SENATE BILL No. 464

By Senator Faust Goudeau

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AN ACT creating the Kansas minority, woman, disadvantaged and service-disabled veteran small business enterprise development act; providing for development of such business enterprises through a program to facilitate and increase participation by such business enterprises in providing goods and services to state agencies and postsecondary educational institutions; establishing the office of minority and women business development within the department of commerce to develop such program and assist state agencies and postsecondary educational institutions to establish plans and goals for such participation; providing for an advisory committee on certified small business enterprises that may be established by the assistant director of such office; authorizing the adoption of rules and regulations; providing for penalties for violations of the provisions of the act or rules and regulations adopted pursuant to the act.

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Be it enacted by the Legislature of the State of Kansas:

Section 1. Sections 1 through 12, and amendments thereto, shall be known and may be cited as the Kansas minority, woman, disadvantaged and service-disabled veteran small business enterprise development act.

Sec. 2. As used in this act:

- (a) "Affiliate or division of a larger business" or "affiliate" means two or more business entities or concerns in which one controls or has the power to control the other. "Affiliate" status shall be determined by the assistant director upon consideration of the factors set forth by the small business administration in 13 C.F.R. § 121.103.
- (b) "Airport concession disadvantaged business enterprise" means a concession that:
- (1) Is at least 51%-owned by one or more individuals who are United States citizens or lawful permanent residents and who are both socially and economically disadvantaged or, if organized as a corporation, at least 51% of the stock is owned by one or more such individuals;
- (2) has management and daily business operations controlled by one or more of such socially and economically disadvantaged individuals specified in paragraph (1);
- (3) meets United States department of transportation size standards for a small business eligible to be certified as an airport concession

disadvantaged business enterprise pursuant to 49 C.F.R. § 23.33, including size standards applicable to any affiliate;

- (4) is an independent and viable for-profit business as determined by the assistant director;
 - (5) has a real and substantial presence in Kansas;
 - (6) is a small business;

- (7) performs a commercially useful function; and
- (8) is certified as an "airport concession disadvantaged business enterprise" by the assistant director or the office of civil rights within the Kansas department of transportation.
- (c) "Assistant director" means the assistant director for minority and women business development of the office of minority and women business development of the department of commerce established pursuant to K.S.A. 74-5010a, and amendments thereto.
- (d) "Broker" means a person that provides bona fide professional, technical, consultant, brokerage or managerial services and assistance in the procurement of essential personnel, facilities, equipment, materials or supplies required for performance of a contract.
- (e) "Certified small business enterprise" means an airport concession disadvantaged business enterprise, minority business enterprise, woman business enterprise, disadvantaged business enterprise or service-disabled veteran-owned business enterprise.
- (f) "Commercially useful function" means real and actual services that are a distinct and verifiable element of the contracted work based upon private sector trade or industry standards.
- (g) "Committee" means the advisory committee on certified small business enterprises that may be established by the assistant director as provided by this act.
- (h) "Concession" means one or more of the following types of for-profit businesses:
- (1) A business located at an airport or that has a facility at an airport that is engaged in the sale of consumer goods or services to the public pursuant to an agreement with the recipient, another concessionaire or the owner or lessee of a terminal if other than the recipient; or
- (2) a business conducting one or more of the following covered activities, even if it does not maintain an office, store or other business location at an airport, if the business:
- (A) Manages contracts and subcontracts for goods or services for the airport;
- (B) is a web-based or other electronic business with service locations at an airport terminal or that provides services that the public can access at the terminal;
 - (C) is an advertising business that provides advertising displays or

messages to the public at the airport; or

- (D) is a business that provides goods and services to concessionaires that are located at the airport.
- (i) "Contractor utilization plan" means a statement, in a form prescribed by the assistant director, that must be submitted in a bid or proposal for a performance contract that states a plan to utilize qualified certified small business enterprises in the performance contract.
- (j) "Control" means having day-to-day decision-making authority as measured by:
 - (1) Voting power;

