
Commission Meeting

of

DISPARITY IN STATE PROCUREMENT STUDY COMMISSION

LOCATION: Committee Room 10
State House Annex
Trenton, New Jersey

DATE: December 3, 2019
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Hester Agudosi, Esq., Chair
Assemblyman Jamel C. Holley
Assemblywoman Nancy J. Pinkin
Robert Geist (for Assemblywoman Nancy Muñoz)
Maurice Griffin, Esq.
Amanda Melillo (for Senator Nellie Pou)
Alex Solomon (for Senators Chris A. Brown and
Declan J. O'Scanlon Jr.)
Melanie Walter, Esq.



ALSO PRESENT:

Tracey Pino Murphy
Office of Legislative Services
Commission Aide

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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HESTER AGUDOSI, Esq. (Chair): Good morning.

The time is 10:14. My name is Hester Agudosi; I serve as Co-Chair of the State Disparity in Procurement Study Commission.

At this time I'm going to take a roll call of those members who are in attendance.

I did receive notification that Co-Chair Senator Ronald Rice is out of town, so he will not be able to be present.

Honorable Chris Brown.

MR. SOLOMON: Alex Solomon, from the Senate Republican Office, representing Senators Chris Brown and Declan O'Scanlon.

MS. AGUDOSI: Honorable Annette Chaparro confirmed that she is out of state as well, attending a conference, and will not be able to attend.

Honorable Sandra Cunningham. (no response)

Honorable Governor Richard J. Codey. (no response)

Maurice Griffin, Acting Director, Division of Purchase and Property.

MR. GRIFFIN: Present.

MS. AGUDOSI: Honorable Jamel Holley. (no response)

Honorable Nancy Muñoz.

MR. GEIST: Robert Geist, from the Assembly Republican Office, on behalf of Assemblywoman Muñoz.

MS. AGUDOSI: Honorable Declan O'Scanlon.

MR. SOLOMON: Alex Solomon, from the Senate Republican Office, representing Senator O'Scanlon.

MS. AGUDOSI: Honorable Nancy Pinkin.

ASSEMBLYWOMAN PINKIN: Present.

MS. AGUDOSI: Honorable Nellie Pou.

MS. MELILLO: Amanda Melillo, from the Senate Majority Office, on behalf of Senator Pou.

MS. AGUDOSI: Honorable Britnee Timberlake. (no response)
Melanie Walter, Director of Local Government Services.

MS. WALTER: Here.

MS. AGUDOSI: Thank you.

Please note that pursuant to legislation, there is established the Disparity in State Procurement Study Commission. The purpose of the Commission is to assess the procurement of goods and services by State departments and agencies, including independent State authorities and local government units, to determine disparities, if any, between the availability and utilization of small, disadvantaged, and minority- and women-owned business enterprises in particular market areas.

The Commission shall recommend policies, practices, and programs that further this State's efforts to promote opportunities for small, disadvantaged, and minority- and women-owned business enterprises in purchasing and procurement by State departments and agencies, including independent State authorities and local government units.

I believe that agendas have been handed out to all the Commission member.

Assemblywoman, did you receive one as well?

ASSEMBLYWOMAN PINKIN: The information? Yes, I believe so.

MS. AGUDOSI: Okay.

So at this time, we're going to-- I'm just going to go over a little bit-- Anyone else need an agenda? (no response)

So we're just going to go over a little old business. We have meetings scheduled up until the end of this calendar year, which is -- today is the last scheduled meeting that we have in 2019. My assistant is going to be reaching out to get additional dates for January and February. We generally, in the past, have had one meeting a month; however, the expiration date for this Commission is in February of 2020. So there may be some additional dates reserved, and you will receive a list of those dates via e-mail. So I just want to make everyone aware of that.

So also for new business, we did receive a phone call today -- excuse me; not a phone call -- an e-mail today that one of our invited speakers -- who is Nyan Parikh; he is the Executive Vice President of the National Association of Minority Contractors, and he also serves on the Board of Directors -- unfortunately, he had a slight injury over the holiday weekend so he will not be able to attend today, and we'll see whether or not we might be able to reschedule him to attend at another session.

So at this time, we're going to move on to new business; and I'm going to ask Dr. Dale Caldwell, who is the Executive Director for Fairleigh Dickinson University's Rothman Institute of Innovation and Entrepreneurship, if you could come forward.

Dr. Caldwell has really been involved in studying and looking at this issue of disparity -- minority-, women-, and veteran-owned business participation in government contracting -- and is here to give us the benefit of his research, insights, and recommendations.

Thank you very much, Dr. Caldwell.

DALE G. CALDWELL, Ed.D.: Thank you, Chair.

It's an honor to be here.

Assemblywoman, Commission, again, it's an honor to be here.

I'm going to read my statement.

As you heard, I'm Dr. Dale Caldwell; I am the Executive Director of the Fairleigh Dickinson University Rothman Institute of Innovation and Entrepreneurship, and a Professor in the Silberman College of Business. And Chair, since you last saw me, I've just started hosting a TV show, actually called *Family Business World*, where we're actually interviewing family businesses, mostly from New Jersey around. People don't realize that 65 percent of the jobs are with family businesses; and many of those family businesses are veteran-, minority-, and women-owned businesses.

And so the other thing that I'll say is I had the honor of serving on the Budget Transition Committee for Governor Murphy. And I had suggested this whole diversity spend initiative that I'm going to read about. At that time, people liked the idea; but I'm really trying to push it because it's something that could be implemented while you do this very, very important diversity study.

So my statement is -- and I put a copy on each one of your desks there, so you should have that.

But for the record, in recent years, corporations have been pressured to report their *diversity spend*, which is defined as the amount of money spent on veteran-, minority-, and women-owned contractors. Unfortunately, public sector organizations in New Jersey have not been asked to publicly report, on their website, the amount of money spent on New Jersey-certified veteran-owned, minority-owned, and women-owned

businesses. These organizations, because they lack the contacts and marketing funds of other organizations, are virtually excluded from contracts with large public schools, municipalities, and government agencies.

I'm recommending that the Legislature, through legislation; and the New Jersey Governor's Office, through executive order, require that every public entity that receives State funding -- public schools, municipalities, departments, and other public organizations -- report, on their website, the total amount of money spent on New Jersey-certified minority-, veteran-, and women-owned businesses.

A little bit about me: My experience includes being the Board President of the New Brunswick Board of Education and the Educational Services Commission of New Jersey, for a combined total of 22 years. In 2009, I had the honor of being named the New Jersey School Board Member of the Year. The public schools that I'm President of have explained to me that compiling a listing of this spending will not be difficult to determine for the 2019 Calendar Year. So I offer that up for consideration -- that they would be willing to do a pilot if the Commission thought that made sense.

I was also -- I see you with Local Government Services -- I was also the Deputy Commissioner of the New Jersey Department of Community Affairs. I therefore understand the capabilities and limitations of local municipalities. I am very confident that every municipality in New Jersey has the capability of reporting the minority spend numbers on their website if given just three months to compile the data.

Now, some people may ask the question, "How will publicly reporting minority spend numbers improve opportunities for these small businesses?" The peer pressure of reporting a low diversity spend amount

will force public entities to actively seek out qualified veteran-, minority-, and women-owned businesses, and encourage them to bid on contracts, or award them contracts below the bid threshold. These businesses are more likely to hire people from minority communities, so their success will lead to greater employment opportunity for New Jersey residents. This simple initiative will result in millions of dollars in contracts given to small minority businesses.

The diversity spend transparency will increase opportunities for these businesses to get the revenue needed to grow and hire from underserved communities. This will lead to the growth of small business in New Jersey, and improvement of a quality of life in communities that have not benefited from successful veteran-, minority-, and women-owned businesses.

And that's my written statement.

MS. AGUDOSI: Thank you, Dr. Caldwell.

I have some questions for you.

And I want to start off in terms of just your research as it relates to these diverse businesses and their spend.

What have you found to be the barriers or challenges that they face, as it relates to being part of the public contracting supply chain?

DR. CALDWELL: Well, part of the -- and a wonderful question -- part of the challenge is information -- that there isn't a central resource for a lot of minority business. I actually have my own management consulting firm; we've done a lot of work with public schools and other things. And if you're not in the know, if you haven't been involved in State government, you often do not know about these opportunities, and so they pass you by.

One of the other challenges that isn't discussed enough is, because we've not had a diversity spend disparity study or requirement, many

businesses have gone out of business. They've not been able to survive -- that many consulting firms, many operational firms, many beauty shops, and others have not had access to contracts. As I said, one of our specialties at Fairleigh Dickinson is family business; family business. We just had our 27th Annual New Jersey Family Business of the Year Awards, where we recognized the best family businesses over and under \$10 million. And for private entities, the family business is passed on from generation to generation. One of the real challenges we have in New Jersey is that in the public sector -- which should be public agencies -- having been at DCA you find that many of these government agencies treat themselves as if they're family businesses. So contracts and awards are given to family members. As President of the Educational Services Commission -- which is one of the largest groups that does public school busing -- we save millions and millions, probably about \$20 million, by using our shared services to do busing. There are municipalities that will not contract with us because they're giving bus driver jobs to relatives. So they would rather spend more taxpayer money than create a more efficient system, because it's passed on to relatives.

And so as you go through this process in New Jersey -- and I've been around long enough to see that-- And it's not necessarily because of racism that these minority businesses are excluded; it's because of nepotism. And so nepotism in New Jersey is rampant in virtually every municipality. And if you don't require this -- if you don't do disparity studies and you don't have these requirements -- there's really no gauge or check on the rampant nepotism that that permeates New Jersey.

MS. AGUDOSI: Thank you.

Let me ask you -- if you can repeat -- because you gave us the data, in terms of the number or the percentage of family-owned business.

DR. CALDWELL: Yes.

MS. AGUDOSI: Did I hear you correctly? Can you repeat that?

DR. CALDWELL: Yes. And so it's 65 percent of the jobs are family businesses. There are over 500,000 small business jobs in New Jersey. One of the other numbers that-- We do a lot of work with manufacturing firms. Virtually every manufacturing firm in New Jersey is a family business, because there is no business reason to be here other than that it was founded by your mom or dad here. They're much more attractive in North Carolina and other places. So we've become a real advocate for all family businesses; this is just one initiative that I'm pushing.

