

**California Department of General Services (DGS)**

**Small Business Advisory Council (SBAC) Meeting Minutes**

**Date:** Wednesday March 1, 2023

**Time:** 1 – 4 p.m.

**Location:** DGS Ziggurat, 8th Floor, Conference Room and Zoom

**Meeting Facilitator:** Angela Shell, Deputy Director, DGS SBAC Co-Chair

**Recorder:** Diane Lydon, Office of Small Business and DVBE Services (OSDS) Business Outreach Liaison

The regular quarterly meeting of the DGS SBAC was called to order by Co-Chair Angela Shell at 1:04 p.m. Attendance was taken; a quorum was present.

**Meeting Minutes and Past Action Items**

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A motion was made by Mike Sabellico and seconded by Merv Cutler to approve the December 7, 2022, meeting minutes. The motion passed without objection.

Matt Zweier, OSDS Business Outreach Manager reviewed last meeting Action Items. The status of all Action Items were reported as completed.

1. Sent Broadcast bulletin subscription link to Council members.
2. Council members were given the opportunity to provide referrals and/or feedback to the State Agency Recognition Award (SARA) Nominations for Advocate and Angel Carrera Leadership Award.
3. Shared Prompt Payment Act resources webpage with Council members.
4. Sent CalTrans Middle-Mile Broadband Network Initiative presentation to Council members.

**DGS Updates**

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Angela Shell, Deputy Director, Procurement Division (PD) provided an update and reminders on DGS activity:

1. DGS continues to work on strategic goals for 2023 as part of the 2022-2023 two-year plan.
  - a. Revising the information technology terms and conditions is taking somewhat longer due to staff shortages and a required shift in resources.
  - b. Next steps are to compile all internal state comments into a matrix. DGS Office of Policy, Procedure and Legislation will reach out again to Council members with revised comments and changes to the terms and conditions for a final opportunity to review and provide suggestions prior to going to public comment, with the following goals:
    - i. To improve the terms and conditions so SBs and DVBEs have better opportunities to participate in IT contracts.

- ii. To encourage Council members working in the IT industry and who have contracts with the state to provide their insights and perspectives on how it is working and what can be done to make it easier.

Estimated completion date of this strategic goal is mid- 2023.

2. Planning for the next two-year strategic plan will begin mid-year.
3. DGS, Caltrans, CA High-Speed Rail Authority (HSR) and CalVet small business and DVBE council chairs are working together to schedule a joint council meeting.
  - a. Chairs of respective councils met and discussed similar challenges shared by SBs and DVBEs that could be managed on a statewide level.
  - b. The purpose of the four councils collectively meeting is to discuss how to make improvements on overlapping issues. Common issues include prompt payment, outreach and training, participation levels, and diversity in state contracting.
  - c. Next steps are to identify a facilitator to prepare an agenda and schedule a meeting prior to the end of this fiscal year.
4. Several legislative bills passed in the last session which have procurement implementation.
  - a. A Broadcast Bulletin summarizing all the bills was published on the DGS website's broadcast bulletin page. It is [BB. No. P-01-23](#) – Subject: Bills from the 2022 Legislative Session that impact Procurement Policies. Council members can [opt-in to receive broadcast bulletin notifications](#). Members are encouraged to do so to have up-to-date information on policies DGS issues to all state departments related to procurement operations.
  - b. DGS is formulating policies and practices for all departments to ensure they are implementing these bills.
  - c. DGS has already issued guidance for implementation of Assembly Bill 2019.
    - i. The statute provides state departments more flexibility to engage in opportunities for SBs and DVBEs.
    - ii. Other regulations are related to the transportation industry and workforce development.
5. A new legislative session has begun – new bills will require a review to see how they would be implemented if passed by legislators.
6. DGS continues to evaluate areas in procurement to improve efficiencies, effectiveness and to make it easier for SBs and DVBEs to compete for state contracts.
  - a. DGS is using a human-centered design concept as an evaluation approach – a design concept that looks at how services are delivered to stakeholders both internally and externally. It asks the question, “Is the method of delivery helpful to a state department or to a small business?” A result of this approach is the revamped DGS Procurement Division webpage: [www.dgs.ca.gov/PD](http://www.dgs.ca.gov/PD). The updated webpage features sections with resources for businesses, resources for state department, resources for public agencies, procurement initiatives (e.g. bike lane and environmentally preferable purchasing program) and public procurement data.
    - i. Send any feedback on the webpage to OSDS team at [DGSSBCouncil@dgs.ca.gov](mailto:DGSSBCouncil@dgs.ca.gov)
7. COVID emergency has sunset as of March 1, 2023. The state will no longer issue emergency contracts for COVID response, though some existing COVID contracts may continue. Procurements related to COVID will be conducted through non-emergency procurement methods moving forward.

