

APPENDIX

Statement by Colonel (Ret) Jeff Cantor

Thank you to Ms. Hester Agudosi and the honorable members of this commission for allowing me to speak and offer testimony on the disparity of procurement in the state of New Jersey.

My name is Colonel Jeff Cantor and I represent the 660 members of the NJ State Veterans Chamber of Commerce. In the 32 years I spent in the military, I was always taught to deliver the bottom line up front, so here it is. The procurement system is rigged, complicated, and doomed for failure to so many veteran business entities as well as other diverse business entities in our state.

To provide context, I will share with you that New Jersey has two set-aside laws currently on the books. One is for small business entities and the other is for service-connected disabled veteran owned businesses (SDVOBs). The SDVOB set-aside law, PL 2016, Ch. 116, has been public law since it was passed unanimously in 2015. Since that timeframe, roughly 3 ½ years, not one contract has been set aside, and until recently through the veterans chamber's advocacy, no money has been awarded to SDVOBs. Recently, a contract was awarded to a disabled veteran business for advertising services, although the state didn't know that the business was a SDVOB, and the EDA recently purchased printer cartridges from a SDVOB as an under the threshold direct purchase for \$900.

There are many issues affecting veteran procurement with the state that I would like to share. There are many states that have implemented a SDVOB set-aside law. New York State has done a very good job implementing their program and currently awards \$56 Million to SDVOBs and has increased their spends by over 250% year after year. They also publish the dollar amount and % spends by every department, division, and authority and publishes the SDVOB plans for the upcoming year. This represents total transparency in government which is what New Jersey should strive for. I know that Ms. Agudosi would like to implement a report card on diverse spends and we at the NJSVCC fully support that endeavor.

Very few people serve in the military and even fewer come back and start businesses. Even fewer are rated as disabled veterans who start businesses. To that end, the current law on the books which requires 3 qualified bidders for any RFP, pretty much ensures that a SDVOB will not get a contract. When the NJSVCC started, there were 26 SDVOBs certified in the state of NJ. As of yesterday, there are 65 certified SDVOBs in the state. This is a very low number and as a result, there is likely not 3 qualified bidders in any one industry to compete for a contract. That means that the contract cannot be set-aside for a SDVOB, which means the 3% set-aside law is worthless to this community. New York State and the federal government adhere to a two bidder rule which gives them great success on awarding set-aside contracts. This would require legislation to change the amount of eligible bidders in this group. What many states have implemented, because of the lower number of businesses is a price preference law. A 15% price preference law is needed in New Jersey. This would allow DVOBs to compete in the

open bid process. States like Michigan and Connecticut have already implemented these laws and have seen success. If the lowest bidder on a project is \$100,000 and a SDVOB comes in at \$112,000, under a 15% price preference law, it would mean that the SDVOB is the lowest technical bidder. Since we are not talking about a lot of businesses (65), this would have a positive impact on the SDVOB community with minimal risk or negative impact on the business community at large. We are requesting that New Jersey institutes a price preference law in our state to make it fair for SDVOBs.

The system is very complicated to navigate. Right now a SDVOB has to register with the state, then with the Division of Purchase & Property, then with the Division of Property Management & Construction, then with NJ Transit, then with the Turnpike authority, then with the utilities, then with the Port Authority, and so on and so on. This takes time and money away from the business owner. Instead, there should be one universal registration portal in the state. Once a diverse business is registered, they would be pre-qualified with all state entities.

I have recently written a white paper that I shared with the Governor on steps the state can take to improve its support of small and diverse businesses. I would be happy to share that with each of you upon request. Treasury has taken steps to improve the atmosphere with SDVOBs like getting rid of the registration fees to register as a SDVOB and we applaud their efforts. More needs to be done to ensure success of SDVOBs in the state procurement process. I would gladly make myself available to each of you for one-on-one discussions on ways to improve the environment for veteran business entities. My personal cell # is 732-778-7708 and my email address is jeff@njveteranschamber.com. I wish you all success in your efforts to improve the competitive atmosphere for all diverse business entities.