But that 65 percent number floors people. Right now, I don't have-- I know, nationally, there are 5 million family businesses, and these are largely small businesses. So as we're looking at the employment -- we're trying to increase employment in New Jersey, especially in urban areas -- supporting businesses by this diversity study and by this requirement will increase jobs for the State of New Jersey. It's not just about doing the right thing; it's really an economic engine for the state.

MS. AGUDOSI: So when you say *small businesses* -- 65 percent being that number that are family-owned businesses, which you state is synonymous with small businesses -- can you give us a reference point of what does that mean in terms of income produced from these businesses that you describe as *small businesses*?

DR. CALDWELL: That's a great question. We do it by number of employees; so 50 or fewer employees.

One of the things that we're doing is-- FDU has a poll, so the Rothman Institute is partnered with the FDU poll. And we're doing what we call a *panel*. So every three months we're surveying 500 to 1,000 small businesses on various issues like the \$15 minimum wage, the Family Leave Act, and those types of things. And our measure is 50 or fewer. We don't look at income as much as we do employees.

MS. AGUDOSI: Thank you.

So Dr. Caldwell, you're aware that New Jersey has a small business set-aside, correct?

DR. CALDWELL: Yes.

MS. AGUDOSI: And in many instances, as it relates to State contracts, those set-aside goals are being met. But what we're finding -- and what I found, anecdotally -- is that when we actually parse down into the demographics of what constitutes those small businesses that receive the set-asides, we find that, again, minority-owned, women-owned, and veteran-owned businesses represent a small percentage of the small businesses that obtain these set-asides.

Do you have any thoughts on what accounts for that?

DR. CALDWELL: Well, first of all, I want to thank you. In the short time you've been in office, your focus on data and data collection has been wonderful, and I think it's very important. Because a lot of people will say, "Well, why do you bother? You have a small business set-aside; that's fine." But the reality is that-- And again, everybody knows it's happening; but I'm happy (*sic*) to say, small business set-asides have not stopped nepotism. And so many of the contracts to small businesses are done to relatives, or distant relatives, or friends and family. And so if you started to

look at where money is spent in local municipalities, it's-- Again, I say it's not necessarily because of racism or sexism, as much as it is about keeping friends and family making a lot of money.

And so I think if we don't really call the numbers out publicly-- And so many have said, "Well, we track some of this information." I think it's important to put it on the website, because-- For example-- And I used to be the Executive Director of the Newark Alliance, so I know Newark very well. And the Newark Public Schools is a billion dollar organization. If they were forced to put on their website, or encouraged to put on their website how much they're spending with veteran-, minority-, and women-owned businesses-- And I will say, as a School Board member, so often we or staff will do the easy thing when it comes to procurement. "Well, you know, we have some people who are doing teacher training. Well, they've done it in Ohio, and they're the biggest in the country, so let's hire them to do that." So they give this business to out-of-state -- they could be out-of-state women-owned businesses. But they don't pay attention to what is homegrown, what's here in New Jersey.

And so if we were to kind of call attention to that, then those people in power would be encouraged. And it's not-- People are busy and they're stretched. It's not that they don't necessarily want to do that, but if there's no pressure to do that, they will do the easiest thing. And the easiest thing is often hiring people from out of state who have done it somewhere else.

One of the challenges -- and having been a government official -- as you know, in government, is very few people want to take a risk. They don't want to be the first to do something. So they will often do what other

states or other organizations have done, even if it's not in the best interest of New Jersey.

MS. AGUDOSI: And I'm not trying to monopolize asking questions, and I will turn it over. But I just want to, while the thought is in my head—

As it relates to the recommendation that you're making to this Commission -- which is to have the local government units, as well as our State government units, place their diversity spend on their website -- are you aware of a model like that that's presently in place? And what, if any, difference has that made as it relates to increasing diversity spend?

DR. CALDWELL: That's actually a great question.

I think the next speaker from New York may be able to shed more light on that.

I have heard anecdotally, but I can't point out a very specific instance of doing that. I think it's -- that there are very few states that have done that; and having been a long-term New Jersey resident and gone to school here, I think New Jersey would be wonderful to be a leader in actually doing that.

One of the realities-- And so I started my career, after my Wharton MBA, with Deloitte in Newark. And one of the realities of-- And we started, you know, back in the day, in 1988 -- diversity was an exception. Diversity is the rule now, and so things have changed. And so more and more companies are now looking at-- The term is *inclusion* now, rather than *diversity*, so they're looking to do inclusion training. Because diversity of every type is in these organizations, and they're trying to deal with that. Government has been slow to react to the fact that diversity is-- And New

Jersey is one of the most diverse states in the country. Diversity is the rule, not the exception. So the diversity study, I will almost guarantee, will point out the separation between minority populations, procurement, and others.

But we need to be a leader. And I think if we make it public, those of us who are in leadership positions will have the incentive and, frankly, the push to actually start to report this information. And I think you will see -- you'll be surprised; pleasantly surprised.

MS. AGUDOSI: Any other members have any questions?

Yes, Assemblywoman.

ASSEMBLYWOMAN PINKIN: Dr. Caldwell, you were mentioning about the busing, and the State could contract with buses. Obviously, it's a big expense for us. But there's a balance; how do you deal with the balance between-- Does the State just take that over and do the busing, or go with any kind of contractors, small business or otherwise?

DR. CALDWELL: Assemblywoman, how are you?

Well, good question.

So what I was talking about is-- So the Educational Services Commission used to be -- I've been President for 18 years -- it used to be the Middlesex County Educational Services Commission. It serves students who are on the autism spectrum and multiply disabled. But it also has developed a cooperative purchasing, the largest in the state. So virtually every municipality and every school district uses the ESCNJ to buy bulk books or bulk products -- trucks -- whatever.

But it also has done busing at a cost-effective rate. So it's not the State taking over the busing but, really, the Educational Services Commission -- which is an independent group, it doesn't receive State money.

It gets money from the local school districts. So a school district will say, "Hey, we're spending a lot--" Trenton, for example, which doesn't use the Commission, could save about \$1 million a year if they contracted with the Commission to actually work on their buses.

And so this is independent, it's not the State. But many organizations -- school districts have not done that, even though there's a financial incentive to do that; largely because -- not because of the money savings, it's because they anticipate that some of the friends and family would be let go if they contracted with a larger organization.

It's a good question.

ASSEMBLYWOMAN PINKIN: Well, I have met with them, relatively recently, about that issue. When we're facing a property tax crisis, you have to wonder why more people are not using your service, not only for that, but for special ed--

DR. CALDWELL: Absolutely.

ASSEMBLYWOMAN PINKIN: --when the cost of special ed is so high.

And so, you know, I was looking at it when I met with them about -- how do we get more people to use a more cost-effective service. Because the bottom line is, our taxpayers are paying for that.

DR. CALDWELL: Well, one of the realities is -- and I want to get off-- But one of the realities is, a lot of the private providers -- many of them are very good, and they're very good with specific autism programs that-- Many of the districts are not managing the money the way they should. So basically, just so you know -- and this can relate to our diversity spend -- that it costs about \$90,000 to send some students to a particular private

provider, where it's about \$65,000 at the Commission. And so if you're a parent and you're looking to-- You say, "Well, the \$95,000 program should be better than the \$65,000 program." But they don't understand; the \$65,000 program is actually better than the \$95,000 program because it's bigger.

And so the Commission, which has become so big, has committed to actually doing some of the recording of -- what are we spending with minority vendors. And it literally is in all 21 counties, and so on, as is New Brunswick Public Schools. So if we wanted to do a pilot of this, I could offer up these two organizations, that I've been involved with, to say, "Hey, let's do that. Let's put it on the website," and I think others will follow.

ASSEMBLYWOMAN PINKIN: Well, it seems like maybe those organizations -- like the School Board Association, that's so large, and has such an impact on the expenses of the State -- should be trained in this, both on opportunities available to be more cost-effective and maybe some way to require them to be more cost-effective. And to also embed, maybe, the procurement -- the minority procurement into their training so that the school board members, who have control over a huge expense, would know how to deal with these issues.

DR. CALDWELL: It's funny; I hadn't thought about it.

So, Chair -- and I don't know if people understand -- so the Educational Services Commission, because it's cooperative buying, municipalities will look to it first, and they don't have to do an independent bid. They can actually bid through it. So the Commission could actually -- if there were some requirement on the State -- could actually-- Because it's doing a lot of the bidding for all the municipalities, it actually could do some

recording. And as people are looking to use the services, could actually list that somebody's a certified minority vendor, certified veteran vendor, certified woman-owned vendor, on some of those. So when they're looking for procurement, they could do that.

So this group actually has a lot of influence on contracting statewide. But, right now, it's just basically low bid; and it's not necessarily even the lowest -- we try to do the lowest responsible bid, but that's a whole other discussion about procurement. (laughter) We won't get into that.

ASSEMBLYWOMAN PINKIN: Well, we agree with that part.
(laughter)

MS. AGUDOSI: Director Griffin.

MR. GRIFFIN: Good morning.

DR. CALDWELL: Good morning.

MR. GRIFFIN: So I wanted to, sort of, get an understanding of the scope of the research you've done.

And so, so far a lot of what you've been talking about has been, sort of, educational- and local government services-related.

DR. CALDWELL: Yes.

MR. GRIFFIN: So how much of the scope of your research is related to State contracting? And I ask that because many of the concepts you're discussing -- low bid, whether minority-, and women-, and veteran-owned businesses and the nepotism, etc. -- I'm not going to say it's not there for State contracting. But for the State -- especially my Division, which does goods and services contracting for the State -- we cannot utilize or capture women-, minority-, veteran-owned businesses unless they are registered with the State agency that covers that.

DR. CALDWELL: Right, right.

MR. GRIFFIN: So whether or not a company hires a woman- or minority-owned business, they must be domiciled in New Jersey; they must be majority-owned by that demographic; and they must be registered for us to capture that. So that's the first thing.

