



DEPARTMENT OF ADMINISTRATIVE SERVICES



STATE OF CONNECTICUT

165 Capitol Avenue  
Hartford, CT 06106-1658

## House Bill 6086

### An Act Expanding the Set-Aside Program to Include Municipalities and State Grant Programs

Testimony of Commissioner Melody A. Currey

Government Administration and Elections Committee  
February 25, 2015

As the agency responsible for administering the State's Set-Aside (or Supplier Diversity) Program, the Department of Administrative Services offers the following comments regarding House Bill 6086, **An Act Expanding the Set-Aside Program to Include Municipalities and State Grant Programs**.

Under the current law, municipalities are exempt from the set-aside requirements that apply to state agencies and political subdivisions. HB 6086 would eliminate this exemption and require all municipalities in the state to participate in the set-aside program. At present, however, the bill does not specify who will be responsible for establishing the set-aside goals for the municipalities. While DAS believes the intent of these proposals is laudable, DAS cautions that it does not have the resources to administer a set-aside program for municipalities or to expand the program to include state-funded grants.

Currently, the set-aside program applies to 82 state agencies (including colleges and universities) and 31 political subdivisions excluding municipalities. As the administrator of this program, DAS's supplier diversity unit analyzes the budgets of each participant, sets individualized set-aside goals for each participant, verifies that the vendors receiving the contracts are, in fact certified by the state as small or minority owned businesses, and offers training and assistance to the participants. (This work is in addition to auditing the records of companies that apply for small business or minority business enterprise certification and engaging in education and outreach in the business community.)

DAS is able to manage this workload effectively because all state agencies use the State's Accounting System, CoreCT. As a result, DAS has immediate access to the agencies' budgets and spends. In fact, through CoreCT, each time a state agency cuts a

purchase order, that information is automatically compared with the state's list of certified small business and minority business enterprise to determine if the contract can be counted toward the agency's set-aside goals.

It appears that HB 6086 seeks to add all 169 municipalities to the state program, increasing the number of participating entities by 150%. The greater difficulty, however, is that none of the 169 municipalities are in the CoreCT system. Thus, every goal calculation would have to be done manually, hugely increasing the amount of time and resources required.

An added level of complexity is created by the fact that many municipalities have separate budget structures for their different boards and councils; for example, a town's board of education budget is often completely separate from its operating budget. These bills do not address how this factor should be considered in determining the set-aside goals and compliance.

HB 6086 also seeks to expand the set-aside program to include state-funded grant programs. It is unclear to DAS what this statement envisions. The set-aside program applies specifically with businesses that are seeking to provide goods and services to the state. Although some companies that are certified as Small Business Enterprises ("SBEs") or Minority Business Enterprises ("MBEs") may possibly also be grant recipients, DAS believes that the majority of grant recipients are not so certified, and, indeed, may not even be sellers of goods and services whatsoever. Is the proposal that DAS create a new certification process for all potential grant recipients?

Moreover, to DAS's knowledge, grant funds are usually subject to very specific selection criteria. Adding a race and or gender-based requirement to program-based criteria may well give rise to constitutional challenges unless such requirements are supported by an updated disparity study demonstrating the existence of qualified potential grant recipients who receive a disproportionately small percentage of state grant funds.

If HB 6086 becomes law, DAS would need additional staff to handle the increased workload. Just to administer the set-aside program for municipalities, DAS would need at least five more full-time employees to handle the increased workload. The additional workload needed to include state-funded grant programs in the set-aside program is difficult to estimate due to all of the questions raised above, but would certainly require additional staff, if not an entirely new unit, to administer.

DAS thanks the Committee for this opportunity to submit testimony on this bill.