Jeff Cantor
Colonel, US Army (Ret)
Founder & CEO
NJ State Veterans Chamber of Commerce
732-778-7708
jeff@njveteranschamber.com
P.O. Box 363
Marlboro, NJ 07746

SMALL AND DIVERSE BUSINESS OPPORTUNITIES IN NEW JERSEY:

*Incentives to accelerate building a fairer economy for small and diverse businesses.
Lessons Learned from a Recent Business Trip to China*

By: Jeff Cantor, April 17th, 2019

Executive Summary

While efforts have been made to improve conditions in the state, there is still space for improvement. Socioeconomic conditions in New Jersey ranked the state # 1 in the nation to move away from, and # 32 for the current business environment. This white paper is a summary of true and tried best practices that can be immediately implemented to change these rankings by better supporting small and diverse Businesses in New Jersey. These actionable recommendations are the result of a series of conversations with Chinese business owners as well as Chinese authorities. These discussions took place as part of the NJ Veterans Chamber of Commerce commercial delegation in China in April 2019. In concrete, I identify 10-Provincial initiatives that are currently used by the Chinese government to support and expand its own small businesses to drive economic growth. I use these Provincial initiatives, to inform a NJ-based actionable policy plan that could create a local pro-business ecosystem. This proposed NJ-plan includes 17-points clustered around three key strategic pillars. These strategies leverage policies currently in place while providing complementing initiatives to speed up results.

During a recent business trip to China looking for business opportunities for veteran business entities, I had the opportunity to speak with governmental officials and local business leaders. Through these conversations, I learned what the Chinese government is doing throughout its various provinces to support new startups and promote small business growth. The effectiveness and naturality of the Chinese initiatives made me realize that New Jersey could learn from these practices, hence this white paper. These actions can help New Jersey to move forward and create a better economic environment for small and diverse business entities.

In this document, I will present a summary of the 10 actions that the Chinese government has implemented to stimulate small business growth. Informed by these practices I propose 17-recommendations on ways the NJ government can support its own small business entities (SBEs). This white paper is divided into four broad sections. First, I present and briefly discuss 10-Chinese initiatives. Second, I briefly discuss NJ's current SBE business environment and list the proposed actions. Third, I briefly discuss each one of the 17-recommendations. Finally, a conclusion is presented.

BACKGROUND

China's leading economic indicators suggest that the business environment and growth has slowed over the last year. Consumers and Businesses are losing confidence and car sales and the housing market are stumbling (although China has over 300 million cars on the road and home construction is booming in all provinces that were visited). Gauging the magnitude of the slowdown is difficult, given the unreliability of China's economic data¹. State-owned enterprises make up 25% of total industrial output, which is down from 75% in 1970². The real economic growth engine comes from small and medium sized business enterprises (SMEs). China recognizes this and has put in place many incentives and resources to drive economic growth in this environment. The majority of economic incentives and resources for SMEs comes from the provincial government level. Certain policy decisions occur at the national level, but for the most part, the provincial governments implement the programs designed to support small businesses.

Even though the economic indicators suggest a slowing of the economy, business owners are upbeat and have an optimistic approach to the future. During the trip, I had the chance to interview thirty-five (N=35) individuals including small business owners, workers/employees, and provincial government officials. Through the interviews, I focus on learning about their personal views regarding their current socioeconomic conditions compared to those faced by their parents. I also asked about their views of the future and how they foresee local conditions to be experienced by the next generation (their sons and daughters, their business heirs). All of the thirty-five interviewed, stated that their lives are better than their parents and that their children would have a better life than them. They attributed the change to local policies and the business environment.

CHINESE PROVINCIAL GOVERNMENT SMALL BUSINESS INITIATIVES

The Chinese government, working at the provincial level, has implemented a ten-part incentive program. This program is having a profound transformative effect improving the economic status of small businesses in the target areas. The ten-part incentive program consists of the following:

1. No business income taxes for the first three years of incorporation
2. They eased the registration process for starting a business
3. They created entities to allow small businesses increased access to capital
4. They created entities to increase access to new markets (Foreign Trade Companies)
5. They have set minority contracting goals
6. They offer money for apartments for people starting "targeted" businesses (discussed later)
7. They seek out targeted companies to improve innovation in their respective province
8. They provide business incubator space for targeted companies
9. They have set up commerce offices in other countries and states to increase the economic vitality of the businesses set up in their provinces

¹ New York Times, "China's Economy Slows Sharply, in challenge for Xi Jinping," December 14th, 2018.