And the second thing is that for State contracting, especially under my Division, we are not lowest bid; we are price and other factors. Which means, we can go with the lowest bid, we can skip the lowest bid if there's an issue, or if there are other things that we think would benefit the State and the taxpayers.

So I just want to get a sense of the scope of what your research is, and whether or not you're talking about just local government services and municipalities, or you're also talking about State contracting.

DR. CALDWELL: Well, again, thank you; great question.

We spent -- I spent less time focused on the State because, frankly, it's far from perfect, but the State is doing it better than the local municipalities and public schools; you know, everything from hiring to other things. You look at the State Police versus the police in local municipalities. That, in and of itself, should tell you-- I can tell you horror stories of the lack of diversity in local municipalities. That's just symbolic of some of the challenges at the local level. So we've really focused on a local level because I think-- You've got an amazing Chief Diversity Officer here. She's really looking at the State and really trying to improve the State. But so often we forget that most of the hiring is not at the State level; most of the hiring is in the local government. And I'm suggesting that only agencies that receive State money should be required to do this.

So that if you're going to get money from the State, you know -- which is doing it, largely, much better than the local municipalities -- you need to adhere to some principles that will make sure that you are inclusive of every resident of New Jersey; that every resident of New Jersey has an opportunity.

And so the State has gotten rid of some of the nepotism problems and other things, so we really haven't spent much time on that.

But I'd want to be a voice of the local municipalities-- And I see we have Local Government Services represented, which is a very, very important part of the State government, so I'm so glad you're here.

MS. AGUDOSI: And actually, that's a good segue, because -- I'm going to ask Director Walter, just based upon the information that was shared, any thoughts of how that could work, or any concerns based upon the structure and what we know the application is, day-to-day, with these local municipalities.

MS. WALTER: So I appreciate the opportunity to have a discussion. A lot of what we've done here has focused specifically on statewide contracting.

I do have some questions about a little bit more specificity -- about what you envision, with regard to the spend program, and about the data underlying some of the things that you're saying here today.

DR. CALDWELL: Yes.

MS. WALTER: So first, when you're talking about listing spend, are you talking about primary contracts, or subcontracts, or both?

DR. CALDWELL: Both; but certainly start with primary contracts.

MS. WALTER: And where would municipalities or school districts have this information for pre-existing contracts? If it's required, going forward; but I'm not aware of anywhere that would be represented in the bid process at this time.

DR. CALDWELL: Well, one of the things-- If you're a New Jersey-certified business, you're obviously certified by the State, and you could actually begin to track to see what contracts, and do a cross-matching of the contracts that you've given out against those with certified organizations.

To be very honest, one of the things I forgot -- I didn't answer with your (indicates) question -- is that I'll guarantee it's very few. One of the problems with the State contracting is because minority-, veteran -- I put veteran in there; Jeff Cantor is a friend of mine -- veteran is very important. One of the things about veterans is, very few people will push back on veterans as much as they'll push back on some other minority.

But one of the challenges is, many of these businesses have gone out of business so they can't contract -- they can't wait for the State contract. The challenge with the State is that it takes so long. And if you don't have the wherewithal to pay your bills while you're waiting to get through that contract, you're dead. And so if we don't really help these businesses find contracts with local governments and local public schools, they're going to be out of business. And that's why I'm so evangelical about the local.

MS. WALTER: So, but then it sounds like you're saying that they could look it up and compare, but it's not appearing right now in any of the bid documents; that would be a local public contracts law amendment to make that requirement.

DR. CALDWELL: Right, right.

MS. WALTER: So at this time, when you say three months, that's where I start to hesitate. Because it takes more than three months to do regs to require them to start recording it through the Local Public Contracts Law. And if we're asking them to go back and look at prior contracts and match against State registries, three months sounds very optimistic. It's not that it's not a good idea, it's that that timeline becomes very difficult if they don't have the information appearing on the contracts that already exist.

DR. CALDWELL: Well, it's-- So if-- And understand, I've spent some time in government; most of my time has been in the private sector. But it's really a cross-matching. And, you know, at the end of the day, if you have a database of every contract that you've had in the last year, in 2019, and you have a listing of all of the people who are certified -- there should be a State list of every business in New Jersey that is certified -- there are computer programs that-- And there are contractors, minority contractors who will do that for you. That's not a hard thing to do.

Now, I know the regulations and the delay of government regulations to get them to do that, maybe. But the second that it's been approved, that's not a hard thing to do. It's really just cross-matching: Who do you have a listing of-- Because I know New Brunswick has that; I know New Brunswick High School has that. And they're just cross-matching those that are certified.

Now, I don't know if such a thing exists -- if there's a listing of all the certified businesses in New Jersey.

MS. WALTER: I don't believe so.

MR. GRIFFIN: SAVI.

MS. AGUDOSI: Yes; that would be NJSAVI.

DR. CALDWELL: Yes, okay. So SAVI would have that listing.

MS. WALTER: Would that be just State contracts, though? Or would that cover local as well?

MS. AGUDOSI: It's a certification registry.

DR. CALDWELL: So you take that certification registry against your listing of all the contracts you've had in 2019 -- you can have somebody do that.

MS. WALTER: Okay.

DR. CALDWELL: That wouldn't be that hard.

MS. WALTER: Now, the other thing you mentioned several times -- that there have been a lot of businesses that have gone out of business kind of waiting for opportunity. Do you have any kind of research or documentation you can provide us to support that?

DR. CALDWELL: I can get some for you, yes.

MS. WALTER: Okay.

DR. CALDWELL: I can absolutely get you some.

MS. WALTER: That would be very helpful.

Also, this is where I do have to speak for--

MS. AGUDOSI: I'm sorry; I'm just going to ask you to direct that--

DR. CALDWELL: Oh, I'm sorry, Chair; sorry.

MS. AGUDOSI: --to me -- the information.

DR. CALDWELL: Yes, I'll send it to you.

MS. AGUDOSI: Thank you; and I'll make sure that everyone on the Commission receives that.

DR. CALDWELL: Through the Chair, we'll get it to you.

MS. AGUDOSI: Thank you.

DR. CALDWELL: Absolutely.

MS. WALTER: And I note that you raised nepotism as an issue. It is, indeed, an issue; but I think that perhaps the concept that it's proceeding unchecked is not necessarily correct.

The local Finance Board prosecutes roughly several hundred cases a year under Local Government Ethics laws related to conflicts. So I just wanted to note that, just this year, we gave a lecture at the League talking about the dozens of cases where we are simply telling people, "If your name is on both sides of the contract, something's gone wrong." (laughter) There is an issue, but it's being addressed. And the Board does prosecute hundreds of cases dealing specifically with nepotism issues.

DR. CALDWELL: Absolutely. I'm really talking about legal nepotism. So when I say *legal nepotism*, it's kind of the friends and family; that it's not the brother or sister. No, there is a lot of that, obviously. But I'm saying that friends, and family, and relatives, and best friends, and others -- that a lot of the contracts are given to known people, rather than independent people.

Now, one of the realities is-- And many people know there's a segregation lawsuit here about the lack of diversity in New Jersey public schools. Well, it applies to the municipalities; municipalities are not that diverse. And so what happens is, if you're an outside minority vendor and you want to get into a town where there are not many people, it can be very

hard. And it's not-- Again, I try to say it -- I'm not blaming racism as the reason; but basically, you're more likely to support somebody you know than somebody you don't know.

MS. WALTER: So that actually raises another question.

When you talked about the distinction between the ESCO contracts for busing and the local contracts for busing, you gave the example of Trenton. And I think that kind of raises two different sides of this issue. One is engaging more access in the marketplace and outside vendors; but a lot of those large co-op contracts are large corporations that are not minority-, woman-, or veteran-owned. And so you're balancing that cost factor against that local business that may be more minority representation.

How do you address those tensions within ESCO and, more broadly, within your research?

DR. CALDWELL: So one of the things we could do -- again, if the State really required or encouraged it -- is actually, on the bidders list, have a listing of qualified veteran-, minority-, and women-owned businesses. You know, right now, because it is what it is, it's really, largely, low-cost outside of State government. And so if you had a listing of those-- So a municipality goes to the Commission and says, "Okay, we want to buy a truck, or buy paper. We want to buy paper." And so they have the lowest bid through that process; but also some minority local vendors, some New Jersey minority vendors on that listing -- then at least they would have an option. You know, but right now, there's no option. It's basically large companies.

And, you know, one of the things that I say about small businesses, too, is that, so often, if you look at the data -- and again, I'll get

you the more specific -- I think it's 60 cents of every dollar spent with a small business stays in New Jersey. Whereas, on Amazon or online, virtually zero stays in New Jersey. And so we're looking at, "Well, I'm going to save \$5 by going on Amazon," instead of going to the local store.

And so we have to begin to look at how we procure, as to what's good for New Jersey. And so if you hire somebody locally in New Jersey that may even be a little more expensive than that national contractor based in Pennsylvania, maybe it makes more sense to do that. Because we need to look at the total spend, the total-- I mean, the total investment is that if this means-- If spending money with a New Jersey business is a little more expensive but they're going to hire New Jersey jobs, than that actually saves money in the long run. But we don't think about it that way.

MS. AGUDOSI: Do you have any -- do you have more questions?

MS. WALTER: No; thank you.

MS. AGUDOSI: Yes, I have a question related to that.

I had the opportunity, last month, to go to a Supplier Diversity Summit that was hosted by the state of Maryland. And many states are doing that as well. And one of the-- I actually raised that question, which is -- to the extent that you're looking to diversify your supply chain, are you presenting a preference for Maryland diverse businesses, as opposed to others?

And the response that I received was, "No, we don't, because we want to ensure that our Maryland-based businesses have the ability to go to New Jersey, Pennsylvania, wherever, and be able to be competitive." And to the extent that we provide what you're suggesting -- kind of that local

preference -- it has the possibility of then hurting these businesses that want to do business beyond the state borders.

So I put that -- I pose that to you because that is very much a concern that I have, right? It makes sense for all the reasons that you're saying -- that we want to invest and grow New Jersey-based businesses -- but does that wind up shooting us in the foot, to the extent that these businesses are now constrained and don't have the ability to do the interstate travel because of this local preference that we would consider?