## Members' Questions and Comments:

1. Comment received on the website update – it is more user friendly, and the data is more accessible.

## CalVet Update

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Keith Boylan, Deputy Secretary, Veteran Services for CalVet, provided the following updates:

1. Secretary Vito Imbasciani is leaving CalVet as of March after 8 years with the department. He was nominated by the governor to serve as the head of the California Institute of Regenerative Medicine (CIRM). He was voted in by a 35 member board.
2. Received notice from the California State Auditor that all outstanding issues from 2018 audit have been closed.
  - a. Complements to Jamie Jones, CalVet Chief of Outreach and Community Engagement, Angela Shell, Anda Draghici, Danetta Jackson and OSDS for their efforts.
3. The Veterans Support to Self-Reliance (VSSR) Pilot, a three-year competitive grant program, was announced on January 18, 2023. The focus of the program is to ensure senior veterans and those with high acuity remain stably housed.
  - a. Non-profits received \$20 million in competitive grants to enhance supportive services and permanent supportive housing throughout the state.
  - b. The program made six awards, representing Inland Empire, Los Angeles, San Diego, the Bay Area, Sonoma County and Sacramento. There were no grant applications from the Central Valley or the Central Coast regions.
4. Working with the Office of Emergency Services to set up disaster recovery centers throughout the state following recent floods. At one point there were 18 centers fully operationally 24/7. Facilities are still operational with most wrapping up around the middle of March. Disaster recovery centers are available to families or businesses affected by flood disaster.
5. The DVBE Advisory Council recently convened a new Council in January for the next two-year period. Rebecca Aguilera-Gardiner President of the Veterans In Business (VIB) Network, will co-chair the Council. The next meeting is in March.
  - a. An effective tool the Council put in place is the [CalVet DVBE Request for Response](#) survey. To date, 406 requests for response have been received ranging from basic program information to reciprocity partners, delayed payment and process guidelines.

## No Member Questions or Comments

## Governor's Office of Business and Economic Development (GO-Biz)/CalOSBA Update

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Chris Earl, Assistant Deputy Director & Southern California Regional Advisor, California Office of the Small Business Advocate (CalOSBA), provided the following updates:

1. The mission and purpose of CalOSBA focuses on three objectives.
  - a. Information and resources – technical assistance, direct funding, etc.
  - b. Advocacy – developing or supporting legislation, e.g. AB 2019.
  - c. Resiliency – supports California small business strategic planning.

2. Technical assistance network
  - a. There are currently 102 assistance centers throughout the state that offer different types of assistance to small business communities and reach underserved geographic areas and groups.
  - b. Continuous work to address any gaps through new programming or expansion of existing services.
  - c. The largest providers are SBDCs. Other providers include Women Business Centers, Apex Accelerators (formerly known as Procurement Technical Assistance Centers), Chambers of Commerce and smaller community-based organizations.
3. [California Nonprofit Performing Arts Grants Program \(NPAGP\)](#)
  - a. Grants are available up to \$75,000.
  - b. Funds are dedicated to support employee related costs to include equipment, medical health, centralized payment system, etc.
4. [Los Angeles County Economic Opportunity Grant](#)
  - a. Offers micro grants of up to \$2,500 with additional matching funds of up to \$5,000 through the Economic Opportunity Grant program.
  - b. Opened on January 25, 2023. First awards have already begun.
5. [Accelerate CA Inclusive Innovation Hubs \(iHubs<sup>2</sup>\)](#)
  - a. Innovation hubs are lead organizations aimed at developing an innovation ecosystem to support a small business' growth and development throughout its lifecycle. The program creates local infrastructure to help ensure all small businesses regardless of location can have access to resources and various types of technical support needed.
  - b. Initial program received an investment of \$2.5 million.
  - c. Approved expansion of \$20 million to extend program services from the existing 10 to 13 innovation hubs (Senate Bill 193). RFPs are planned for release second quarter of 2023.
6. [California Regional Initiative for Social Enterprises \(CA RISE\)](#) - \$25 million allocation aimed at providing fiscal and technical assistance support for social enterprises to overcome employment challenges, gain sustainability and scale their businesses.
7. [Women's Business Center Enhancement Program](#) – an expansion of current work with CalOSBA through the Technical Assistance Center programs. An additional allocation of \$8 million over three (3) years to support women-owned businesses and entrepreneurs (Senate Bill 154).
8. CalOSBA is required to report on the state's small business procurement participation and implementation of equity action plans from liaison and advocates (AB 2019). Leadership will begin work directly with agencies.
9. [Small Agricultural Business Drought Relief Grant](#) – An allocation of \$75 million in small business grants to assist qualified small agricultural businesses affected by severe drought (AB 157). The program has a regional priority for the Sacramento and San Joaquin Valley areas which are identified as extremely affected by the drought. A procurement for a third party fiscal agent to deliver the drought relief grants is planned for release soon.
10. [Small Business and Nonprofit COVID-19 Supplemental Paid Sick Leave Relief Grant](#) – A \$250 million program aimed at providing funding to small businesses with between 26-49 employees that incurred COVID-19 supplemental sick leave costs in the 2022 calendar year (AB 152).
  - a. Grants are up to \$50,000.
  - b. Will soon issue guidelines to the public for application and next steps of the Supplemental Paid Sick Leave (SPSL) program.