² The Balance, "China's Economic Growth, It's Causes, Pros, Cons, and Future," February 4th, 2019.

10. They have set up an import expo to buy products from foreign countries that could help their small businesses (The China International Import Expo, Enterprise & Business Exhibition which occurs every November).

The term, “Targeted” companies includes the following sectors. They are heavily sought at all levels of government:

- Big data
- Artificial Intelligence (AI)
- Deep Learning
- Internet of things (IOT)
- Industrial 4.0
- New retail (without clerks or human resources)
- Facial recognition
- E-commerce

Additionally, the Chinese national government has just voted to lower the value-added tax (VAT) by 3 points from 16% to 13% this year. The Ministry of Commerce has also helped to set up a special bank to help small businesses gain access to capital. The translation of this entity is called the small and medium business entity credit factory. The Ministry of Commerce realized that the majority of business lending went to the state-owned entities. A decision was made at the highest levels to shift that thinking and provide more capital to small business enterprises.

Each province has set up goals for minority owned business entities. This has a different meaning than the term we are used to in the United States since China is a very homogenous society. Their minority business goals are set to target minority groups located in the provinces. China is made up of 56 different ethnic groups, of which Han is the majority. The provincial governments have looked to support the other ethnic groups by setting goals to award contracts to these minority groups. Each province has a different goal, based on the ethnic breakdown. For example, Southwest China has a higher influence of the Tibetan population and Northern China has a high propensity towards Mongolian ethnic groups. Each province tries to award a certain percentage of contracts based upon this ethnic breakdown. Additionally, since the tariffs and trade war has commenced with the United States, certain provinces are paying companies most heavily affected by the trade war. The province pays the companies to keep producing goods and services and to ensure that workers are not laid off during difficult times.

NEW JERSEY’S CURRENT ECONOMIC ENVIRONMENT

The economic environment in New Jersey is not rated very high, although recently, steps have been taken to try and improve our standing in the nation. According to CNBC’s ranking of America’s top states for business in 2018, New Jersey is ranked 36th in the nation³. This is down from the previous year’s ranking of 32nd for 2017. Additionally, the NJBIA recently published their

³ CNBC, “America’s Top States For Business,” 2018

2019 Regional Business Climate which suggests that New Jersey is ranked last in the region indicating that we have the least competitive business climate in the area⁴. Another indicator of what the current socioeconomic climate of the state is comes from the 2018 United Van Line's data. United Van Lines is a nationwide moving and relocation company. Their 2018 records show New Jersey as the # 1 place in the nation to move away from. The top reason why residents left was the pursuit of better professional opportunities elsewhere⁵.

By leveraging the lessons learned from the recent China trip, coupled with a redesign of how state government looks at small and diverse businesses, the state has a chance to improve its economic environment for small, diverse, and disadvantaged businesses. This can set our state and set ourselves on a pathway to improve the economic vitality for all, not just for a few. The following seventeen-point plan would dramatically impact small businesses in New Jersey by making the government work better to improve competitiveness and our business climate as well as help to close the racial, ethnic, and gender wage and employment gaps. The seventeen-point plan is as follows:

Business Formation Fast Track

1. Encourage and offer tax incentives for startups and entrepreneurs
2. Assist with access to capital, self-insurance & bonding programs
3. Conduct business mentoring, coaching, outreach, and programming
4. Establish one universal registration portal for the state that is acceptable for all authorities and agencies
5. Establish a battle rhythm with the federal small business leads at multiple federal agencies to collaborate on initiatives
6. Conduct procurement events throughout the year

Paperwork Reduction Strategy

7. Have one central office that focuses on small, diverse, and disadvantaged businesses
8. Create one certifying authority for the state for diverse businesses
9. Create a universal Small & Diverse Business portal for the entire state that is searchable by NAICS codes, industries, geography, and certification & waives certification fees

Leverage State Procurement Power

10. Commit to state purchasing objectives – 35% small & diverse
11. Ensure verbiage in all RFPs that stipulates small & diverse subcontracting goals
12. Track small & diverse spends at all departments, agencies, and authorities
13. Work with all departments to help them set-aside contracts and help them find qualified contractors
14. Create linkages for county and municipal governments to buy small and diverse
15. Implement a price preference for Service Connected Disabled Veteran Owned Businesses of 15%