MR. GRIFFIN: Chair, if I may?

MS. AGUDOSI: Yes.

MR. GRIFFIN: So I'll echo what Hester is saying, in that New Jersey, as well as most states, has basically a reciprocity. And so if a state -- if Pennsylvania, for instance, were to enact on us a particular type of contracting, or what have you -- a preference -- then their businesses would be deemed *non-preferential* in New Jersey. If New Jersey did it, and then those same businesses went across the border to Delaware or Pennsylvania, that preference that we enact would be held against them if they're trying to get business in those states.

DR. CALDWELL: Let me offer a suggestion, because I totally agree.

But remember, the businesses are all different sizes and levels. The reality is that most of the businesses in New Jersey aren't going to be doing business in Maryland; and most of them are under 10 people. And so I think if you made that requirement with less-- Because a small consulting firm is likely not going to Pennsylvania. So if you said 10 or fewer -- that we will give preference to businesses that have 10 or fewer, then that answers the

question. And so often-- And that's one of the things that is really important in the research -- that so often we lump businesses together, as a society; not just you, but we lump businesses together. Well, we separate big business and small business, but small businesses can be \$100 million or \$100. And I think we need to really start looking at-- And one of the things we're doing some research on is, it's like 10 or fewer. There's kind of a line. If you have 10 or fewer employees, that's a different business than even 25 or more.

And so if you had this requirement for the 10 or fewer-- And that's, really, who I'm kind of talking about, is a New Jersey-based business -- could be a husband-wife, could be a mother-daughter. They have gone out of business because they've been excluded from a lot of opportunities. And that's really who I want to-- To be honest, the 25 and over can be okay; they can actually do well. But the 10 and under is really struggling in New Jersey.

MS. AGUDOSI: Assemblywoman.

ASSEMBLYWOMAN PINKIN: Well, it seems like one possible issue is to train the people who are doing the school board purchasing -- the business administrators, the purchasers; and the municipal business agents, purchasers, administrators should have some of this training embedded into them. As should, maybe, when OLS offers CEU credits for the attorneys, they could embed some training into their training so when they're looking at legislation or regulations going through, they know what the parameters are of minority purchasing.

DR. CALDWELL: I think you're right; the training is important.

The challenge is -- and I'll say this as a local government official -- we need the State's hammer. You know, many of us are out there wanting to do the right thing; but if it's not required, there are people in the

community-- In fact, I think we were talking about somebody, a gentleman who happened to be a white male business person, who -- I forget what agency -- was actually giving preference, diversity preferences. I said, "Well, there's no disparity study. How do you know that there's a problem?"

And so people in the community -- if you don't have the backing, a hammer from the State -- are going to sit back and say, "Well, why are you giving it to the local minority vendor? This person is a dollar cheaper from California."

And so if you have that backing -- and this was an executive order, if you will, from the Governor's Office or something -- then all of a sudden you say, "Hey, well, this is an executive order; this is the right thing to do. This is good for New Jersey." In addition to the training, that could be very powerful; and I'm talking millions and millions of dollars. This is not some small thing. I think this could transform small business. You know, New Jersey was just rated the 50th worst state for small business. I mean, this could actually begin to change some of that to say, "Hey, you know, this could be very, very friendly for small businesses."

And again, I keep saying the 10 and under. If we really made that-- And then, part of the challenge is-- So we did the survey on the \$15 minimum wage. And 46 percent of the businesses said it was a major problem; 54 percent said it wasn't a problem. Now, the State will look at that and say, "Hey, well, the majority of businesses--" But that 46 percent is over 200,000 businesses that are actually challenged by that. And it's not-- Because if you really sit with these businesses, especially family businesses, they will go out of their way to hire-- Not only are they hiring people, they're actually paying funeral costs for relatives. They're going out of--

So if you begin to look at how important small businesses are to the State -- minority, women, veteran, other businesses -- it's much more than what's on paper. They are part of the community. And this kind of-- What you're doing is so important to really help to sustain these businesses so that they can be integral -- even more integral in the life of the community.

MS. AGUDOSI: So to follow up on that, help me get an understanding-- Because what I think of-- As you said, *small businesses* can be varied.

DR. CALDWELL: Yes.

MS. AGUDOSI: Good morning; Assemblyman Holley, for the record, is joining us.

ASSEMBLYMAN HOLLEY: Good morning; good morning, everyone.

MS. AGUDOSI: Small businesses can be varied. And one of the things that, again, on the State level, is that there's always the question of capacity -- to the extent that you want to be a part of the State supply chain that's larger, in terms of what the demands are going to be for you. So as a small business, 10 or under, this may not be for you.

But now to your point, where you're making a distinction and saying -- if I hear you correctly -- no, being a part of the State supply chain would not be your first stop; but you could be part of the local government supply chain.

But help me to understand how that is different on a capacity level. So yes, the City of New Brunswick is not the State of New Jersey; but yet, it still has considerable needs as it relates to this contract. Do you believe

that a small business, 10 or less, would be able to be competitive on the local government?

DR. CALDWELL: Chair, that's a great question.

And in addition to differentiating size -- where we say 10 and under is very different than 25 and over -- one of the realities is-- So just historically what's happened -- affirmative action and other programs have gotten people into major educational programs: Ivy League schools and others. So much of the -- many of the businesses I'm talking about are professional services businesses. They're people like me who have their doctorate, they are people who have their MBAs, they are people who have done training. Those types of-- And so often I think the State focuses so much on contracting, on construction, on investments; but that's not the majority of businesses. The majority of businesses are people providing training. And so even if you wanted to carve out training, that would create thousands of opportunities for thousands of businesses -- executive coaching.

So we spend money in this state; we spend billions of dollars on training in this state, if you include local and State government. You don't have to have a big company, you don't have to have bonding to do that. And so we've not thought about those businesses that you don't have to scale.

One of the other challenges -- and I'll say that here -- is that the whole -- and I hope some of you will-- The whole 1099 thing is really a challenge for small businesses. It's that if property taxes are high, and I'm doing 1099 consulting for my friend so I can make more money to pay my property taxes, why would we take that away? Now, I understand that may be targeted on construction and other things, but I'm here to advocate for small business.

And so when you start to look at some of the opportunities at public schools, at municipalities, with the police, it revolves around training. And there are a lot of firms that have not gotten contracts-- Well, I will give an example. So a friend of mine -- who was the former Superintendent of Montclair; now she's out of state -- was the Chief Academic Officer in Trenton. And they gave a million-dollar contract to a training firm, a large training firm; it was women-owned, but it was from Ohio. And they were good, but they-- Because they were big, it was easy to contract them. You know, one of the-- I worked for Deloitte Consulting for 11 years. And one of the things we say about McKinsey is that a lot of executives will hire -- even though they know McKinsey may have made a mistake, they'll hire McKinsey to do their consulting, because they're not going to get fired if they hire McKinsey and they do a bad job. If they hire Dale Caldwell's firm, and he does a bad job, they may get fired.

So a lot of people will not hire -- will take the least risky thing and not hire minority vendors, because they're taking a chance.

And so when I start talking about it, I'm talking a lot about training. And I would submit that most of those businesses are training businesses that are really being hurt by this. And so there are State opportunities to do training, but it takes so long. If I had a training opportunity to do New Brunswick, that could sustain me and pay my bills while I was waiting for the State contract to come through.

And so I think it's really important to separate professional services from other services.

MS. AGUDOSI: Yes, Director.

MS. WALTER: Just to piggyback off of that.

The other thing to remember is that even when you're talking specifically about somewhere like New Brunswick or Newark, those are very large municipal budgets. A lot of the towns that we're looking at across New Jersey have budgets of \$10 million or less--

DR. CALDWELL: Right.

MS. WALTER: --for the entire budget.

DR. CALDWELL: Right.

MS. WALTER: So when we're talking about things like delegated procurement authority -- you give \$1 million of delegated authority to a town with a \$10 million budget, 10 percent of their budget is in a single purchase. It's just a matter of scale.

And so there are a lot of things where-- You have a gas contract. There are only three municipal vehicles. Or you have a repair contract for those trucks, where you have a lawyer, or a demolition on two properties. That could be smaller businesses because of the scope within that municipality.

So it really is a question of scale -- where a small business is much more viable sometimes in a smaller municipality.

DR. CALDWELL: Good point.

MS. AGUDOSI: Thank you for that clarification.

Professor, my question is, in terms of just your research, and data, and information that you can share with us, do you have that data that kind of breaks it down? When we look at local government services and we look at the contracts, what percentages of those are in different areas -- be it construction, be it professional services, be it goods -- in order to, really, kind

of have a handle on where those opportunities are in local government services?

DR. CALDWELL: I can try to get some of that for you. We don't have it available. Local Government Services might; do you have some of that?

MS. WALTER: What specifically are you looking for?

MS. AGUDOSI: What I'm trying to get at is-- What the Professor said is that we're trying to grow these small businesses and to get them to be a part of the local government supply chain. What that supply chain looks like -- right? -- if we break it down according to goods, professional services, construction -- what is the percentage breakdown in order to know, really, where those opportunities are and how to direct them?

So for instance -- I'm just making this up, and I'll keep it small -- Millville. If we look at their spend in a calendar year, what percentage of that spend went toward construction, what percentage of that spend went toward professional services -- and literally having that breakdown. Because I think when you're talking about what the spend is with diverse businesses, that's one thing. But the other side of it is, what are your spend categories--

DR. CALDWELL: Right.

MS. AGUDOSI: --across the board?

So that's what I'm looking for. Do we actually have data showing what the spend categories are, so that we are able to, kind of, match, so to speak, where the opportunities are for these businesses, because we know what the spend categories are in any given municipality?

MS. WALTER: So out of the municipal budget, we're able to document different categories. You can look at capital, you can look at

professional services. I mean, you're able to look at certain large contracts, co-op participation. Separately, under the Local Public Contracts Law – I mean, your co-op that anyone enters for certain types of purchasing are registered with us.