11. [State Small Business Credit Initiative \(SSBCI\) Technical Assistance Program](#) – A reauthorization from the American Rescue Plan Act of 2021 of \$10 billion to increase access to capital for small businesses. California was allocated \$1.1 billion which will be split between iBank (within GoBiz) and the California Pollution Control Authority under the Treasury Department.
  - a. iBank and California Pollution Control Authority, responsible for loan fund disbursement directly to small businesses, will work through lenders who have their own loan criteria.
  - b. CalOSBA is tasked with providing technical assistance support for small businesses who want to access funds from SSBCI program.
  - c. CalOSBA plans to issue an RFP for technical assistance program providers for the SSBCI program.
12. Link to sign up for CalOSBA newsletter: <https://calosba.ca.gov/newsletter-signup/>

### Members' Questions or Comments

1. SBDCs, PTACs and CCs should be sure to obtain access to CalOSBA information and post it on their websites so that small businesses statewide are aware of these grant funding programs.
2. San Diego, Orange County and Imperial Valley Apex Accelerator receive support from CalOSBA. The funding allows the organization to provide a great deal of assistance to small businesses. CalOSBA does a great job of communicating and getting the information out.
3. More clarity was requested on the concept of iHUBs – iHUBs establish a statewide ecosystem of research, development, and innovation for communities to help small businesses from underserved communities and isolated geographic areas that lack resources (e.g. venture capital, angel investors, specific legal support, etc.). The program offers education, training and infrastructure funding to set up regional hubs throughout the state.
4. The question was asked if an iHUB is a co-working space for entrepreneurs to perform research and to collaborate and its funding history — yes, is a co-working space for or entrepreneurs to perform research and to collaborate. iHUBs began with no funding, gained \$2.5 million and most recently \$7 million through legislation.

### Legislative Update

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Matt Bender, Deputy Director of the DGS Office of Legislative Affairs, provided the following legislative updates:

1. The bill introduction deadline recently passed. There were not many SB/DVBE bills introduced. The bills described here are all spot bills, which are bills that make a non-substantive change to a statute where substantive language is amended later or declares a general intent which is then detailed in future substantive language.
2. [Assembly Bill 258 \(Reyes\)](#) – the author intends to create a single portal combining access to contracts for small businesses with access to grants and technical assistance.
3. [Assembly Bill 1030 Kalra](#) – a bill on deforestation. There have been other deforestation contract bills by the same author over several years. Generally, these bills have extensive requirements for exposure to the entire supply chain by the contractor to the state and is applied to a broad range of products.