- (2) officer and director votes;
- (3) ability to bind the business entity;
- (4) financial authority;
 - (5) shared officers and directors; or
- (6) having more than 20% of the small business contracts directly or indirectly attributable to the affiliate or any combination thereof.
- (k) "Disadvantaged business enterprise" means a for-profit small business concern that:
- (1) Is at least 51%-owned, managed and independently controlled by one or more individuals who are United States citizens or lawful permanent residents and who are socially and economically disadvantaged;
- (2) meets United States department of transportation size standards for a small business eligible to be certified as a disadvantaged business enterprise pursuant to 13 C.F.R. part 121 and that does not exceed the cap on average annual gross receipts specified in 49 C.F.R. § 26.65(b) and as provided by 49 C.F.R. § 26.5.
- (3) is an independent and viable for-profit business as determined by the assistant director;
 - (4) has a real and substantial presence in Kansas;
 - (5) is a small business;
 - (6) performs a commercially useful function; and
 - (7) is certified as a "disadvantaged business enterprise" by the assistant director or the office of civil rights of the Kansas department of transportation.
 - (l) "Goals" means annual overall agency goals, expressed as a percentage of dollar volume, for participation by certified small business enterprises. "Goals" shall not be construed as minimum goals or quotas for any particular contract or for any particular geographical area.
 - (m) "Good faith efforts" are efforts that, given all relevant circumstances, the proposed bidder or potential contract recipient documents as evidence of intent to meet the prescribed objectives of the contract or modified objectives of the contract if the proposed bidder or

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potential contract recipient submits evidence establishing why such objectives should be modified to reflect availability or lack thereof in the scope of work.

- (n) "Goods or services" includes professional services and all other goods and services.
- (o) "Minority" means a person who is a citizen or lawful permanent resident of the United States and who is an:
- (1) African American, which means a person whose origins are in any of the black racial groups of Africa and who has historically and consistently identified such self as being such a person;
- (2) Hispanic or Latino American, which means a person whose origins are in Mexico, Central or South America, or any of the Spanish-speaking islands of the Caribbean, regardless of race and who has historically and consistently identified such self as being such a person;
- (3) Asian or Pacific Islander American, which means a person whose origins are in any of the original peoples of the Far East, Southeast Asia, the islands of the Pacific or the Northern Marianas or the Indian subcontinent and who has historically and consistently identified such self as being such a person; or
- (4) Native American, which means a person whose origins are from any of the original peoples of North America and who maintains tribal affiliation as demonstrated by active enrollment as a recognized member of any federally or state-recognized tribe.
- (p) "Minority business enterprise" means a for-profit small business concern that:
- (1) Is at least 51%-owned, managed and independently controlled by one or more individuals who are United States citizens or lawful permanent residents and who belong to a minority group;
 - (2) has a real and substantial presence in Kansas;
 - (3) is a small business:
 - (4) performs a commercially useful function; and
- (5) is certified as a "minority business enterprise" by the assistant director or the office of civil rights of the Kansas department of transportation.
- (q) "Office" means the office of minority and women business development within the department of commerce established pursuant to $K.S.A.\ 74-5010a$, and amendments thereto.
- (r) "Person" includes one or more individuals, proprietorships, partnerships, associations, labor or other organizations, corporations, cooperatives, firms, legal representatives, trustees or receivers.
- (s) "Personal net worth" means the net value of the assets of an individual remaining after total liabilities are deducted. An individual's personal net worth does not include the individual's ownership interest in

an applicant or participating certified small business enterprise or the individual's equity in such individual's primary place of residence. An individual's personal net worth includes only such individual's own share of assets held jointly or as community property with the individual's spouse.