So there are pieces of that information, but you wouldn't be able to get the line item information. The budget is classified by flexible charts and accounts codes, and so you can get categories within your budget, but generally not the individual contracts. It could probably give you a picture of what's being spent on the capital, what's being spent on professional services. But I couldn't necessarily tell you, is that management consulting, is that a lawyer?

DR. CALDWELL: Right, right.

MS. AGUDOSI: Okay.

DR. CALDWELL: If I may, perhaps if we wanted to pilot this, to just focus on professional services. Because that's an area where you don't need to ramp up, but you could really look at-- If we looked at municipalities and school districts -- what are they spending on professional services and what is their diversity spend with professional services? Because you don't need to have trucks for that, you don't need bonding for that stuff. You just need expertise. And if we did nothing but that, I think it would be groundbreaking for New Jersey.

ASSEMBLYWOMAN PINKIN: Chairwoman.

MS. AGUDOSI: Yes, Assemblywoman.

ASSEMBLYWOMAN PINKIN: You were talking about the computerization of the program in New York, and that they had a 30 percent-

plus bidding rate. They must have some of this data that we could use to help us to determine some of the categories that might be successful.

MS. AGUDOSI: Yes; we contracted with a vendor who has developed that system for New York, which is *B2Gnow*. And so we're in the process now of implementation. And basically what that's going to do is give us that capture on a State level. We're not connected with the local governments, but absolutely it will be a model that could be replicated.

Are there any other questions for Professor Caldwell? (no response)

Professor Caldwell, I want to thank you for coming the day after our weather event (laughter), and sharing your insights.

Oh, I'm sorry. I did have another question regarding your proposal of listing the information -- the diversity spend on the website.

DR. CALDWELL: Yes.

MS. AGUDOSI: I know I had asked you whether or not that was something that was done before, and you said that, "No, this is an opportunity for New Jersey to kind of lead in that area." So my question to you is, in your vision of what this looks like-- Actually, what does that look like? Is that going to be on the homepage of the municipality? Like, where do you see -- or how do you envision that?

DR. CALDWELL: Again, great, great question.

I would probably have it on every-- So if you look at public schools, on the Board-- You know, the Board page -- they have the administrative, they have -- typically, they'll have the Superintendent, they'll have the Business Administrator, they'll have the Board members. Somewhere on-- And the budget, often; every website is a little different.

But where the budget is, within the budget-- Because every website would have a budget for public schools and municipalities. And so in that, as part of the budget, would just have a percentage for those three carve-outs: veteran -- and again, I keep talking about veteran, because there's very little push back about veteran and how much are we spending with our people who served our country -- veteran-, minority-, and women-owned.

But if that's too much of a lift, if we wanted to focus on professional services and say, "We're going to do a professional services diversity spend to start," and then model that-- Because it's going to be hard. Because of bonding -- and if John Harmon were here, I would say how hard it is, because of requirements for minority businesses to really compete with some of the bigger projects. But professional services, you know, it is not hard to compete with any firm in the country. And so maybe if we had a section on our budget, and then we say "professional services diversity spend," that would be an amazing start.

And I'm going to do some more research to see if anybody else has done anything like that. But I'm a big believer in leading, and I think New Jersey is the kind of state that's diverse, has innovative leadership in the Legislature and Governor's Office. So let's lead.

MS. AGUDOSI: Again, thank you very much.

We look forward to receiving that information from you.

And based upon the questions that have been posed to you, if there's other institutional research that you think would be insightful to us, I would encourage you to provide that to us as well.

Thank you very much.

DR. CALDWELL: Thank you, Chair; Commission. It is an honor to be here.

Thanks for the time.

MS. AGUDOSI: Next on the agenda we have Robert Harper, who is the President of the Minority Resource Group. He's going to present on best practices for minority-, women-, and veteran-owned business contract participation and compliance programs.

R O B E R T J. H A R P E R, Jr.: Thank you very much.

MS. AGUDOSI: Good morning.

MR. HARPER: Good morning.

MS. AGUDOSI: Now I see we have a screen set up. Do you need to utilize that for your presentation?

MR. HARPER: If you don't mind.

MS. AGUDOSI: That's fine.

MR. HARPER: If you don't mind I put together a PowerPoint. Thank you, Commission, for asking us here today.

MS. AGUDOSI: While they are setting that up -- for the Commission members, on your desks there should be a handout that looks like this (indicates) that says *Minority Resource Group*. And that is just supplemental information for this particular presentation.

MR. HARPER: I want to thank everybody for inviting us here today.

We've put together a little slideshow for everybody. Ms. Agudosi specifically asked questions of us, and our experience.

(refers to PowerPoint Presentation)

Just to give you a little background on us. Our firm is generally -- most of our experience is from New York; we've all worked in New York City under the minority program in New York City. We've spent a lot of time working through the ups and downs of the program itself, and how difficult it is to navigate, both as a prime contractor and as a subcontractor -- minority subcontractor.

I think some of the suggestions that we're going to present to the Commission are insightful on some of the experiences we've had, and some of the pitfalls you may encounter in New Jersey.

So I'd like to start -- get right into it, because I think at the end of the day we are all here for a reason, right? We're here to empower people, and I think that is important. Because good businesses will do well under any program, poor businesses will not. They will come and they will go, and the former speaker spoke about that. But what I believe, and what we believe is that even if you have a program and you're hitting your goals, you're not necessarily utilizing them. And I can say that for New York state, okay? New York state has a wonderful program; Governor Cuomo did an amazing job over the last 10 years developing it.

We feel it could be better; and we feel that there were reasons it could be better, and we list those for the Commission to review.

So one of the things, like I said, is we're here to empower people. The challenges we have are not insurmountable, but we do have to have a different mindset. We cannot go about this with the same old, what I'd say, *government mindset*, where things take a long time. And we feel that if you're pliable and you're dynamic in your rules and regulations, it allows you to adjust as you go. And I think that's critical to these programs.

We're not the first in the nation, but we could build the best program. We have an opportunity here, and I want everybody to realize that that's how we look at this. And I'll continue with that. And Tom Carolan is my Chief Operating Officer. he couldn't be here today; unfortunately, he got stuck with the weather. He was supposed to fly out on Sunday into Monday.

But Tom has been in this business for 13 years as a Compliance Officer, as a prime minority sub, as well as a prime contractor. And he's a wonderful addition to our group. But like he says, we're not trying to recreate this wheel, we're just going to make it roll better, right? So I think that's amazing in itself, because it's true.

I was asked by Ms. Agudosi specifically what the climate, and challenges, and conditions for minority enterprises are. Without stating some of the obvious, we know that number one is very obvious: there is no disparity report, and that's why we're here today -- is to create one and to get one, first, to refer to.

But the other challenge that New Jersey needs to consider is the obvious lawsuit that's preventing us from developing a vendor program. The disparity report will overturn that and we'll move forward with this program. So I think that's something that's obvious, but I wanted to state it as a fact.

I really feel that the State should utilize a pilot minority program, at this moment, to move forward. What that allows us to do is to get your vendor pool moving forward. Your vendor pool is the most important thing here. You're not going to be able to hit your goals if you don't have enough vendors, right? It's very simple.

But pilot programs are excellent because, to take a-- What we were thinking is, Rutgers, for example -- they don't have a minority program, at least one that I could find. Kean University does, but Rutgers doesn't. We feel that with all -- I believe they have a billion square feet that they manage -- that a pilot program is something that we could start immediately, because what that's going to do is get your vendor pool moving. And your vendors are most important to meeting your goals. So if you don't have vendors you can't meet your goals.

So that's something to start, because it could take you years to develop a vendor pool. As amazing as New Jersey is, and the local businesses that we talked about, it still takes a long time. New Jersey is one of the better states on approving minority- and women-owned businesses; they do it in about a month. John Cronin is excellent at it; he gets it done in a month. In New York state it takes over a year to approve a vendor, and they wonder why they have some issues.

And that goes back to what I said. If it takes a year to get a vendor approved, and you're at 30 percent, can you be at 40 percent? That would be my question to Governor Cuomo. "Can you really make it a little bit better just by improving that one piece of approval of getting a vendor approved?"

No public knowledge to launch a program. This is a PR-- You know, if you remember New York state, before they launched their program, they were very big -- they were on the subways, they were on the trains, they were promoting it on billboards. They were making sure that everyone knew that this program was out there, and that it was available, and it was an

opportunity. So we would like to say that, that is a key component to the current climate, at this point.

No online portal for businesses to find qualified minority vendors. The former speaker touched upon that there's nowhere to find them, and it's a big piece. And one of the things that we're doing is a B2B website of qualified minority vendors -- that you're going to be able to find them. If you're a prime contractor or an end user and you want to find a contractor, this is a great place to find them, but we have to build it. And one of our business units is building this website, that's going to be a national website, that allows strictly minority vendors -- for you to find them, and hire them, and contact them directly. So that's something that's important.

Qualified vendors -- which exist. We all know a local business that is also a qualified vendor. They're out there, but they're not in the program, because the program doesn't exist. But getting them to enroll in that program is going to be something that we're going to have to tackle. That is a challenge for us.

Private development projects have a voluntary minority program in New York. They're not required to do it; there's a voluntary requirement. Educational facilities have done this, and they make it. NYU is a perfect example; they do it. But they've-- Columbia is more the poster child for doing that. So Columbia is a very big (indiscernible).

But private development is not included; they're not required to have it. And I think that's critical to what we're trying to do in New Jersey. New Jersey has to develop their vendor pool. I keep saying that, I'll say it a hundred times. Your vendor pool is going to allow you to hit your goals. If you don't develop them, if you don't enable them, and if you don't prop them

up in some situations, you're going to have trouble hitting your goal. I mean, that's full utilization, which is what we all try to get to.

We have to be aware that there's a lack of competition in all of these fields. Whether it's professional fields, construction -- there's a lack of competition. So you might incur a 10 to 15 percent higher cost to involve minority businesses because of lack of competition. And we feel that there's a way to solve that as well. We feel that you can -- with the lack of competition you can create certain projects where minority vendors are bidding against each other, and that creates a natural competition between them. They both incur -- or all of those vendors incur the same added costs. And I could get into details; I was given about 20 minutes, so I don't want to get into the details. But there is more; we could talk about this further, if you guys have more questions. But there are reasons; they all incur the same higher costs. It could be insurance, it could be tools and equipment, and even people are more expensive for a small business. So that is something that we could talk about further, if you guys would like to after I'm done.