4. [Assembly Bill 681](#) Schiavo – a bill with the general intent to prioritize childcare within public contracts. It is unclear how this would be promoted but could include new contracting requirement or bid preference.
5. [Assembly Bill 885](#) Rivas– one of several bills sponsored by the California Nonprofit Association on the subject of grants and contracts with nonprofit associations. The intention of the bill is to promote longer contract durations with nonprofits and contract renewals rather than put contracts out to bid. The packet of bills by the California Nonprofit Association promotes contracting with nonprofits and extends certain benefits to nonprofits such as automatic cost of living increases, advanced payments, etc. that would not be extended to for-profit companies.
6. [Assembly Bill 1392](#) Rodriguez – a substantive bill with further refinement for diversity procurement by hospitals that are regulated by the Department of Health Care Access and Innovation.
7. [Assembly Bill 1198](#) Grayson – an economic development bill that would create an equity and energy task force within California Governor’s Office of Business and Economic Development (GoBiz) to promote diversity in state forms of assistance related to energy.
8. [Assembly Bill 1669](#) Quirk-Silva – would create a grant program to provide technical assistance to small businesses in historically significant commercial districts.

## No Member Questions or Comments

## Procurement Update

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Carol Bangs, Acquisitions Branch Chief, Procurement Division, Department of General Services, provided the following updates:

### Statewide Agreements

- 1) Currently advertised on [CSCR](#)
  - a) Food Service Supplies, Disposable –products used by the CDCR in veteran homes. (Event ID 0000020355)
  - b) Renewable Diesel (Event ID 0000023603)
  - c) Paratransit vehicles (Event ID 0000022297)
  - d) Dry Bakery Mixes (Event ID 0000022297)
  - e) Individually Wrapped Lunchmeat & Cheese (Event ID 0000026023)
- 2) [Upcoming solicitations](#) (downloadable .csv file of all upcoming contract opportunities)
  - a) Renewal for Matt, Gloss and Index paper for Office of State Publishing (OSP)
  - b) Forklift, pallet trucks and jacks – solicitation is in development and looks to add in different configurations for use with different departments. There are discussions with Caltrans, Office of State Publishing, Water Resource Board and Parks and Recreation to understand individual department warehouse equipment needs.
    - i) The solicitation is broken out by line item and allows for more award opportunities. It provides details of each product and allows bidders the ability to bid on a specific product.
  - c) Body Armor – in development
  - d) ZEV/Hybrid trucks, medium and heavy duty.

## Master Agreements

- a) Uniform Laundry Services – this solicitation is in development with discussions to determine if it will be broken out by region.
- b) Temporary Healthcare Services – decisions on different classifications to incorporate into the contract.

## Members' Questions and Comments:

The contracts Carol discussed are Leveraged Procurement Agreements, which are different than state department solicitations. Solicitations, when advertised, are posted in the California State Contracts Register, located on Cal eProcure. Departments may also post their solicitations, including a forecast of upcoming solicitations on their department website. DGS posts their coming contact solicitation on the [How to do Business with the state of California](#) page under Upcoming Contract Solicitations.

## Statewide Supplier Diversity Program Updates

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Danetta Jackson, Supplier Diversity Program Manager, Department of General Services, provided the following updates:

- 1) In April 2022, the program launched the voluntary supplier diversity data collection opportunity for all new businesses registering on Cal eProcure and currently registered businesses. Assembly Bill 2019 now allows the program to make available the option for applicants and certified businesses to voluntarily self-identify that the business is managed and at least 51% minority-owned, women-owned or LBGQT-owned, and publicly displays the information on Cal eProcure certification profiles.
  - a) An outreach communication on the option to self-identify was released on March 6.
  - b) To date 5,600 firms have voluntarily provided their information.
  - c) Council members are asked to help to encourage current and newly certified firms to participate in completing the information.
  - d) A campaign to promote the data collection will launch in the coming months.
  - e) The data collection can serve several purposes:
    - i) Help to identify potential disparities in state contracting.
    - ii) Can be useful with the disparity study required in AB 2019.
    - iii) The data can be a resource for state departments and reciprocity partners to development new outreach strategies to ensure the California supplier base is reflective of our diverse state.
- 2) Introduction of newly hired research data specialist, Sourajit Moustafi, who is responsible for the analysis, tracking and reporting on the date moving forward.
- 3) The Supplier Diversity Program is a member of the California Statewide Coalition on Diversity Initiatives. Established in 2020, the Coalition is comprised of DGS, California Department of Insurance, California Department of Health Care Access and Information, California Office of Small Business Advocate, Caltrans and the California Public Utilities Commission. The Coalition is committed to increasing the economic impact of California's small and diverse businesses by expanding access to business resources and opportunities.
- 4) The Supplier Diversity Program is in the early stages of organizing a statewide diversity procurement conference. A stakeholder interest survey was created to help understand the most effective and impactful ways to outreach and engage with stakeholders. Council

members are encouraged to provide their input by completing the survey which will be made available to them.