⁴ NJBIA, "2019 Business Climate Shows NJ's Ranking Continues Downward Spiral," March 27th, 2019

⁵ CNBC, "People are fleeing from New Jersey more than any other state – here's the No. 1 reason why," January 11th, 2019

16. Create Joint Venture opportunities with established companies and small business start-ups
17. Establish a liaison with large private sector companies with supplier diversity goals to help them find qualified/certified New Jersey small & diverse businesses

THE PROPOSED INITIATIVES TO SPEED UP NEW JERSEY'S CURRENT ECONOMIC ENVIRONMENT

This plan is divided into three strategic pillars. Each pillar includes a series of initiatives that aim to create a favorable business environment for small business and startups in New Jersey. Some of the initiatives are already being implemented or are in the planning phase of implementation. The end goal is to change New Jersey's currently "Buy big" procurement mentality where most of the state contracts are awarded to big corporations to the detriment of New Jersey's small businesses. The three pillars are "Business Formation Fast Track," "Paperwork Reduction Strategy," and "Leverage State Procurement Power."

Business Formation Fast Track

1. Encourage and offer tax incentives for startups and entrepreneurs

The most difficult time for an entrepreneur is during startup. Cash flow and capital always remain an issue and are the leading causes of business failure. Additionally, revenues generated during the first three years of a startup are usually the lowest for the business. By offering tax incentives for the first three years to small business, New Jersey is ensuring that its startups have improved cash flow and a greater chance of success as they are not burdened with business taxes. Allow the entrepreneurs to reinvest the tax revenue in their own business during the difficult initial years.

Identified measures of success / metrics: A return on investment of at least 15% for a period of three years. # of personnel hired over the three-year period (payroll taxes); Amount of income tax collected at year four (measured against years 1-3).

2. Assist with access to capital, self-insurance & bonding programs

Opening a business takes money. Currently, NJ EDA has an access to capital program and is rolling out a bonding program with the African American Chamber of Commerce. This initiative can be a great program if it provides greater access to capital for small & diverse businesses. The Metropolitan Transportation Authority (MTA) in New York City also has a self-insurance program which saves diverse businesses incredible amounts of money because MTA provides the insurance for the small & diverse companies. MTA's typical insurance requirements for a construction project will be met: i) through MTA's Owner Controlled Insurance Program ("OCIP") which will provide workers compensation and general liability insurance coverage for on-site construction activities; and ii) through insurance provided by the SBMP-Tier 1 contractor, such as workers compensation and general liability insurance coverage for off-site activities, and automobile liability.

Identified measures of success / metrics: Dollar amount of capital raised in the program; Dollar amount of insurance money saved by the business owner; Dollar amount of bonding money saved by the business owner while in the program.

3. Conduct business mentoring, coaching, outreach, and programming

Starting and managing a venture during its early stages is time consuming and complex. Training, consulting services, and outreach initiatives can help entrepreneurs to be better prepared for both business development and contingencies. Many small & diverse businesses feel that they are isolated with little support on how to get things done in the state. Creating one entity in state government, to focus on the needs of small & diverse businesses, would create a structure that is cross functional in nature, demonstrates efficacy & efficiency by pulling resources across various levels of state government, and would provide a beacon to those groups in greatest need of support and growth. This entity, the office of small and diverse business opportunities (OSDBO) would have small & diverse business outreach specialists that understand the system and help mentor and speak to these groups. Currently, NJ EDA has small business outreach specialists that do a really good job interacting with business advocacy groups, however, their scope is limited. The NJ EDA is best suited for this entity to be housed and could use resources from NJ Business Action Center, Department of Treasury, Labor & Workforce Development, and Law & Public Safety. The OSDBO can also offer training classes to help small & diverse businesses with navigating the RFP process, how to find bid opportunities, what certifications a business may need, how to register for bid opportunities, why certain small & diverse businesses did not win a bid, and so on.

Identified measures of success / metrics: # of mentoring & coaching sessions conducted; Survey of participants as to the relative use of the programming and how it has helped to grow themselves as entrepreneurs and how it has grown their business.