We were also asked about barriers to entry for minority vendors, and we think that is also a critical piece here. We recognize about eight market barriers for minority, women, disadvantaged, and veteran business enterprises, because it's hard to start a business. We all know that. But the number one thing is credit; credit to obtain and maintain, especially with startups. And I say *maintain* because there comes a phase in a development of a company when they want to go from a small business to a medium-size, or medium to large, and we call that *step-up costs*. It all comes down to cash flow and credit. And credit, for small minority businesses, has been very difficult. Traditional banks are very critical of what assets you have. And a

lot of times, they may not have any and, therefore, it's very difficult. We actually have a solution for that, but that is a different situation.

Obviously, lack of management experience in minority-owned businesses. That's for any small business, not just minority; but we specifically call out minority because they struggle with-- Sometimes it's just the President who knows what's going on, right? And he hires small administrators who don't really have the credit to hire the smartest operations guy, right? So that is a big issue for small businesses, minority-owned businesses.

Lack of marketing knowledge and proper sales techniques. That's a big one because they could build an amazing judge's bench, but he can't estimate a job properly, or he can't -- he doesn't know when his next job is coming. We call that *sales techniques* because estimating, selling is all part of it, right? So we call that a *proper sales technique*. We feel that small and minority businesses just don't have that knowledge. And they're great tradesmen; we never take away their trade skills. But I think, at the end of the day, they have to sell their business and take advantage of the opportunities that are being presented. This Commission is creating opportunity, right? So they definitely have -- they struggle with the marketing aspect of it.

I talked about added cost, but there's added overhead and material costs for a number of reasons. Overhead insurance is a big deal. A lot of times they rent, they don't buy; they lease, they don't purchase. And those are added costs. And bigger firms purchase; bigger firms, if they need a truck, they buy a truck; if they need a tractor, they buy a tractor; they need a copy machine, they buy a copy machine. Most small businesses don't do it

that way. They lease copy machines, they lease trucks; we all know that's not the most cost-effective way. It's not an asset to the company and, therefore, it creates a different situation for them.

And lack of credit to purchase tools and equipment. This is big in construction. I think when you talk about goods and services, it's not as impactful as construction. But when you talk about construction, it's very hard for a minority small business to compete against a prime, a medium-sized business, because the medium-sized business is purchasing that tractor and he is using it 10 times. For the small business, he could rent that for a month, or two months, or three months, or six months, but then the minimum rental is a year, and it sits in the yard for three months, right? That's money out the window, and that's a big deal for a small or medium-sized business. So that is something that we felt was a barrier for them.

A higher cost of material due to lack of volume. And that is because they just are smaller. If you buy material and you buy it in bulk, it's cheaper. It's the Costco, right? So we all know what that means but, at the end of the day, it is a direct impact to small and medium-sized businesses. So we wanted to point that out to you guys.

This is something that we feel is just -- it's very easy to be changed. You know, the procedures that we have to go through to file monthly paperwork, to go on the website, to submit, to stay within these programs -- it needs to be streamlined. It needs to be easy, it needs to be simple, it needs to be online. It needs to be log in, you file your requisition, end it. I mean, the paperwork process is antiquated; we have to make a difference. And I think that is key to the program that New Jersey is starting to do. It all has to be online; secured, but online. Let's make it drop downs,

click-click-click, submit, call it a day. Because that is what the future is, and there's no reason why we can't do it. And it's out there; the technology is available, it's simple. Between DocuSign and some of the other great technologies out there, it's there, so let's use it.

And vendors lack the community administration knowledge to successfully complete the process in a timely manner. And I say *timely manner* because if you do it wrong, submit it wrong, mail it, and it gets rejected, your requisitions get kicked back. And that requisition kick back is a 30-day kick back, and you're delaying payment. And for vendors and subcontractors, that is a big, big deal. Because you don't have the credit; your point of sale is every week when you pay your people. And unlike a restaurant or goods and services division, in construction it's very detrimental to a vendor's development; and, ultimately, we are here to develop small to medium businesses to become prime contractors. We're not trying to keep them small forever, right? We want them to grow and we have to feed them to grow.

So I think that is a big deal for them, because if they can't complete the process and the approvals that the State requires, or the municipality requires, or that government entity requires, then it's going to hurt their cash flow directly -- from filling out one question wrong. And that is something that we really have to address and make it a lot easier for them.

The last question we were asked was, what are the detrimental factors preventing full participation. And in our minds, that's if you set a goal of 20 percent, how do you make sure we get there? And you're going to see this through similar items from the previous slides, but they do work together.

No credit: I mean, we really can't stress this enough. Lending for minority-owned and small businesses is difficult to obtain. It's the number one reason why vendors struggle.

I could go on and on about credit. I could go on and on about how tough it is, as contractors and vendors, to float that money. But at the end of the day, what you need to know is that it's a problem or a challenge that can be addressed and fixed. So we just wanted to point out that it is the number one reason why they struggle, and we also wanted you to know that it is a big deal.

Marketing experience: I talked about this before. It is the number *1A* why they cannot sustain proper growth. And I think that as they grow and as they become bigger businesses, they get better at it. But as a full participant, you have to have vendors that are growing within the program. And without growth, the program will suffer hitting its goals. And when I say that this is a critical aspect, it is a critical aspect because you really need them to grow.

And one of the things I wanted to discuss is that-- And I just want to touch upon New York a little bit. He did an amazing job; and he's at 30 percent, and now he wants 40 percent, and I think that's amazing. But I think he also isn't realizing that he could be better; he can expedite the approval process. He can realize that credit is a monster problem for these companies and that there are solutions to this. There are ways around these two items that we feel are most critical to the program itself. And ultimately, these programs -- from what we understand, is that the programs are designed to help people to become prime contractors, not to stay small. And if we

realized that that is the ultimate goal of the program, then we would realize how important it is to help them along the way.

Allocation percentage on bids: This is a weighted selection criteria for vendors on bids which -- what we feel is that, in the beginning of this program, you're going to have a situation where you're going to have a minority subcontractor, versus a prime contractor or a small business contractor, and they're exactly the same. And what we feel is that the preferential needs to be for the minority subcontractor. And the reason is because we're trying to build this base. Whether everyone agrees with me or not, I don't know; but I think at the end of the day you have to give them a little extra leeway. If the white Caucasian male prime contractor is 10 percent less than a minority subcontractor, should we and can we consider that minority subcontractor to be awarded that project? It's a question for you to determine; it's a suggestion on our part that it's something that you might want to consider to develop your vendor pool.

No private development: This is big. You know, I think that we need to realize that these developers are searching for tax incentives. They have tax lawyers out there going, looking, and saying, "Oh, what does New Jersey offer? How do we get this going? How do--" "Oh, there's no affirmative action program in New Jersey? Well, okay; there's no tax incentive there." And they go and they develop their development without it.

We feel that they have to be given an option, whether it's a scalable option or a flat-out "you have to get 20 percent." But the idea is that if a private developer is making the effort and has a social responsibility

to give back to his community, then he's going to look at this, and any tax incentive is going to be attractive to them.

Recently, I had spoken to a big developer who had stated that there is nothing in New Jersey for him to do affirmative action in his construction project. I mean, we're talking about a project in the billions of dollars. And I said to him, "Well, if I can get you a tax abatement incentive or something, would you be open to it?" "Absolutely, Rob. Call me if you can."

You know, that's something that we hope -- to marry private developers who approach us and, hopefully, marry them with a plan to present to the State to say, "Hey, if we actually do this, what could be some of the tax incentives that could come back for this private developer?" In this case, this private developer is developing 400 acres; it's a big job. It's going to last the next 10 years. And I said to him -- you know, this is the top guy, and I said to him, "Well, this program is going to be coming out while your project is under construction." And he said, "Well, when it comes out, we'll address it, right, Rob? But you're going to call me before, and you're going to tell me there's something there for me." And I said, "Yes, I will, sir."

So I think that's a big piece.

No local municipality involvement: I know the former speaker touched upon this; I want to touch upon it in a different way.

Local municipalities spend a lot of money. They hire local businesses, they are actually the person who is cutting purchase orders to people that live within the area. Some of the suggestions that we have in that would be to make sure that you hire local labor. Sometimes you call it certain *zip codes*, right? If you're building a courthouse in Ocean Township, and

John's the Deputy Mayor in Ocean, I would say to John, "Well, let's make sure that those businesses that are bidding on this work are within these seven zip codes." What you're doing is, you're enabling the local businesses an opportunity. You know, it's nice that the guy from North Jersey wants to come down and do the work in South Jersey; and I'm not saying he shouldn't. But his opportunities will be up there, right? And local businesses spend locally, you know. And I think that's a critical piece to them being involved in this, because municipalities are going to require more flexibility in the rules and regulations. They need to be able to qualify for this program, even if they're using white Caucasian male owners with small businesses, or within those local zip codes. It should still qualify. So because his talent pool within those zip codes is going to be limited, you have to open yourself up to different ways of going about it. And municipalities are going to require that type of dynamic thought process more than the State, for example.

So again, something we can talk about further. I know I'm on a time limit, so I just want to get through this. But I'll accept questions at the end, if you guys want to talk a little bit more about that.

Joint venture: I mean, I think everyone knows that we're going to allow joint venture. We just wanted to make it a point to please allow joint venture. There's a lot of companies out there that would love to do a joint venture with a minority-owned business, and they just-- If you don't do that, you're limiting the bonding capacity of those joint ventures. Sometimes the white Caucasian male has a higher bond, and a joint venture with a minority-owned business allows them to do a bigger job. That's big. You know, that adds to your vendor pool, it counts towards your goals, and

it increases your percentage, ultimately creating full utilization, which is what we're all here to do. So it's something that I think you guys need to consider.

