

Testimony of the State of Connecticut  
Commission on Human Rights and Opportunities

Committee on Government Administration and Elections  
February 22, 2016

**In Opposition to House Bill No. 5246: *AN ACT REDEFINING "SMALL CONTRACTOR"  
FOR PURPOSES OF THE SET ASIDE PROGRAM FOR SMALL CONTRACTORS.***

HB 5246 seeks to implement the assorted size criteria required by the U.S. Small Business Administration (SBA). The criteria are hundreds of specifically identified industry-coded businesses in the North American Industry Classification System (NAICS). This code, presented in a manual over 500 pages, breaks out businesses in various industries into hundreds of different types of industry codes and for each business code another manual identifies different and variable eligible business size criteria by the maximum number of employees employed (500) and/or maximum amount of revenues earned by a business.

The Commission on Human Rights and Opportunities (CHRO) believes NAICS would be a bad fit for Connecticut's contract set aside programs, which are designed to aid Connecticut's small businesses and minority business enterprises.

Connecticut currently only certifies Connecticut businesses as small businesses. HB 5246 adopts federal standards, which apply to businesses nationwide. This is an economic issue that will hurt real Connecticut businesses and affect the Connecticut economy. A builder of new housing with receipts, assets, net worth and net income of \$36.5 million would be considered a small business under the federal definition. So would a concrete manufacturer with 750 employees. Neither is or would be likely to meet the Connecticut definition of small business. Opening up the definition to include so many larger businesses will undercut the intent of the program, which is to create a climate in which small businesses can survive and thrive, even in these tight economic times.

Adopting NAICS standards will also present problems for the CHRO. The CHRO has the responsibility under CONN. GEN. STAT. § 46a-56(b) to ensure that small business enterprises and minority business enterprises are what they say they are and not fraudulently misrepresenting themselves. The CHRO will need additional staff to ensure that the businesses certified have certified correctly. There are 209 NAICS codes that employers must choose from, each of which has a monetary or workforce size limit under which the business can be considered a small business. Assuring that small businesses did not misidentify their eligibility, whether willfully or by accident, will result in CHRO enforcement actions due to mistakes, miscalculations or other reasons.

Connecticut law, in particular CONN. GEN. STAT. § 4a-60g, seeks to provide a more inclusive and more even playing field for small businesses in Connecticut. Changing the definition of “small contractor” will hurt Connecticut businesses, including small businesses and businesses owned by minorities, women and disabled persons. It will also impose a cost on the CHRO.

The CHRO opposes HB 5246.