### Members' Questions and Comments

- 1) How is the voluntary data submitted? Registered businesses can make the update into their Cal eProcure bidder/supplier account workcenters. New registrants are asked to provide the information in the registration process.
- 2) What is the intention of the collected data? The data can inform DGS of potential needed policy changes, where to increase targeted outreach and certification efforts, and can identify areas of disparity.
- 3) Will all certified businesses receive the stakeholder diversity procurement interest survey? At this time the link is not going to all certified businesses. The diversity coalition partners received the survey and sent it to their stakeholders. The survey was also sent internally to small business advocates. Depending on the results, the survey may be sent to certified businesses.
- 4) Is the Statewide Supplier Diversity program connected with the San Diego Council for Supplier Diversity and other similar organizations? Once the program is properly staffed, there will be additional outreach to these types of organizations.
- 5) A suggestion was made to reach out to Office of Small Business Administration to gain the diversity information collected on the Neoserra platform used by SBDCs.

### OSDS Program Updates

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Joann Patty, Business Outreach Liaison, Department of General Services, provided the following updates:

1. Certification Updates
  - a. As of 2/22/2023 the certification database included: 20,644 SBs (including duals/triples) of which 14,643 Micros, 3,626 SB-PWs and 1,743 DVBEs (including duals/triples).
  - b. The Gross Annual Receipts (GARs) requirement was increased from \$37 to \$38 million for SB-PWs on January 1st. Access the [FAQ document](#) related to this change.
  - c. Small Business and DVBE Regulations package was routed to the Office of Administrative Law for adoption in the 2nd Quarter of 2023. This package includes passed legislation - AB 1574, SB 588, AB 230, and AB 1365 and new language specifying departments are allowed to set contract-specific SB goals if they need to do so to meet their overall 25% SB participation goals: [Notice of Rulemaking for SB/DVBE](#).
  - d. Under AB 2019 certified businesses can now voluntarily self-identify that the business is managed and at least 51% minority-owned, woman-owned or LGBTQ-owned.
  - e. AB 2974, effective January 1, 2023, establishes a 25% SB participation goal on the state's infrastructure contracts funded with proceeds from the federal Infrastructure Investment and Jobs act (IIJA). [Bill Text - AB-2974 Small Business Procurement and Contract Act: federal Infrastructure Investment and Jobs Act funding. \(ca.gov\)](#)
  - f. Economic Impact Study of SB/DVBE Programs – SB Option solicitation was sent to 350+ SB/DVBEs with a due date of January 12. Pending evaluation of responses.



2. SB/DVBE Training Unit – a dedicated unit in OSDS tasked with developing a training program for certified businesses. Training modules are expected to launch July through October 2023. The details of these modules, including a more detailed timeline and options for feedback and input, is forthcoming.
3. Advocacy Support Unit – this unit was created to help state departments meet their mandated SB and DVBE contracting goals. The unit will provide procurement technical assistance, training and on the job support consultative services to advocates. The unit is developing a strategic plan and a best practices webinar for advocates.
4. Outreach updates – in the last three months there were 23 outreach events in total; 11 in-person and 12 virtual events.
  - a. Organizations we partnered with include California Association of Procurement Officials; California Tribal Nations Summit - Governor's Office of Tribal Affairs and Tribal Chairpersons' Association; San Diego, Orange, Imperial PTAC; San Diego SBDC; Southwest Veterans Business Resource Center; Western Regional Minority Supplier Development Council (WRMSDC); and American Indian Chamber of Commerce
  - b. Upcoming events include:
    - i. Small and Diverse Supplier Expo hosted by UC Davis Supply Chain Management
    - ii. Inland Empire SBDC webinar series
    - iii. Sacramento Regional Builders Exchange
    - iv. Hispanic Chamber of Commerce webinar series
    - v. Southwest Veterans Business Resource Center- Skin in the Game Pre–Trade Show sessions
    - vi. State Agency Recognition Awards
    - vii. Small Business Construction Expo (SBCX) presented by AGC Construction Education Foundation
    - viii. American Indian Chamber of Commerce webinar
5. Branch hiring – recruitment for OSDS Certification Program Manager (Staff Services Manager II). All recruitments are posted on the DGS LinkedIn page.