And then what's going to happen is, as you develop the program there's going to be a lack of minority vendors participating in the program. They're out there, they're qualified, they're just not signed up. So we're going to have to get them involved, because you want quality. You need quality, you need competition -- you need quality -- and that's a big piece to get them. And I think the State is going to have to have their own marketing budgets and PR budgets to push the program. So that's something to consider.

And excessive sub-vendor bonding requirements: You know, technically bonds for subcontractors -- they're really not needed. At the end of the day, if you look at the legality of a bond, it's basically carried by the prime contractor, and it's covered under the prime contractor. If his minority subcontractor goes out of business halfway through the job, that prime contractor is finishing. There's going to be no-- The State's not going to have to add more money to that budget to pay for the guy who went out of business, right?

So the bonding is something that I think-- You know, whether it's a 1 or 2 percent bond with a minority vendor, it's 1 or 2 percent that doesn't need to be spent. So something that we would recommend is to just say, "Hey, maybe, at a certain threshold, you require a bond." But from a small subcontractor -- \$100,000 or less, or \$200,000 or less -- there's no need for a bond; let's be real. I think that's a big piece.

Tax abatement requirements: We would just suggest that all projects that apply for a tax abatement would require having a minority participation program. It's very simple. This incorporates private

development, but it also-- Remember, these developers or these entities are requesting an abatement. So therefore, they need to abide by what we feel is in the best interest of New Jersey, right?

Small project allocation: This happens a lot with your small business enterprises. All projects under a certain budget would be small or minority business contractors only. I'd like to just say that that creates a natural competition between equal parties. They all incur the same added costs at a small level. So let's realize that that's a big problem. That's something that we can actively correct by just making them compete against each other.

And you have to build a program. This is something that we come up with in our concepts -- that if you build a program, making sure you have attainable goals with positive vendor feedback, you create a momentum. That momentum is what I talk about -- is when entrepreneurs are sitting with their fellow entrepreneurs and they say, "Hey, you know, I signed up for the State program in New Jersey. You know, they're paying quick, the competition is good, and everything's great." And the guy goes, "Oh, maybe I need to do that." And what that does is it creates people talking about it. It adds to your public relations aspect of it, and it also allows us to hone in on building a program.

You know, you might start at a 10 percent goal in your first year; you might go to 12 percent in year two, 15 percent in year three, and collectively build the program itself up with your vendor pool. So that is a big deal.

I didn't introduce-- My mother is actually the CEO of the company, and she and I have been talking about this for years. And one of

the things is that, years ago, I called her -- a little story -- I was doing a project for Columbia, and I was a prime contractor, and I couldn't meet the goals.

So I called my office; I said, "You know, I have this goal, and it's 30 percent." And they said, "Yes, try to get to it." And I'm like, "Oh, really? Do you have anybody I can call?" Like, I've lived the problems that every prime contractor and subcontractor has lived, and this is why we're here. And we created this company-- So the long and short is, I called my mom; she says, "How are you doing?" I said, "I have a fine of \$280,000 on a \$28 million contract. I don't know how I'm going to meet the goal, and I'm going to get fined." And now it winds up being straight up 10 percent profit; \$280,000 on a \$28 million contract is about 10 percent of your profit.

And she said to me, "Is there anyone you could call?" And I said, "I'm in New York; of course there isn't someone I could call." And there's no one to call.

And so four years ago, our company started with that concept -- that we were going to create someone to call, and this is what we did.

So I just wanted to give you a quote from my mother, who is the CEO and owner.

If I have-- Do I have a little bit more time?

MS. AGUDOSI: Unfortunately, you don't, because we want to be able to open it for questions--

MR. HARPER: Okay, okay.

MS. AGUDOSI: --and to be able to finish up at 12:00.

MR. HARPER: Okay.

So I just want to thank everybody for listening.

The next few slides are a couple of slides about how we look at things, and how we looked at the life cycle of a program, and how we address certain issues, and what we feel are most important -- the process, the people, and the tools.

And I feel that if you feed all three -- the next couple slides talk a little bit more about those things -- but if you feed all three of those, you can actually help the program get to full utilization, which is ultimately the goal.

MS. AGUDOSI: Now, let me ask you, are we able to have a copy of this? Because I can make sure that the Commission members have it.

MR. HARPER: If you would like to copy, you ask me and I will send you a copy.

MS. AGUDOSI: Perfect.

MR. HARPER: No problem.

MS. AGUDOSI: Thank you very much, Mr. Harper.

I have some questions for you--

MR. HARPER: Sure.

MS. AGUDOSI: --and then I'm going to open it up to the panel. So I want to start with New York state that you have experience in.

And you are a New Jersey-based business, correct?

MR. HARPER: Yes; we're New Jersey residents, New Jersey business; yes.

MS. AGUDOSI: Right. So you're really kind of--

MR. HARPER: I work in New York.

MS. AGUDOSI: You're my exhibit A when I tell people that I see New Jersey-based businesses doing business across the Hudson because there are more opportunities there for these businesses, as opposed to here in state. And so this Commission is looking at that so that we can see how we can change that dynamic.

So bearing that in mind, I want to go back to an area that you talked about, that's of interest to me -- is not just the public sector supply chain, but to the extent that the public sector or government provides tax incentives for real estate development of private developers. And you mentioned a condition of that tax incentive, or tax abatement, being the utilization of MWBEs on these projects.

Are there particular models that you are aware of that use that now, and what have been the results of that?

MR. HARPER: Well, in New York, what we have is -- most private development is a voluntary requirement. So when a private developer comes in and says, "Hey, I would like to do a minority program," they would hire a firm like us and we would come in and do a plan for them to submit to the state.

New York state really has not dealt with the private development area of this, because everything up until this point has been state-funded contracting and vending. So what's happened now is that you're getting a trickle-down effect with the Cushman & Wakefields, for example, and property managers now submitting minority plans for their fit-outs of their projects for their clients, and requesting for tax abatement or tax incentives.

So I can go and get you more details on what has been issued and successfully procured in that, but I don't have numbers to share with you today on that.

MS. AGUDOSI: So if I'm-- I want to just make sure I'm understanding you correctly. As it relates to private developers, is it the case that to the extent that they are diversifying their supply chain -- that's something that they're doing voluntarily, and then they're saying, "Look, state of New York, look at how socially conscious I am--"

MR. HARPER: Socially responsible, yes.

MS. AGUDOSI: "--in utilizing these businesses."

Can you give me -- or is that considered to be some type of credit--

MR. HARPER: Yes, yes.

MS. AGUDOSI: --as it relates to--

MR. HARPER: And it's a case-by-case basis. And what they award them I may not even be able to find out. It could have been-- I don't know. So I'd have to get back to you, if that's what you're specifically asking me.

I don't-- What I do know is that one of my clients is Cushman & Wakefield, and he's come and said, "Well, this -- doing a minority program puts me one up on my competitor." So he's actually using it as a sales technique to oversell CBRE, for example, right? So what happens is these developers--

MS. AGUDOSI: I'm going to ask you, for the benefit of folks who don't know the acronyms, CBRE--

MR. HARPER: CB Richard Ellis is a big property manager.

MS. AGUDOSI: Okay.

MR. HARPER: International; and then, Cushman & Wakefield as well.

So his answer to me was that he was going to actually use it as a marketing sales technique to say, "Hey, we'll do your minority plan for you too, and submit it to win that bid as a property manager.

So we're seeing it more there--

MS. AGUDOSI: Okay.

MR. HARPER: --than building a new building and presenting the plan. I think what's happened is, again, New York state, as far ahead as you think they are, we all think they are, they're still behind in a lot of ways, in a lot of their procedures in what I call the *process*. They're definitely struggling with it, you know; it's not a perfect science, I could tell you that.

MS. AGUDOSI: Can you give an example of -- when you're saying New York state's *processes or procedures*, what specifically -- what are some of the things that you find are challenged?

MR. HARPER: Payment, number one; payment to the subcontractors.

MS. AGUDOSI: New York state has, and the State of New Jersey has prompt payment laws. Are you saying that it may be in legislation, but in practice the payment is not prompt?

MR. HARPER: No. What happens in the typical-- And I want to specifically speak on the terms of construction. What happens in construction is that even when a minority subcontractor -- a minority-owned subcontractor works for a prime contractor, who works for a state agency, is that they're caught in the typical payment terms, which tends to be between

60 and 90 days for payment. What I'd like to explain is that if you think about contracting, is that quick-- Point of sale is when you pay your-- Today my journeyman works; on Friday, I pay him. At the end of the month, I submit a bill as a contractor. That bill goes through the approval process, comes back, and in 90 days it gets paid.

From the point of sale to the point of payment, you're talking about 120, 150 days. Small businesses struggle big time with that.

One of the suggestions that we would have, in New Jersey, would be to use the GSA card system, Smart Card system. The GSA has a system, which is a credit card system, which allows you to direct payment to your minority subcontractors. The only thing that stops it is the approval process, which always tends to take a little bit longer. But the GSA card system allows you to pay contractors somewhere between 30 and 45 days. That's amazing, compared to the 120 days that you look at as typical.

So when you talk about some of the things that New York could do better, the number one thing I would suggest is that, hey, you know, incorporate the GSA Smart Card system. Do a credit card processing-type of transaction, so that when I, as a subcontractor, want to buy material, I give them this credit card. When you need to buy panels, or switch gear, or steel, you actually use this credit card and then it gets paid; it goes right into direct payment, the state agency or end user would approve it, and then it would get paid directly.

So it is something that we felt was a good solution to a monumental problem. Because if you-- Just to take it to the next step, right? If, as a contractor—you're a vendor, you're being paid in a timely manner -- 30 to 45 days -- your cash flow never becomes a problem; I never have to go

to the bank. My profits become my investment. If I need that tractor, my profits are going to pay for it. I'm not going to have to go to the bank, get a line of credit, and then figure out -- pay for the tractor and then wait for my accounts receivable to come in.

So if you eliminate that whole bank credit process by paying them in a timely manner, these vendors can then progress and grow with their expertise. Because if they're a good business, they're going to make money, their money is going to be reinvested into their company, and the challenge of credit is eliminated. And I think that's a huge, huge step that New Jersey needs to consider -- is direct payments to minority subcontractors.

