



165 Capitol Avenue  
Hartford, CT 06106-1658

**Raised Bill 5046**  
**An Act Concerning the Small Contractor Set-Aside Program and the**  
**Definition of Small Businesses**

**Commerce Committee**  
**February 10, 2009**

Good morning Senator LeBeau, Representative Berger, and members of the Commerce Committee. My name is Meg Yetishefsky, and I am the Director of the Set-Aside Program at the Department of Administrative Services (DAS).

I am here to speak to you about Raised Bill No. 5046 – An Act Concerning the Small Contractor Set-Aside Program and the Definition of Small Businesses.

Currently, state agencies must set aside least 25% of their agency purchases for certified, Connecticut-based small businesses and 25% of that amount must be set aside to minority-owned business. Raised Bill 5046 increases the amount to be set aside from 25% to 35% and further mandates that 15% of that amount for “micro-businesses.”

As a threshold matter, DAS would like to call the Committee’s attention to a possible clerical error in the bill. As drafted, the bill changes the definition of “small business” to businesses with gross revenues not exceeding three million dollars. Pursuant to legislation enacted in 2007, the definition of “small business” changed from a business with gross revenues of \$10 million in the fiscal year preceding the date of application to a business with gross revenues of \$15 million. Given the legislature’s recent decision to increase the threshold for “small businesses,” and this bill’s references to “micro-businesses,” we assume that Raised Bill 5046 intended to define “micro-businesses” as businesses with gross revenues not exceeding \$3 million, not “small businesses.”

Even assuming that the reference to businesses with gross revenues of \$3 million applies only to micro-businesses, DAS is concerned that the proposed goals are not achievable and the anticipated benefits to the micro-businesses will not be realized. Currently, there are 2,107 total certified small and minority-owned businesses. Of that number, 1,222 have gross revenues of three million dollars or less. These businesses relate to a variety of different industries, from agricultural supplies to hardware to telephone and radio equipment. For the most part, there is not a critical mass of micro-businesses in any given field. This creates a problem because, under the state’s competitive bidding statutes, contracts cannot be set aside if there are not enough “goal” businesses in that field to ensure competition.

Raised Bill 5046 creates additional administrative burdens for state agencies that are already struggling to streamline their procurement processes and squeeze the maximum possible value out of every dollar spent. Trying to find a sufficient number of micro-businesses that have the ability to provide the required goods or services to satisfy both the statutory competitive bidding requirements and the additional goals will be very challenging and time-consuming, if it is even possible.

Finally, the creation of another layer of goals also creates additional administrative costs for DAS, the Commission on Human Rights & Opportunities, and the other agencies that are required to establish, meet, evaluate and report on set-aside goals. New goals means increased labor-hours to analyze the budgets of each agency, establish individualized agency set-aside goals, review the progress made by each agency, and verify that the vendors receiving the contracts are, in fact, certified by the state as micro-businesses. Additionally, since the success of a new set-aside goal is largely dependent upon education and outreach in the business community to increase the pool of micro-businesses, such efforts will also require resources.

We would be happy to speak with the Committee about this proposal at any time.

I am happy to answer any questions you may have.