- (t) "Postsecondary educational institution" means the same as in K.S.A. 74-3201b, and amendments thereto.
- (u) "Procurement" means the purchase, lease or rental of any goods or services.
- (v) "Public works" means all work, construction, highway and ferry construction, alteration, repair or improvement other than ordinary maintenance that a state agency or postsecondary educational institution is authorized or required by law to undertake.
 - (w) "Real and substantial presence" means:
- (1) The small business enterprise maintains an office or place of business in the state of Kansas;
- (2) if the small business enterprise has employees, the small business enterprise maintains the employees in one or more of the small business enterprise's offices within this state to conduct or solicit the small business enterprise's business in this state for the majority of their working time;
- (3) the small business enterprise has transacted business more than once in the state within the last three years; and
- (4) if in business for less than one year, the small business enterprise has provided information on in-progress and completed contracts, including letters of reference or past performance reports to establish successful contract performance, and any information demonstrating performance of work in the industry for which the applicant small business enterprise seeks certification as a certified small business enterprise.
- (x) "Service-disabled veteran" means an individual who served in the active military, naval or air services of the United States, who was discharged or released under conditions other than dishonorable and whose disability was incurred or aggravated in the line of duty in the active military, naval or air services of the United States.
- (y) "Service-disabled veteran-owned business enterprise" means a for-profit small business concern pursuant to the small business act, 15 U.S.C. 632(q), and the federal small business administration's implementing regulations, 13 C.F.R. 125, that:
- (1) Is at least 51%-owned, managed and independently controlled by one or more service-disabled veterans who are United States citizens or lawful permanent residents;
 - (2) has a real and substantial presence in the state of Kansas;
 - (3) is a small business;
 - (4) performs a commercially useful function; and

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(5) is certified by the United States department of veterans affairs and meets the federal small business administration's service-disabled veteranowned small business concern program regulations.

- (z) "Small business" means the same as defined in the federal small business administration in 13 C.F.R. 121.101-107.
- (aa) "Socially and economically disadvantaged individual" means any individual who is a citizen or lawfully admitted permanent resident of the United States and who:
- (1) Is an owner of a firm, in which ownership and control are relied upon for certification of the firm as a disadvantaged business enterprise;
- (2) has been subjected to racial or ethnic prejudice or cultural bias within American society because of such individual's identity as a member of certain groups without regard to such individual's qualities. The social disadvantage must stem from circumstances beyond the individual's control. Any individual in the following groups is rebuttably presumed to meet this requirement:
 - (A) Black Americans;
 - (B) Hispanic Americans;
 - (C) Native Americans:
 - (D) Asian-Pacific Americans:
- (E) subcontinent Asian Americans: and
- (F) women; and
- (3) certifies that the individual has a personal net worth that does not exceed the amount set forth in 49 C.F.R. 26 and 26.67.
- (bb) "State agency" means the same as defined in K.S.A. 75-3701, and amendments thereto.
- (cc) "Woman" means a female person who is a citizen or lawful permanent resident of the United States.
- (dd) "Woman business enterprise" means a for-profit small business concern that:
- (1) Is at least 51%-owned, managed and independently controlled by one or more women who are United States citizens or lawful permanent residents:
 - (2) has a real and substantial presence in the state of Kansas;
 - (3) is a small business;
 - (4) performs a commercially useful function; and
- 37 (5) is certified as a "woman business enterprise" by the assistant 38 director or the office of civil rights of the Kansas department of 39 transportation.
 - Sec. 3. There is hereby created within the department of commerce a Kansas certified small business enterprise development program. The assistant director of the office of minority and woman business of the department of commerce shall administer the provisions of the Kansas

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certified small business enterprise development program. In administering the provisions of the program, the assistant director is directed and authorized to:

- (a) Employ such staff as are necessary to carry out the purposes of this act;
- (b) develop, plan and implement, in consultation with the committee, one or more programs to provide an opportunity for participation by certified small business enterprises in public works and the process by which goods and services are procured by state agencies and postsecondary educational institutions from the private sector;
- (c) develop, in consultation with the committee, a comprehensive plan insuring that certified small business enterprises are provided an opportunity to participate in public contracts for public works, goods and services:
- (d) identify, in consultation with the committee, any barrier to equal participation by a certified small business enterprise in all state agency and postsecondary educational institution contracts;
- (e) establish annual overall goals for participation by certified small business enterprises for each state agency and postsecondary educational institution to be administered on a contract-by-contract basis or on a class-of-contracts basis;
- (f) develop and maintain a central certified small business enterprise list for use by state agencies and postsecondary educational institutions. No business shall be entitled to certification by the assistant director unless the business meets the definition of a certified small business enterprise as established by this act and the rules and regulations of the office. There shall be a rebuttable presumption that when a certified small business enterprise subcontracts a greater portion of the contract work than normal industry practice, the certified small business enterprise is not performing a commercially useful function;
- (g) develop, implement and operate a system of monitoring compliance with the provisions of this act;
- (h) adopt rules and regulations, approved by the secretary of commerce, as necessary to implement the provisions of this act, including the:
 - (1) Establishment of agency goals;
- (2) development and maintenance of a central certified small business enterprise certification and qualification program, including applicable definitions that shall be consistent with the small business requirements defined by applicable federal regulations and Kansas law. Only persons meeting the requirements as provided by this act and the rules and regulations of the office shall be deemed a certified small business enterprise by the assistant director. Except for instances of

misrepresentation or fraud, any person listed as a certified small business enterprise on the office's online certified small business enterprise directory on the date a contractor utilization plan is submitted shall be eligible to participate as a certified small business enterprise on such contract:

- (3) procedures for monitoring and enforcing compliance with goals, regulations, contract provisions and this act;
- (4) utilization of standard clauses by state agencies and postsecondary educational institutions;
- (5) requirements for standard clauses in requests for proposals, advertisements, bids or calls for bids, necessary to carry out the purposes of this act, including notice of the statutory penalties for noncompliance pursuant to section 10, and amendments thereto; and
- (6) determination of an agency's or postsecondary educational institution's attainment of the goals pursuant to this act of such agency or postsecondary educational institution;
- (i) submit an annual report to the governor and the legislature on the progress in implementing this act;
- (j) investigate complaints of violations of this act or the rules and regulations adopted by the office pursuant to this act with the assistance of any agency or postsecondary educational institution involved in the alleged violation. Such investigations shall not include investigations of alleged violations of any local ordinance, rule, regulation or resolution of a political subdivision of this state;
- (k) cooperate and act jointly with the federal government, other states and political subdivisions of the state of Kansas, and their respective certified small business enterprise programs, to carry out the purposes of this act;
- (l) develop policies to carry out the purposes of this act in consultation with the committee and any other ad hoc advisory committees, as may be of assistance to the assistant director;
- (m) develop specific indicia of "good faith efforts" in cooperation with the secretary of administration, who shall cooperate with the assistant director for this purpose and to achieve the objectives of this act; and
- (n) enter into contracts necessary to carry out the provisions of this act.
- Sec. 4. (a) Each state agency and postsecondary educational institution shall comply with the annual goals established for that agency or institution pursuant to section 3, and amendments thereto, for public works and procuring goods or services. The provisions of this act and the rules and regulations adopted pursuant to section 3, and amendments thereto, shall be adhered to in all public works and procurement by state agencies and postsecondary educational institutions, including all contracts

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and other procurement pursuant to chapter 75 of the Kansas Statutes Annotated, and amendments thereto. All program opportunities for certified small business enterprises developed by the assistant director shall be developed with the intent of compliance with the provisions of K.S.A. 75-3739, and amendments thereto, to the extent possible. If any provisions of this act are in conflict with the provisions of K.S.A. 75-3739, and amendments thereto, then to such extent the provisions of this act shall be construed as an exception, as provided by K.S.A. 75-3739(a)(4).