And just to take it a step further -- people ask me, sometimes, "Well, what about the prime contractor, you know? Are you going to pay his guy before he gets paid?" We're going to pay him the mark-up, too, on the subcontractor's mark-up dollars. So he gets a little something, too.

Listen, let's be realistic. The medium- to large-sized white Caucasian male contractor can get the credit. He gets it; he has the half-a-million-dollar line of credit, million-dollar line of credit. The minority subcontractors aren't there yet. When they're there, they can get it. But until they get there, we have to help them. We have to create a process that allows them to help grow their business; because if you're not growing, you're staying stagnant.

And just to touch upon that, if you don't mind--

MS. AGUDOSI: Well, I'm going to interrupt you for a second, because I just want to make sure that I'm understanding what you're saying clearly.

So for the GSA Smart Card, credit card that you're talking about, that would be on any given -- let's say, construction project -- you would -- the state would issue this card to the sub, and the sub would be able to make these purchases or acquisitions on credit. And then, some time later, the monies would come from the state to pay off that credit purchase.

Is that what you're saying?

MR. HARPER: Yes. The way the GSA card works is that you would -- when a-- I believe -- maybe I'm wrong -- but I believe New Jersey, and all states, already have access to this. Does anybody know the answer to that?

MS. AGUDOSI: Well, we have--

MR. GRIFFIN: Purchase and Property does not handle construction.

MR. HARPER: Okay.

MR. GRIFFIN: So I can't answer the questions.

MR. HARPER: You can't speak on that, okay.

MR. GRIFFIN: That's the Division of Property Management and Construction.

MR. HARPER: My understanding is that, yes, that all states have access to this card system. Because I would imagine your Federal DOT projects would probably have it as well. Any Federal agency would also have this as an option.

MS. AGUDOSI: And so -- and you're saying that that's currently how they're operating, utilizing these cards?

MR. HARPER: Yes.

MS. AGUDOSI: Okay.

MR. HARPER: And what--

MS. AGUDOSI: We can look into that.

MR. HARPER: Right. And the point I want to make with the GSA Smart Card is that -- what we were looking to find was a solution to a problem. And when we found this card system, we realized that, okay, the first issue to tackle is a system that's already approved by a government agency, right? Because we're not going to reinvent this wheel; we want to actually use what's there. So we feel that the GSA card system was something that the Federal government's already incorporated into payment -- into their payment structure, and we could also use that payment structure in here. And it's a quick solution on something-- You know, it eliminated all of the legal issues with having direct payment. And I felt that it was a good solution for not only New Jersey, but whoever's looking to pay direct; yes.

MS. AGUDOSI: Thank you. I'll definitely look into that.

Any other questions?

Yes.

MR. GRIFFIN: So do you know if the cards are issued by the Federal government through GSA? Is that how that works?

MR. HARPER: Yes, yes.

MR. GRIFFIN: Okay. I mean, I don't--

MR. HARPER: My understanding is, it's just like a credit card, right? Like the State of New Jersey, or the EPA, or whoever's issuing the project or paying for the project, would allocate this money to -- similar to a credit card transaction. And it would be sitting in a-- And then you would withdraw from it.

MR. GRIFFIN: I can't profess to know about it; my Division doesn't do construction.

MR. HARPER: And my consultant, who's telling me that it's available and what it is, he actually-- And he and I spoke yesterday about this, because I wanted to make sure I understood it correctly. And he explained it to me; it's very similar to a credit card. It's -- money's allocated, and you could withdraw from it. And then that process, what happens after that, is once that-- You know, for example, let's just put it in layman's terms. If I'm buying switch gear from Turtle and Hughes, for example, I would buy that switch gear from them and I would hand them this card. That \$100,000 purchase would then go in for requisition automatically by the state agency for approval.

So even beyond just purchasing, the process is also streamlined, from the approval process to the approval.

MR. GRIFFIN: I believe it exists.

MR. HARPER: Sure.

MR. GRIFFIN: I'm not entirely sure that New Jersey has access to that in a way the Federal government does.

MR. HARPER: I was told that all states have access to this. And maybe it's a matter of signing up; I don't know.

MR. GRIFFIN: Yes, I-- Yes.

MR. HARPER: I wouldn't know.

MR. GRIFFIN: Yes.

MR. HARPER: But I could get more information on that as well, if you'd like. I do have someone who is guiding me on that.

MS. AGUDOSI: That would be helpful; and I'll also similarly reach out to DPMC, as well as New Jersey Transit, the Department of Transportation. They handle DBEs, so to the extent--

MR. HARPER: And the Federal.

MS. AGUDOSI: Right, they're Federal, so we can see how that works.

MR. HARPER: Sure, absolutely.

MS. AGUDOSI: Yes, Director.

MS. WALTER: I have three quick questions for you. And given the time constraints, I'll try to be brief, and I'll ask you to join me in that effort.

MR. HARPER: Okay.

MS. WALTER: First, have you addressed the bonding issue when someone isn't a sub? Have you looked at pooled or joint bonding, or anything else, that would help people access that surety?

MR. HARPER: Well, yes, I think that joint venture is the answer to that question, right? If you do a joint venture the bonds are covering everybody.

But no, I don't-- I think bonding, in itself, is something that-- Bonding is something that I think insurance companies are overselling. And I think that they see opportunities here, and I think that they are making everyone feel as if it's needed, when it probably is not.

And I don't know if I answered your question; but I'm thinking that the idea of a bond is to ensure that when a contractor is 86 percent completed, he truly is 86 percent completed on that. And that if he's 80 percent complete, the bond is going to cover that 6 percent that wasn't

completed, right? But what happens is, if that minority subcontractor goes out of business in the middle of a contract, the prime contractor is contractually obligated to complete the work.

MS. WALTER: So I was referencing in situations where they are the prime, not the subcontractor.

MR. HARPER: Okay, okay, okay.

So as a prime-- Repeat your question; I'm sorry.

MS. WALTER: If they're the prime contractor, not the sub--

MR. HARPER: Right, okay.

MS. WALTER: --and they're struggling to access bonding, is there any kind of a mechanism to do bolder joint bonding?

MR. HARPER: You know, the only way to do it would be a joint venture with another company that has that bonding.

MS. WALTER: Okay.

MR. HARPER: I think that's a very difficult-- You know, I think there's a reason a bonding company doesn't increase or give a bond, and that's what needs to be looked at. And unfortunately, a lot of times that's private information on why it was not increased and/or rejected. But I think that there's a reason, and maybe that's--

MS. WALTER: Something else that you raised in your presentation was whether there should be weighting to assist in making certain businesses more competitive. In your experience, do you -- or do you have any data on whether there is a certain weight that typically needs to be applied to make a radical adjustment in the marketplace?

MR. HARPER: I could tell you that the City of Fort Worth has this, and they have it to allow that little bit of adjustment. I think that little

bit of adjustment is probably between the 8 and 15 percent, from a numbers standpoint. Because those are what we see as minority contractors' added costs for doing the same job.

Hopefully, I answered that.

MS. WALTER: Yes, thank you.

MR. HARPER: Okay.

MS. WALTER: And the last one, I was just noticing there was kind of a difference of views between what you presented and what Dr. Caldwell presented earlier regarding the local preference provisions. So could you speak to how you avoid eliminating appropriate contractors or feeding into nepotism, if you're focusing on certain areas for preference?

MR. HARPER: I think that there are a number of ways. There are two initial ways that I would adjust. I think that when you give a parameter of certain zip codes that are allowed to bid on a job, what that does is it focuses on the local population and the local contracting pool. And I think it has been proven that, if you hire locally, those contractors or vendors are spending locally. And I think that's why towns-- That applies to municipalities more than states -- state or counties, right?

I think the importance of municipalities is that getting their support for a program like this-- And I think that if you can gain their support by being pliable, and being dynamic, and giving them different ways to attain that goal, that you're-- Because where I live, in Ocean Township, you might have a certain vendor pool where one industry or one discipline is more competitive than another, right? And you may have more mechanical contractors in an area or less electricians, right? So you're going to find that if you're dynamically adjusting-- Because each project is going to have

different requirements and different disciplines. So I think giving municipalities the idea that they can make decisions, and they can adjust and still meet goals, is a big piece to this.

So yes, I think you have to-- I guess my point is that, give them the flexibility. Because if they're supporting your goals, at the end of the day they're increasing your vendor pool. And if they want to work for a municipality, they have to join the State contracting, they have to join the MBE program. So I think that's going to increase the vendor pool which, ultimately, increases competition. That's why we're-- Pricing is high due to no competition, right? And the only way to get it down is to have more competition.

MS. WALTER: Thank you.

MR. HARPER: No problem; thank you.

MS. AGUDOSI: Any other questions? (no response)

Mr. Harper, and the other representatives from the Minority Resource Group, on behalf of the Commission I'd like to thank you for coming and sharing this information.

Again, if you can just provide the PowerPoint, and any other supplemental information that we touched upon, to my attention, I'll make sure that information gets distributed amongst the Commission members.

MR. HARPER: Great.

MS. AGUDOSI: Thank you.

MR. HARPER: Thank you, and thank you to the Commission for inviting us.

MS. AGUDOSI: So I know that we are a little over 12 o'clock, but I just want to, for the Commission members, under Open Discussion--

One of the things that I think we need to consider -- I'd like you to consider is that, in addition, as I mentioned, we're going to be reaching out for some dates for meetings in January and February. I have -- and you have copies of the minutes -- there have been several people who have come representing different stakeholders in the world of minority-, women-, and veteran-owned businesses, who have presented testimony to this Commission at my request. If there are individuals or stakeholders who have not come who you are aware of, who you would like to invite -- if you could make me aware of them within the next two weeks, because I want to open that up. Because we, at this point, need to kind of wrap up taking in the invited testimony, as well as any supplemental information, data, or reports that you believe the Commission should consider as part of its analysis.

I'm going to ask you to provide me with that information within the next two weeks so that, this way, going forward, we could be working toward conclusion as it relates to data and information collection, okay?

The floor is open if there is anyone who has any comments or questions. (no response)

Seeing that there are none, thank you very much.

We are adjourned.

(MEETING CONCLUDED)