4. Establish one universal registration portal for the state that is acceptable for all authorities and agencies

Registering a business and fulfilling state requirements does not need to be a full-time job that distracts entrepreneurs from their goal to start a venture. Currently, if a small & diverse business wants to register in New Jersey and get certified to do business with various state agencies, it will spend time, money, and effort on registering as a vendor with a multitude of agencies. A company might have to register with Treasury, Department of Transportation, The NJ Turnpike Authority, NJ Transit, The Port Authority of New York & New Jersey, and so on. This can take a tremendous amount of time and energy for a company to comply with all of these registration lists. Instead, there should be one universal registration portal that can be accepted by all state agencies. It would allow these companies to focus more on business development rather than administration of the same or similar paperwork with multiple agencies.

Identified measures of success / metrics: Simplicity survey – current atmosphere as a baseline vs. post rollout. Survey on ease of use.

5. Establish a battle rhythm with the federal small business leads at multiple federal agencies to collaborate on initiatives

Link the military bases in New Jersey, with active members of the local economy. We have two major military bases in the state of New Jersey, Joint Base McGuire Dix Lakehurst, and Picatinny Arsenal. Every few years, the federal government conducts a base realignment and closure program (BRAC) that looks to consolidate bases around the country. Several years ago, Fort Monmouth got caught up in BRAC and was closed down. The best way to prevent a BRAC closure

in the state is to prove how the economy is interconnected with the state. One way is to meet regularly with the small business leads at each of the bases and to conduct joint seminars, programs, and procurement expos to showcase the interconnectivity of our economy with the bases. It will also provide the bases with potential vendors for work needed on each base, as well as open new markets for small & diverse businesses in the state.

Identified measures of success / metrics: # of touchpoints throughout the year; Complete a counter-BRAC plan; Sharing of best practices; # of new vendors from New Jersey brought into the federal procurement process.

6. Conduct procurement events throughout the year

New businesses expend time and money finding clients and subcontracting vendors. We can ease that burden by having procurement events across the state throughout the year. The best way for small & diverse businesses to secure contracts is to meet face to face with procurement and contracting personnel. A central organization (see point # 7 below) should conduct several procurement events throughout the year to help with small & diverse business networking and matchmaking opportunities. Additionally, all procurement & contracting personnel from across the various state agencies, should be required to conduct annual training on the importance of awarding contracts to small & diverse business entities.

Identified measures of success / metrics: # of multi-governmental level procurement events; # of contracts received from attending event; Time it takes from attending event to securing a contract.

Paperwork Reduction Strategy

7. Have one central office that focuses on small, diverse, and disadvantaged businesses

New Jersey needs a central office focused on coordinating all statewide efforts aimed, related to local Small Businesses. This office might be named the ***Office of Small & Diverse Business Opportunities (OSDBO)***. Right now, there are multiple state agencies that focus on small businesses and often times there is a dearth of effective communication between the departments. Treasury, NJ Business Action Center, NJ Economic Development Authority, Labor & Workforce Development, among others, all play a roll in the registration, support, outreach, fee collection, and administration of small businesses. There is, however, little to no business advocacy, with the exception of the Chief Diversity Officer, who belongs to the department of Treasury.

The best and most effective entity to house the OSDBO is with the New Jersey Economic Development Authority (NJ EDA). They are best suited for this responsibility. They already have small business leads that conduct outreach with small and diverse business communities. Establishing an executive director to oversee this office would ensure command emphasis and would allow leadership to effectively roll out a comprehensive program.

Shifting resources to NJ EDA, with command & control, would allow better coordination and support for small and diverse business entities. The primary responsibilities of this office would be:

- Small & diverse business advocacy
- Administration of a small & diverse business portal
- Conduct small & diverse business outreach
- Conduct vetting of declared small & diverse businesses
- Conduct education and training sessions
- Help track small & diverse spends across all departments, agencies, and authorities
- Implement programs for increased access to capital, bonding, and self-insurance programs
- Collect plans from all departments, agencies, and authorities on how they will meet their small and diverse contract goals
- Set up procurement events throughout the year at the state level and collaborate with counties, municipalities, and federal government entities

Identified measures of success / metrics: Survey of business owners on the streamlined process; # of touch points in business outreach; # of training sessions conducted; Generation of a report card to track small & diverse spends across all of government.