## Members' Questions and Comments

- 1) Do small businesses frequent the events OSDS attends and what information are they given or ask for? Yes, OSDS regularly conducts workshops, participates on panels and in business matchmaking, and staffs an exhibit table at a wide variety of events where businesses can learn about the state contracting and procurement process. A council member echoed this and recommended the SBAC Outreach Committee stay knowledgeable of OSDS outreach activities and training information, and to share that information with other organizations and businesses.
- 2) A certification day is planned in the future with information to follow.
- 3) Council members are invited to forward to the [DGSSBCouncil@dgs.ca.gov](mailto:DGSSBCouncil@dgs.ca.gov) mailbox or to Matt Zweier at [matthew.zweier@dgs.ca.gov](mailto:matthew.zweier@dgs.ca.gov) any potential participation opportunities or organizations OSDS could partner with, specifically underserved and minority business communities.
- 4) Given AB 2019 is a statutory requirement, it is important that departments not familiar with outreach are given support. OSDS can help departments with their outreach efforts by incorporating departments into OSDS outreach activities or helping departments create their own outreach events.

## SBAC Committee Updates

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### Procurement Processes Committee

Committee chair Charlotta Carter presented the committee report:

- 1) Charlotta shared their meeting schedule and strategic priorities for 2023. The Committee prioritized a list of 13 items – create procurement opportunities, simplify and empower procurement processes, improve procurement forecasting, facilitate prompt payment, simplify post-certification bidding, and education on access to contract and subcontracting opportunities.
  - a. The committee is interested to know if DGS has guidance regarding AB 1574
  - b. Communication about the FI\$Cal Purchase Order Payment History tool to small business communities has diminished prompt payment issues. The committee will continue sharing this information.
  - c. Payment to subcontractors by prime contractors:
    - i) That FI\$Cal tool allows subcontractors to track when a prime receives payment.
    - ii) If not successful in using the FI\$Cal tool, businesses can contact the contract administrator.
    - iii) The committee is interested in implementing similar federal incentive and penalties regarding paying subcontractors on state contracts and wonders if it requires a policy or legislative change.
  - d. Simplification of the bid process post certification – have a single location that allows buyers to reference submitted materials instead of requiring the bidder to resubmit references, documents provided in certification application, etc.
  - e. Interested in DGS creating a single document with a comprehensive, complete list of instructions on contracting with the state. Lee Cunningham, SBAC Co-Chair, provided a document from the navy as an example which provides a set of instructions on how to do business with the navy.
  - f. Access to contract opportunities is a critical focus, potentially more so than access to capital.
  - g. Need more information on broadband opportunities.

### Members' Questions and Comments

1. Where is the committee on the issue of prompt payment? Reiterated the information on the FI\$Cal tool and exploring putting incentives and penalties in place. It will take legislative change to affect a contract to include incentives and penalties for payment of subcontractors. It also depends on the sections of the code, e.g., public works contracts have a separate law that subcontractors have to be paid within a certain time frame.
2. The committee may invite businesses to present at committee meetings to discuss their experiences with state contracting and prompt payment so the committee can understand anecdotally what is occurring in the marketplace.
3. The date a department accepts an undisputed invoice is a key point where prompt payment delay occurs.
4. The new SB/DVBE Training Unit in OSDs will have a module on prompt payment.

5. DGS continues to evaluate prompt payment issues. Ideally the system could automate processes to help departments, i.e. electronic invoices. Expectations for the proposed meeting of the four Councils is to provide suggestions and solutions to this issue and others.

### **Outreach, Marketing, Education, and Training Committee**

Committee co-chair Merv Cutler presented the committee report:

- 1) Key points:
  - a. 4 out of 9 goals set at June 2022 meeting are complete.
  - b. Targeting the other five goals to achieve in 2023.
  - c. Potential outreach opportunities
    - i) Invite from the National Defense Industrial Association of San Diego to have DGS and CalOSBA present to the chapter. Could co-host with armed forces group.
    - ii) Orange County SBDC will host a state procurement conference.
    - iii) San Diego Council for Supplier Diversity is interested in hosting DGS for an event.
- 2) Communicate scheduled events to committee chairs in advance so they can get the word out to businesses.
- 3) A priority of the committee is to create a state small business mentor program. DOD is revitalizing their mentor program. This is an opportunity for the SBAC to review both the DOD and SBA mentor program as a model for a similar program by the state.
- 4) The next committee meeting is March 22.

