goal of the preference is to help small and micro businesses to be more competitive in the bid process, thereby enhancing state contract awards directly or indirectly to these types of businesses. The preference is only used for computation purposes to determine the winning bidder, the contract is awarded at the actual bid amount.

In addition, certified small businesses are eligible for the State's Business Participation Program, which sets a goal for the use of small businesses in at least 25% of the state's overall annual contract dollars.

**Prior/Related Legislation**

AB 349 (Holden, 2021) requires state agencies to publish and make widely available information regarding public notice of contracts and procurement in order to facilitate the participation of small businesses. (Pending in the Senate Appropriations Committee)

AB 915 (Chiu, 2021) codifies Executive Order S-02-06 which established a minimum participation goal of 25% for small businesses/microbusinesses and direct DGS to monitor the progress of all agencies, departments, boards and commissions towards meeting the 25% small business participation goal. (Pending in the Senate Appropriations Committee)

AB 1574 (Jobs, Economic Development, and the Economy, 2021) makes various changes to California's certified small and microbusiness, Disabled Veteran Business Enterprise (DVBE), and Target Area Contract Preference Act programs, including enhanced public promotion of the programs, authorizing any public prosecutor to bring a civil action for a violation involving a knowingly fraudulent representation, and expanding and clarifying the Target Area Contract Preference Act. (Pending in the Senate Appropriations Committee)

AB 1817 (Committee on Budget, Chapter 37, Statutes of 2018) created, among other things, the Program until January 1, 2024, for the purpose of assisting small businesses by entering into grant agreements with one or more federal small business technical assistance centers.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

**SUPPORT:**

Accion Opportunity Fund

Asian Business Association of San Diego

Butte-Glenn Community College District

California African American Chamber of Commerce  
California Asian Pacific Chamber of Commerce  
California Association of Micro Enterprise Opportunity  
California Association of Orthodontists  
California Capital Financial Development Corporation  
California Hispanic Chamber of Commerce  
California Metals Coalition  
City of Brentwood  
City of Pasadena  
City of San Mateo  
City of Santa Monica  
City of Torrance  
City of Vallejo  
Coalition of Small and Disabled Veteran Services  
Financial Development Corporations  
Flasher Barricade Association  
National Federation of Independent Businesses  
NAWBO – CA Chapter  
NAWBO – CA Sacramento Valley Chapter  
Silicon Valley Consulting Group  
Small Business California  
Small Business Majority  
Women’s Business Centers  
Various businesses

**OPPOSITION:**

None received

**ARGUMENTS IN SUPPORT:** Supporters of the bill argue that, “during this Covid-19 Pandemic, small businesses have been crippled. Now more than ever, small businesses need the support, guidance, and resources made available by the California Small Business Development Centers.”

**DUAL REFERRAL:** Business, Professions & Economic Development Committee (13-0) & Governmental Organization Committee