

# SMALL & DISADVANTAGED BUSINESS PROGRAM REVIEW

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# CALIFORNIA HIGH-SPEED RAIL AUTHORITY

## SMALL & DISADVANTAGED BUSINESS PROGRAM REVIEW

### INTRODUCTION

The purpose of this presentation is to discuss the need for possible improvements to the California High-Speed Rail Authority (Authority) Small and Disadvantaged Business Program and the Small Business goal that are:

- In alignment with state and federal requirements
- Consistent with other state agencies

The identified areas of improvement and the proposed solutions are the product of extensive and dynamic discussion and observation provided by the Authority Board of Directors, Authority Executives, Authority Contractors, and Authority Stakeholders.



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THE AUTHORITY SMALL BUSINESS PROGRAM RECOGNIZES 6 CERTIFICATIONS

**All 6 Designations Count Toward the Authority 30% Small Business Goal**

(Each certification has unique requirements)

### Four CA State Certification Types

1. DVBE – Disabled Veteran Business Enterprise
2. MB – Microbusiness
3. SB – Small Business
4. SBPW – Small Business Public Works

### Two Federal Certification Types

1. DBE – Disadvantaged Business Enterprise
2. Small Business Administration 8(a) Program



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## THE AUTHORITY IS DOING WELL AND CAN DO EVEN BETTER!

**71 DVBEs\***

Subcontractors &  
Subconsultants  
Awarded Authority  
Contracts

\*As of July 2021

**A TOTAL OF**

**634 SBs\*\***

Awarded Authority  
Contracts

\*\*Includes all SB types: DBE, DVBE, MB, SB and SBPW as of July 2021

**208 DBEs\***

Subcontractors &  
Subconsultants  
Awarded Authority  
Contracts

\*As of July 2021



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### EVALUATION OF SMALL BUSINESS PROGRAM

During the 2020 fiscal year, the Small Business team completed an evaluation of the Small Business Program and determined that revising the Small Business Program, including the Small Business goal, could result in better outcomes for the Authority, Prime Contractors, Subcontractors, and Subconsultants.



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### SMALL BUSINESS TEAM COLLABORATION

The Small Business team works closely with stakeholder groups and state agencies:

- Authority's Peer Review Group
- The Business Advisory Council
- Department of General Services
- Caltrans
- Governor's Office of Business and Economic Development (GoBiz)

Collectively these groups provide broad and diverse perspectives that inform the team's recommendations.



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### CHALLENGES OF THE OVERALL 30% SMALL BUSINESS GOAL

The current Authority 30 percent goal is high and combines all small business types under a single “overall goal.”

Again, each certification type has its own set of requirements and may be subject to different regulations and reporting.



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## RISKS

There exists inherent risks in lumping multiple small business and disadvantaged business goals into one overall goal. Authority risks:

- Achieving the federal 10% Disadvantaged Business Enterprise goal
- Achieving the 25% state Small Business contracting requirement pursuant to California's *SB Executive Order S-02-06*
- Achieving the 3% Disabled Veteran Business Enterprise goal required by California's *Military and Veterans Code 999*





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### WHY SEPARATE THE AUTHORITY SMALL BUSINESS GOALS?

- Reporting is confusing due to the combining of state and federal programs
- Contractors consistently request clarification in how the overall 30% goal is calculated and applied, thereby creating potential for misinterpretation and inaccurate reporting of goal achievement
- Potential for failure to meet the 25% California state Small Business contracting requirement



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### POTENTIAL FOR MISINTERPRETATION OF SMALL BUSINESS GOAL

The hypothetical examples below demonstrate how different interpretations of the “overall 30% Small Business goal” lead to very different outcomes:

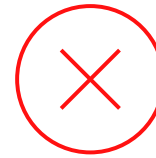
#### Example 1:



#### Properly Applied Goal Calculation

DBE and DVBE Goal Calculation Based on Total Contract Dollars			
Total Contract Dollars	30% SB Goal Value	DBE 10% Value	DVBE 3% Value
\$100	\$30	\$10	\$3

#### Example 2:



#### Incorrectly Applied Goal Calculation

DBE and DVBE Goal Calculation Based on 30% SB Goal Value			
Total Contract Dollars	30% SB Goal Value	DBE 10% Value of 30% SB Goal Value	DVBE 3% Value of 30% SB Goal Value
\$100	\$30	\$3	\$0.90



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### PROPOSED CHANGES TO THE GOALS To Be Finalized and Brought to the Board To Align With Standards of Other State Agencies

#### 100% State Funded Contracts Apply:

- 5% DVBE Goal<sup>1</sup>
- 25% SB Goal<sup>2</sup>

#### 100% Federal Funded Contracts Apply:

- 17% DBE Goal<sup>3</sup>

#### Blended State and Federal Apply:

- 3% DVBE Goal
- 25% SB Goal
- 10% DBE Goal

<sup>1</sup>The state requires a minimum 3% Disabled Veteran Business Enterprise (DVBE) goal, whereas the SB Team is proposing to increase the DVBE goal to 5%, thereby making the Authority State goal 30% on state funded contracts

<sup>2</sup>Includes CA Small Business Certification Types –Small Business (SB), Microbusiness (MB) and Small Business Public Works (SBPW)

<sup>3</sup>Increase the Disadvantaged Business Enterprise (DBE) 10% to 17% following the Caltrans model



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### PROPOSED CHANGES THE BOARD WILL BE ASKED TO CONSIDER IN THE FUTURE

- Any new Small Business goal approved by the Board would be applied to new Authority contracts; however, it would not be retro-active in application to existing Authority contracts.
- A revised Small Business Program would include updates to relevant Authority policies and procedures to incorporate approved changes.



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### BENEFITS OF SEPARATING THE STATE AND FEDERAL GOALS

By separating state Small Business and federal Disadvantaged Business Enterprise goals, the Authority will strengthen the existing Small Business Program by making the goals more:

- Straight forward
- Transparent
- Achievable
- Aligned with other state agencies
- In compliance with both state and federal regulations



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### NEXT STEPS

For all the aforementioned reasons, the Small Business team proposes to come back to the Board for authority to make changes to the Small Business Program as follows:

- Separate state goals from federal goals and implement goals based on the source of funding (i.e., state or federal)
- Revise the Small Business Program Plan to align with other state agencies
- Conduct a complete overhaul of the Small Business Program as necessitated by current project needs and evaluation outcomes
- Update the Authority policies and procedures to reflect approved changes



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### CONCLUSION

Staff will come back to the Board to show that proposed changes to the Small Business goal and Small Business Program will provide greater clarity of the Small Business Program requirements, resulting in greater opportunities for success among Authority contractors and small and disadvantaged businesses.



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**THANK YOU**

QUESTIONS AND DISCUSSION