### **Members' Questions and Comments**

- 1) What is the number one goal out of the five remaining? Expand and increase technical training needed for clarity and direction in procurement.
- 2) Lee to provide new regulations on SBA mentor-protégé program and new regulations extended by the DOD.

### **Commercially Useful Function (CUF) Committee**

Committee chair Shaila Rao Mistry presented the committee report:

- 1) In 2022 the committee focused on the implementation of CUF documentation. DGS has included several of the committee's recommendation into their efforts.
  - a. New language is being added to the bidder declaration.
  - b. Creation of new training module for SB/DVBE
  - c. Developed CUF brochure, webpage and videos.
- 2) The committee's 2023 plan focuses on internal and external efforts to address CUF issues.
  - a. Internally with the committee and DGS
    - i) Review DGS process of CUF implementation - specific practices and steps each department takes to evaluate and make a CUF determination; approved department reporting system on performed CUF evaluations.
    - ii) Review language of CUF and the limitations – does the current language address key criteria and does documentation meet the requirements of the language; e.g. is “brick and mortar businesses” too broad.
  - b. Externally

- i) Increase awareness of CUF among both large and small business. Expand CUF outreach and marketing to the community at large, including underserved and diverse business communities. Develop specific outreach to large businesses at events.
- ii) Recommend establishing a third-party verification to conduct audits and verification visits, often unannounced, to confirm business is as it represents itself. Next step is to review third party verification suppliers, an audit process and how it could be funded.
- iii) Review the CUF certification process to see if suppliers are reviewed for meeting CUF standards; if the process make small businesses' more vulnerable and how to protect them; if an outside agency required to perform this function; if the state requires businesses to show their capabilities, history, financials, and proof of doing business. This is a rigorous process but intended to put the small business in a position of strength.
- iv) Data tracking – collect data of violations. Preventative work with CUF certification, verification and increased awareness could reduce the need for punitive measures. The punitive aspect of not meeting CUF should be communicated and part of the education.
- v) Review state and federal protocols for elements that have worked.
- vi) Collaborate with Caltrans for lessons learned and best practices.

### **Members' Questions and Comments**

- 1) There is concern over mixing federal and state regulations. Many factors are different including the requirements, review process, violations, etc.
- 2) The largest issues are seen on the supplier side. Suppliers providing products to CDCR and other state agencies, for example, are areas for critical abuse of pass-through violations.
- 3) CUF issues vary based on industry. For IT services, subcontracting and meeting CUF is difficult. The committee will include the perspective of SBAC members with experience in IT industry in their work.

### **Review of New Action Items:**

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Matt Zweier, OSDS Business Outreach Manager, Department of General Services, review the action items.

- 1) Send link to Broadcast Bulletin summarizing 2022 passed legislation impacting procurement practices.
- 2) Share CalOSBA Chris Earl's slides.
- 3) Send the Supplier Diversity Program stakeholder survey link.
- 4) Share Supplier Diversity data collection profile update instructions.
- 5) Share Fiscal purchase payment history search tool link.
- 6) Share OSDS update slide.
- 7) Lee Cunningham will share materials on DOD procurement practices with OSDS

### **Public Comment:**

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- 1) William Osgood -- The CUF committee is encouraged to look at the service sector for violations. The service sector is the fastest growing sector in terms of total contracts awarded.
- 2) Russel Wood – Follow up on processes and penalties for CUF violations. LA Metro stepped in and met with a prime contractor to ensure the subcontractor received payment. However, other government agencies do not do anything.
- 3) Shobha Mallarapu – Has noticed that most contracts have a 50% cost mandate. It is affecting contracts being awarded to small businesses because SBs don't want to lose money on fulfilling a contract. The state is losing out on best value they could receive, and quality of work delivered. Is this a directive or policy from DGS? Would encourage DGS to look at the cost mandate. Angela asked for examples. It depends on the contract, but most mandates are minimum 30% for costs.

**Adjournment:**

- 1) The next meeting is scheduled for June 7, 2023, and will be at the Ziggurat in West Sacramento with a hybrid option.
- 2) A motion to adjourn was made by William Osgood and seconded by Mike Sabellico.
- 3) Meeting was adjourned at 3:37 p.m.