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State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. **1821**

01/24/2012 Authored by Dettmer; Westrom; Anderson, B.; Vogel; Wardlow and others
The bill was read for the first time and referred to the Veterans Services Division
02/16/2012 Adoption of Report: Pass as Amended and re-referred to Transportation Policy and Finance
02/22/2012 Adoption of Report: Pass and re-referred to Government Operations and Elections
03/20/2012 Adoption of Report: Pass and re-referred to the Committee on State Government Finance
03/21/2012 Adoption of Report: Pass and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to veterans; changing the small business set-aside program for
1.3 veteran-owned small businesses; authorizing county set-aside programs for
1.4 veteran-owned small businesses; changing reporting requirements; amending
1.5 Minnesota Statutes 2010, section 161.321, subdivisions 2, 5, 8, by adding
1.6 subdivisions; proposing coding for new law in Minnesota Statutes, chapter 375.

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

1.8 ARTICLE 1

1.9 CONSTRUCTION CONTRACTING FOR VETERAN-OWNED 1.10 SMALL BUSINESSES

1.11 Section 1. Minnesota Statutes 2010, section 161.321, subdivision 2, is amended to read:

1.12 Subd. 2. **Small targeted group business set-asides.** (a) The commissioner may
1.13 award up to a six percent preference in the amount bid for specified construction work to
1.14 small targeted group businesses ~~and veteran-owned small businesses.~~

1.15 (b) The commissioner may designate a contract for construction work for award only
1.16 to small targeted group businesses if the commissioner determines that at least three small
1.17 targeted group businesses are likely to bid. ~~The commissioner may designate a contract for~~
1.18 ~~construction work for award only to veteran-owned small businesses if the commissioner~~
1.19 ~~determines that at least three veteran-owned small businesses are likely to bid.~~

1.20 (c) The commissioner, as a condition of awarding a construction contract, may
1.21 set goals that require the prime contractor to subcontract a portion of the contract to
1.22 small targeted group businesses ~~and veteran-owned small businesses.~~ The commissioner
1.23 must establish a procedure for granting waivers from the subcontracting requirement
1.24 when qualified small targeted group businesses ~~and veteran-owned small businesses~~
1.25 are not reasonably available. The commissioner may establish financial incentives for

prime contractors who exceed the goals for use of subcontractors and financial penalties for prime contractors who fail to meet goals under this paragraph. The subcontracting requirements of this paragraph do not apply to prime contractors who are small targeted group businesses ~~or veteran-owned small businesses.~~

(d) The commissioner may award up to a four percent preference in the amount bid on procurement to small businesses located in an economically disadvantaged area as defined in section 16C.16, subdivision 7.

EFFECTIVE DATE. This section is effective for contracts let on or after July 1, 2012.

Sec. 2. Minnesota Statutes 2010, section 161.321, is amended by adding a subdivision to read:

Subd. 2a. **Veteran-owned small business set-asides.** (a) The commissioner must award up to a six percent preference in the amount bid for specified construction work to veteran-owned small businesses, except when prohibited by the federal government as a condition of receiving federal funds. The percentage of preference in bid amount provided under this subdivision may not be less than the percentage of bid preference provided to any small targeted group business under subdivision 2.

(b) The commissioner must be as inclusive as possible in specifying contracts for construction work, as well as for construction-related professional and technical services, available under this bid preference program for veteran-owned small businesses. The term "construction" must be given broad meaning for purposes of specifying and letting contracts for veteran-owned small businesses and must include, but is not limited to, preplanning, planning, and all other construction-related professional and technical services.

(c) The commissioner must strive to ensure that contracts under this subdivision will be awarded on a proportional basis with contracts awarded under subdivision 2.

(d) The commissioner, as a condition of awarding a construction contract, must set goals that require the prime contractor to subcontract a portion of the contract to veteran-owned small businesses, except when prohibited by federal law or rule as a condition of receiving federal funds. The commissioner must establish a procedure for granting waivers from the subcontracting requirement when qualified veteran-owned small businesses are not reasonably available. The commissioner may establish financial incentives for prime contractors who exceed the goals for use of veteran-owned small business subcontractors, as well as financial penalties for prime contractors who have not been granted a waiver and fail to meet goals under this paragraph. The subcontracting

3.1 requirements of this paragraph do not apply to prime contractors who are veteran-owned
3.2 small businesses.

3.3 (e) The commissioner may designate a contract for construction work for award only
3.4 to veteran-owned small businesses, if the commissioner determines that at least three
3.5 veteran-owned small businesses are likely to bid.

3.6 **EFFECTIVE DATE.** This section is effective for contracts let on or after July
3.7 1, 2012.

3.8 Sec. 3. Minnesota Statutes 2010, section 161.321, subdivision 5, is amended to read:

3.9 Subd. 5. **Recourse to other businesses.** If the commissioner is unable to award
3.10 a contract pursuant to the provisions of subdivisions 2, 2a, and 3, the award may be
3.11 placed pursuant to the normal solicitation and award provisions set forth in this chapter
3.12 and chapter 16C.

3.13 **EFFECTIVE DATE.** This section is effective for contracts let on or after July
3.14 1, 2012.

3.15 Sec. 4. Minnesota Statutes 2010, section 161.321, subdivision 8, is amended to read:

3.16 Subd. 8. ~~Report by commissioner~~ **Reporting.** (a) The commissioner of
3.17 ~~transportation~~ shall report to the commissioner of administration on compliance with this
3.18 section. The information must be reported at the time and in the manner requested by the
3.19 commissioner of administration.

