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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3737

02/13/2024 Authored by Demuth
The bill was read for the first time and referred to the Committee on State and Local Government Finance and Policy

1.1 A bill for an act
1.2 relating to state contracting; modifying requirements related to the small business
1.3 or small targeted group business preference program; amending Minnesota Statutes
1.4 2023 Supplement, section 16C.16, subdivision 6.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2023 Supplement, section 16C.16, subdivision 6, is amended
1.7 to read:

1.8 Subd. 6. Purchasing methods. (a) The commissioner may award up to a 12 percent
1.9 preference for specified goods or services to small targeted group businesses.

1.10 (b) The commissioner may award a contract for goods, services, or construction directly
1.11 to a small business or small targeted group business without going through a competitive
1.12 solicitation process up to a total contract award value, including extension options, of
1.13 \$100,000.

1.14 (c) The commissioner may designate a purchase of goods or services for award only to
1.15 small businesses or small targeted group businesses if the commissioner determines that at
1.16 least three small businesses or small targeted group businesses are likely to respond to a
1.17 solicitation.

1.18 (d) The commissioner, as a condition of awarding a construction contract or approving
1.19 a contract for professional or technical services, may set goals that require the prime
1.20 contractor to subcontract a portion of the contract to small businesses or small targeted
1.21 group businesses. The commissioner must establish a procedure for granting waivers from
1.22 the subcontracting requirement when qualified small businesses or small targeted group
1.23 businesses are not reasonably available. The commissioner may establish financial incentives

2.1 for prime contractors who exceed the goals for use of small business or small targeted group
2.2 business subcontractors and financial penalties for prime contractors who fail to meet goals
2.3 under this paragraph. The subcontracting requirements of this paragraph do not apply to
2.4 prime contractors who are small businesses or small targeted group businesses.

2.5 (e) If the preference allowed under this section would otherwise be the deciding factor
2.6 in the award of a contract, the commissioner may not award the contract to the business
2.7 that was awarded a preference if the total cost of the resulting contract would exceed 120
2.8 percent of the total cost proposed in the best-valued response from a business that was not
2.9 awarded a preference.

2.10 **EFFECTIVE DATE.** This section is effective July 1, 2024, and applies to contracts
2.11 for which a solicitation is published on or after that date.