- (b) Each state agency shall adopt a plan, developed in consultation with the assistant director and the advisory committee on certified small business enterprises, to ensure that certified small business enterprises are afforded the maximum practicable opportunity to directly and meaningfully participate in the execution of public contracts for public works and goods and services. The plan shall include specific measures the agency will undertake to increase the participation of certified small business enterprises.
- (c) The assistant director shall annually notify the governor, the post auditor and the respective legislative house and senate committees with applicable oversight responsibility of all agencies and postsecondary educational institutions not in compliance with this act.
- (d) Each city, county and unified school district may adopt a certified small business enterprise procurement program in coordination with the assistant director and in compliance with the provisions of this act and applicable rules and regulations established pursuant to this act.
- Sec. 5. (a) The office of minority and women business development and the office of civil rights of the Kansas department of transportation shall be the only authorities to perform certification of small business enterprises in the state of Kansas. Such certification shall permit certified small business enterprises to participate in programs for these enterprises administered by the state of Kansas, any city, town, county, special purpose district, public corporation created by the state, municipal corporation or quasi-municipal corporation within the state of Kansas.
- Sec. 6. The assistant director may create an advisory committee or committees and appoint the members thereof, upon consultation with the office of civil rights of the department of transportation, when the assistant director determines that such advisory committee is useful for the administration of this act. The members shall serve at the pleasure of the assistant director. Such advisory committees shall consult with and advise the assistant director and the office of civil rights of the department of transportation as requested with regard to any matters pertaining to the implementation or administration of this act. Members of any advisory committee created pursuant to this section attending meetings of such committee or attending a subcommittee meeting thereof authorized by the

assistant director shall be paid subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223, and amendments thereto, but shall receive no compensation for services as such members. The secretary of commerce is authorized to expend funds to provide space for holding meetings or other necessary expenses of any advisory committee or subcommittee. The advisory committee shall meet at the request of the assistant director.

- Sec. 7. (a) It is the intent of this act that agency goals established pursuant to this act for participation by certified small business enterprises in public contracts be achievable, complimentary to federal objectives, flexible and be met on a contract-by-contract or class-of-contract basis.
- (b) Notwithstanding the provisions of K.S.A. 75-3739, and amendments thereto, or any other law to the contrary, if necessary to accomplish the intent of this act, any contract may be awarded to the next lowest responsible bidder in turn, or all bids may be rejected and new bids obtained, if the lowest responsible bidder, without justification, does not meet the goals established for a particular contract pursuant to this act. The dollar value of the total contract used for the calculation of the specific contract goal may be increased or decreased to reflect executed change orders. An apparent low bidder shall be in compliance with the contract provisions required pursuant to this act as a condition precedent to the granting of a notice of award by any state agency or postsecondary educational institution, including either goal attainment or submission and approval of an acceptable request for waiver.
- (c) For purposes of subsection (b), justification for failure to meet the goals established for a particular contract shall require the assistant director's approval, in the sole discretion of the assistant director, of a notarized affidavit submitted to the assistant director by the lowest responsible bidder that sets forth the good faith efforts made by the bidder to meet the goals and specifies the specific reasons such goals were not attainable on the project at the time of bid.
- Sec. 8. For the purpose of measuring a state agency's or postsecondary educational institution's attainment of goals pursuant to this act:
- (a) Regulations adopted pursuant to section 3, and amendments thereto, shall provide that if a certified small business enterprise is a broker of goods or materials required by a contract, the contracting agency or postsecondary educational institution may count only requests for proposals, advertisements, bids or calls for bids necessary to carry out the purposes of this act, which shall include notice of the statutory penalties pursuant to section 10, and amendments thereto, for noncompliance; and
- (b) any regulations adopted pursuant to section 3, and amendments thereto, shall provide that if a certified small business enterprise is a broker

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 of goods or materials required by a contract, the contracting agency or postsecondary educational institution may count only the dollar value of the fee or commission charged and not the value of goods or materials provided. The contracting agency or postsecondary educational institution may, at its discretion, fix the dollar value of the fee or commission charged at either the actual dollar value of such fee or commission or at a standard percentage of the total value of the brokered goods, which percentage must reflect the fees or commissions generally paid to brokers for providing such services.

