

Assembly Bill No. 2249

CHAPTER 383

An act to add Section 14840 to the Government Code, and to amend Section 999 of the Military and Veterans Code, relating to state government.

[Approved by Governor September 25, 2010. Filed with Secretary of State September 27, 2010.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2249, Ruskin. State government: small business or disabled veteran business enterprise certification.

Existing law, the Small Business Procurement and Contract Act, encourages the participation of a small business enterprise, including, but not limited to, a microbusiness, or a disabled veteran business enterprise that is certified by the Department of General Services, in state contracts. Existing law requires those business enterprises to submit certain information under penalty of perjury.

This bill would, during the process of certifying and determining the eligibility of a small business or a disabled veteran business enterprise, require an applicant or certified firm to submit to the department a written declaration, under penalty of perjury, that all information submitted, including the additional information for disabled veteran business enterprises, is true and correct, and would authorize the department to require, in certain cases, the owner of the enterprise or small business, the applicant, or the certified firm to complete and submit to the department a specified federal tax form requesting a transcript of a tax return. By expanding the definition of the existing crime of perjury, this bill would impose a state-mandated local program.

Existing law defines "disabled veteran business enterprise" for purposes of the California Disabled Veterans Business Enterprise Program to mean a business certified by the administering agency as meeting specified requirements, including, among other things, in the case of a publicly owned business, that at least 51% of its stock be owned by one or more disabled veterans, or in the case of a subsidiary that is wholly owned by a parent corporation, that at least 51% of the voting stock of the parent corporation be owned by one or more disabled veterans.

This bill would instead specify that at least 51% of the stock or voting stock be unconditionally owned by one or more disabled veterans.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The people of the State of California do enact as follows:

SECTION 1. Section 14840 is added to the Government Code, to read:

14840. (a) In the process of certifying and determining the eligibility of a disabled veteran business enterprise or a small business enterprise, including a microbusiness, the department shall require the applicant or certified firm to submit a written declaration, under penalty of perjury, that the information submitted to the department pursuant to this chapter, and in the case of a disabled veteran enterprise all information submitted to the department pursuant to Section 999.2 of the Military and Veterans Code, is true and correct.

(b) (1) If the department determines that just cause exists, it may require the owner of the disabled veteran business enterprise, microbusiness, or small business, the applicant, or the certified firm to complete and submit to the department a federal Form 4506-T from the Internal Revenue Service, United States Department of the Treasury, requesting a transcript of a tax return.

(2) For the purposes of this subdivision, “just cause” means either of the following circumstances exists:

(A) The department receives a complaint regarding the certified firm.

(B) The department determines, based on its findings during the course of any certification eligibility review of the applicant or certified firm, that the action described in paragraph (1) is necessary.

SEC. 2. Section 999 of the Military and Veterans Code is amended to read:

999. (a) This article shall be known as, and may be cited as, the California Disabled Veteran Business Enterprise Program. The California Disabled Veteran Business Enterprise Program is established to address the special needs of disabled veterans seeking rehabilitation and training through entrepreneurship and to recognize the sacrifices of Californians disabled during military service. It is the intent of the Legislature that every state procurement authority honor California’s disabled veterans by taking all practical actions necessary to meet or exceed the disabled veteran business enterprise participation goal of a minimum of 3 percent of total contract value.

(b) As used in this article, the following definitions apply:

(1) “Administering agency” means the Treasurer in the case of contracts for professional bond services, and the Department of General Services’ Office of Small Business and Disabled Veteran Business Enterprise Services, in the case of contracts governed by Section 999.2.

(2) “Awarding department” means a state agency, department, governmental entity, or other officer or entity empowered by law to issue bonds or enter into contracts on behalf of the state.

(3) “Bonds” means bonds, notes, warrants, certificates of participation, and other evidences of indebtedness issued by, or on behalf of, the state.

(4) “Contract” includes any agreement or joint agreement to provide professional bond services to the State of California or an awarding

department. “Contract” also includes any agreement or joint development agreement to provide labor, services, materials, supplies, or equipment in the performance of a contract, franchise, concession, or lease granted, let, or awarded for, and on behalf of, the state.

(5) (A) “Contractor” means any person or persons, regardless of race, color, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age, or any sole proprietorship, firm, partnership, joint venture, corporation, or combination thereof that submits a bid and enters into a contract with a representative of a state agency, department, governmental entity, or other officer empowered by law to enter into contracts on behalf of the state. “Contractor” includes any provider of professional bond services who enters into a contract with an awarding department.

(B) “Disabled veteran business enterprise contractor, subcontractor, or supplier” means any person or entity that has been certified by the administering agency pursuant to this article and that performs a “commercially useful function,” as defined below, in providing services or goods that contribute to the fulfillment of the contract requirements:

(i) A person or an entity is deemed to perform a “commercially useful function” if a person or entity does all of the following:

(I) (aa) Is responsible for the execution of a distinct element of the work of the contract.

(ab) Carries out the obligation by actually performing, managing, or supervising the work involved.

(ac) Performs work that is normal for its business services and functions.

(II) Is not further subcontracting a portion of the work that is greater than that expected to be subcontracted by normal industry practices.

(ii) A contractor, subcontractor, or supplier will not be considered to perform a “commercially useful function” if the contractor’s, subcontractor’s, or supplier’s role is limited to that of an extra participant in a transaction, contract, or project through which funds are passed in order to obtain the appearance of a disabled veteran business enterprise participation.

(6) “Disabled veteran” means a veteran of the military, naval, or air service of the United States, including, but not limited to, the Philippine Commonwealth Army, the Regular Scouts, “Old Scouts,” and the Special Philippine Scouts, “New Scouts,” who has at least a 10-percent service-connected disability and who is domiciled in the state.

(7) (A) “Disabled veteran business enterprise” means a business certified by the administering agency as meeting all of the following requirements:

(i) It is a sole proprietorship at least 51 percent owned by one or more disabled veterans or, in the case of a publicly owned business, at least 51 percent of its stock is unconditionally owned by one or more disabled veterans; a subsidiary that is wholly owned by a parent corporation, but only if at least 51 percent of the voting stock of the parent corporation is unconditionally owned by one or more disabled veterans; or a joint venture in which at least 51 percent of the joint venture’s management, control, and earnings are held by one or more disabled veterans.

(ii) The management and control of the daily business operations are by one or more disabled veterans. The disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business.

(iii) It is a sole proprietorship, corporation, or partnership with its home office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business.

(B) Notwithstanding subparagraph (A), after the death or the certification of a permanent medical disability of a disabled veteran who is a majority owner of a business that qualified as a disabled veteran business enterprise prior to that death or certification of a permanent medical disability, and solely for purposes of any contract entered into before that death or certification, that business shall be deemed to be a disabled veteran business enterprise for a period not to exceed three years after the date of that death or certification of a permanent medical disability, if the business is inherited or controlled by the spouse or child of that majority owner, or by both of those persons.

(8) “Foreign corporation,” “foreign firm,” or “foreign-based business” means a business entity that is incorporated or has its principal headquarters located outside the United States of America.

(9) “Goal” means a numerically expressed objective that awarding departments and contractors are required to make efforts to achieve.

(10) “Management and control” means effective and demonstrable management of the business entity.

(11) “Professional bond services” include services as financial advisers, bond counsel, underwriters in negotiated transactions, underwriter’s counsel, financial printers, feasibility consultants, and other professional services related to the issuance and sale of bonds.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.