3.20 (b) By February 1 of each even-numbered year, the commissioner of transportation
3.21 shall submit a report to the chairs and ranking minority members of the legislative
3.22 committees with jurisdiction over transportation policy and finance and veterans policy
3.23 and finance concerning contract awards during the preceding biennium under this section.

3.24 At a minimum, the report must include:

3.25 (1) a summary of the program;

3.26 (2) a review of the use of preferences for contracting during the preceding biennium,
3.27 including frequency of establishment of a preference and frequency and amount of
3.28 contract awards to:

3.29 (i) small targeted group businesses; and

3.30 (ii) veteran-owned small businesses;

3.31 (3) a review of goals and good faith efforts to use small targeted group businesses
3.32 and veteran-owned small businesses in subcontracts, including analysis of methods used
3.33 for, and effectiveness of, good faith efforts;

(4) a summary of any financial incentives used or sanctions imposed;
(5) agency commentary on any perceived impediments, whether statutory, administrative, or otherwise, that may be limiting the participation of small targeted group businesses and veteran-owned small businesses in the agency's contract preference program; and
(6) any recommendations for legislative or programmatic changes.

Sec. 5. Minnesota Statutes 2010, section 161.321, is amended by adding a subdivision to read:

Subd. 9. **Purpose.** The purpose of the state contracting bid preference program for veteran-owned small businesses is to facilitate the healthy transition of veterans from military to civilian life, and to help compensate veterans for their sacrifices including, but not limited to, their sacrifice of health and time to the state and nation during their military service, as well as to enhance economic development within Minnesota.

EFFECTIVE DATE. This section is effective for contracts let on or after July 1, 2012.

ARTICLE 2

AUTHORIZING COUNTIES FOR BID PREFERENCE FOR VETERAN-OWNED SMALL BUSINESSES

Section 1. **[375.771] VETERAN-OWNED SMALL BUSINESS CONTRACTS.**

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Award" means the granting of a contract in accordance with all applicable laws and rules governing competitive bidding, except as otherwise provided in this section.

(c) "Contract" means an agreement entered into between a business entity and the county for procurement of goods and services including both technical and nontechnical goods and services, printing, and construction.

(d) "County board" or "board" has the meaning given in section 375.01.

(e) "County purchasing department" has the meaning given in section 375.72.

(f) "Director of purchasing" has the meaning given in section 375.74.

(g) "Subcontractor" means a business entity that enters into a legally binding agreement with another business entity that is a party to a contract as defined in paragraph (c).

(h) "Veteran" has the meaning given in section 197.447.

5.1 (i) "Veteran-owned small business" means a business designated under section
5.2 16C.16, subdivision 6a.

5.3 Subd. 2. **Policy; purpose; director.** (a) A county board may establish a program
5.4 within the county in accordance with this section to provide a bid preference for
5.5 awarding contracts to designated veteran-owned small businesses for the procurement of
5.6 technical and nontechnical goods and services including, but not limited to, printing and
5.7 construction, broadly defined to include all phases of the construction process.

5.8 (b) The purpose of this program is to facilitate the transition of veterans from
5.9 military to civilian life, and to help compensate veterans for their sacrifices including, but
5.10 not limited to, their sacrifice of health and time to the community, state, and nation during
5.11 their military service, as well as to enhance economic development throughout Minnesota.

5.12 (c) The county board may direct the county director of purchasing, or other
5.13 designated official within the county purchasing department, to administer this program in
5.14 accordance with county policy established by the board.

5.15 Subd. 3. **Small business set-asides.** (a) The county director of purchasing may
5.16 award up to a six percent preference in the amount bid for procurement of goods and
5.17 services including, but not limited to, technical and nontechnical goods and services,
5.18 printing, and construction to veteran-owned small businesses having their principal place
5.19 of business in Minnesota.

5.20 (b) The board, as a condition of awarding a construction contract, may set goals that
5.21 require the prime contractor to subcontract a portion of the contract to veteran-owned
5.22 small businesses. The board must establish a procedure for granting waivers from the
5.23 subcontracting requirement when qualified veteran-owned small businesses are not
5.24 reasonably available. The board may establish financial incentives for prime contractors
5.25 who exceed the goals for use of veteran-owned small business subcontractors and
5.26 financial penalties for prime contractors who fail to meet goals under this paragraph. The
5.27 subcontracting requirements of this paragraph do not apply to prime contractors who are
5.28 veteran-owned small businesses.

5.29 Subd. 4. **Awards to small businesses.** At least 75 percent of subcontracts awarded
5.30 to veteran-owned small businesses must be performed by the business to which the
5.31 subcontract is awarded or another veteran-owned small business.

5.32 Subd. 5. **Awards, limitations.** Contracts awarded under this section are subject to
5.33 all limitations adopted by the board.

5.34 Subd. 6. **Recourse to other businesses.** If the director is unable to award a contract
5.35 under subdivisions 3 and 4, the award may be placed under normal solicitation and award
5.36 statutes and rules.

6.1 Subd. 7. **Noncompetitive bids.** The board is encouraged to purchase from
6.2 veteran-owned small businesses designated under section 16C.16, subdivision 6a, when
6.3 making purchases that are not subject to competitive bidding procedures.

6.4 Subd. 8. **Report to board.** At the request of the county board, the county treasurer
6.5 shall report to the board on compliance with this section. The information must be
6.6 reported at the time and in the manner requested by the board.

6.7 **EFFECTIVE DATE.** This section is effective July 1, 2012, for contracts awarded
6.8 by counties on or after that date.

APPENDIX
Article locations in H1821-1

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