Sec. 9. (a) No person shall:

- (1) Prevent or interfere with a contractor's or subcontractor's compliance with this act or any rule and regulation adopted pursuant to this act;
- (2) submit any false or fraudulent information to the director concerning compliance with this act or any rule and regulation adopted pursuant to this act;
- (3) fraudulently obtain, retain, attempt to obtain or retain or aid another in fraudulently obtaining, retaining or attempting to obtain or retain certification as a certified small business enterprise for the purpose of this act;
- (4) knowingly make a false statement, whether by affidavit, verified statement, report or other representation, to any state official or employee for the purpose of influencing the certification or denial of certification of any entity as a certified small business enterprise;
- (5) knowingly obstruct, impede or attempt to obstruct or impede any state official or employee who is investigating the qualification of a business entity that has requested certification as a certified small business enterprise;
- (6) fraudulently obtain, attempt to obtain or aid another person in fraudulently obtaining or attempting to obtain public moneys to which the person is not entitled pursuant to this act or any rule and regulation adopted pursuant to this act; or
- (7) knowingly make any false statement or representation that any entity is or is not certified as a certified small business enterprise for purposes of obtaining a contract governed by this act or any rule and regulation adopted pursuant to this act.
- (b) Any person or entity violating this act, or any rule and regulation adopted pursuant to this act shall be subject to the penalties in section 10, and amendments thereto. No provision of this section, and amendments thereto, shall prevent a state agency or postsecondary educational institution from pursuing any such procedure or sanction as is otherwise provided by statute, rule and regulation or contract provision.
 - Sec. 10. (a) If the assistant director determines that, after notice and

an opportunity for a hearing in accordance with the Kansas administrative procedure act, an individual, firm, corporation, partnership or other business entity has engaged in or is engaging in any act or practice constituting a violation of any provision of this act, any rule and regulation adopted pursuant to this act or a contract requirement established pursuant to this act, the assistant director may, pursuant to a written order, withhold payment, debar the contractor, suspend or terminate the contract or subject the contractor to civil penalties. The assistant director shall adopt rules and regulations establishing criteria for the imposition of penalties pursuant to this section. A civil monetary penalty imposed by the assistant director shall not exceed the amount of \$5000 for each separate violation.

- (b) Any willful repeated violation, exceeding a single violation, may, in addition to any other penalties, disqualify the contractor from further participation in state contracts for a minimum period of three years up to a maximum of permanent disbarment. An apparent low bidder must be in compliance with the contract provisions required pursuant to this act as a condition precedent to the granting of a notice of award by any state agency or postsecondary educational institution.
- (c) Any business entity aggrieved by an order of the assistant director made pursuant to this section may appeal such order to the district court in the manner provided by the Kansas judicial review act. An appeal to the district court or to an appellate court may stay the payment of a civil penalty but shall not stay any other action of the director as provided by subsection (a).
- (d) Any penalty recovered pursuant to the provisions of this section shall be remitted to the state treasurer, deposited in the state treasury and credited to the state general fund.
- (e) The procedures and sanctions provided in this section, and amendments thereto, shall be in addition to any other remedies, civil penalties or criminal penalties provided by law. No provision of this section shall prevent any state agency or postsecondary educational institution administering a contract from pursuing such other procedures or sanctions as are otherwise provided by statute, rule and regulation or contract provision.
- Sec. 11. The attorney general may bring an action in the name of the state against any person to restrain and prevent the doing of any act prohibited or declared to be unlawful in this act. The attorney general may, in the discretion of the court, recover the costs of the action including reasonable attorney fees and the costs of investigation.
- Sec. 12. If any provision or clause of this act or application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this act that can be given effect without the invalid provision or application, and to this end the provisions of this

- 1 act are declared to be severable.
- 2 Sec. 13. This act shall take effect and be in force from and after its
- 3 publication in the statute book.