8. Create one certifying authority for the state for diverse businesses

To control and better identify diverse business New Jersey may want to consider a statewide central certification system. Currently, Treasury is the certifying authority for diverse businesses in the state. Entrepreneurs send in a check with the required paperwork to prove they are a disadvantaged or diverse company. With the exception of small business certification, the process could take as long as two months. There should be a greater streamlined process with everything being accomplished on-line, with vetting to occur once the paperwork is filed. This task can either stay with Treasury or it can be migrated over to OSDDBO with proper manpower and funding.

Identified measures of success / metrics: Amount of time it takes to become certified; # of spot checks on businesses and their rate at remaining certified; Survey of businesses regarding satisfaction rates on the certification process.

9. Create a universal Small & Diverse Business portal for the entire state that is searchable by NAICS codes, industries, geography, and certification & waives certification fees

Small and diverse business can only get contracts and move forward if people know about their existence. Also, the state needs to help its departments and agencies locate minority and diverse vendors. The NJ SAVI system is an antiquated system that is not very user friendly. It does not have the information needed to help procurement personnel in understanding who is a qualified vendor in a specific industry. An updated system would go a long way to help businesses and procurement personnel understand and navigate in the environment to help select qualified subcontractors or potential prime contractors.

Identified measures of success / metrics: Survey of the ease of use of the portal; Ability for outside agencies to find qualified contractors; Time it takes to run a survey of companies by specific industry.

Leverage State Procurement Power

10. Commit to state purchasing objectives – 35% small & diverse (Requires Legislation)

The state government has a unique opportunity to lead through example in ways to support its minority and diversity owned small businesses by enacting a mandate to commit its procurement agencies to locally source from New Jersey minority and diversity owned businesses. New Jersey is likely the most diverse state in the country. These diverse groups should be treated equally and compete for contracts under the banner of small & diverse. If the state commits to a 35% small & diverse goal, roughly one in three contracts, then these groups have a better chance of really gaining traction with state procurement. There are currently two diverse set-aside programs currently in the state. There are a small businesses set-aside and a service connected disabled veteran owned business set-aside. Unfortunately, the latter isn't working since there are only 49 SDVOBs currently registered in the state. Special attention should be offered to this group in terms of a price preference, which will be discussed later. Since New Jersey operates on a three-bidder system, it is highly improbable that the SDVOB set aside would work like it was meant to work. It works well at the federal level and it works well in states like New York, which have a rule of two (2 qualified bidders needed). Since there are so few disabled veteran businesses, having a rule of three negates the effectiveness and implementation of the program. In fact, it took 3 ½ years for the state to award its first contract to a SDVOB (DPP awarded the contract in March 2019).

If the state commits to a 35% goal for small & diverse businesses, then all diverse groups should be included in this group. There should also be tracking of spends with each of the diverse groups to ensure there is adequate representation across all groups. Included in these groups are:

- 8a & Hub Zone Businesses
- Veteran Owned Businesses
- Service Connected Disabled Veteran Owned Businesses
- Minority Owned Businesses
- Women Owned Businesses
- Hispanic Owned Businesses
- African American Owned Businesses
- Asian & Indian Owned Businesses
- LGBTQ Owned Businesses
- Disabled Owned Businesses

Identified measures of success / metrics: Scorecard of diverse spends; Report card for each state agency and their level of small & diverse spends; Annual plans from each state agency on how they plan to meet their small & diverse goals.

11. Ensure verbiage in all RFPs that stipulates small & diverse subcontracting goals

To facilitate the procurement from small & diverse owned business, the state needs to properly articulate this requirement as part of the government contracts and subcontracts. If the state sticks to a 35% goal for contracting opportunities and includes verbiage in the RFPs that there should also be subcontracting goals for small & diverse businesses, then the businesses listed

above will get a larger piece of the pie than current opportunities present. By having the Office of Small & Diverse Business Opportunities (as described in point # 7 above), they can help all prime vendors find qualified small & diverse businesses that can meet their needs and improve their compliance to state goals.

Identified measures of success / metrics: Track tier 2 & tier 3 subcontracting spends; Ensure prime vendors are tracking diverse spends with state approved businesses; # of interactions with advocacy groups on helping prime vendors find diverse subcontractors.

12. Track small & diverse spends at all departments, agencies, and authorities

I realize that this is the goal of the Chief Diversity Officer to track and publish all state spends for diversity compliance. This information needs to be made public to help its compliance and showcase the government's commitment to its business community. This transparency rule is not new. Many states and cities currently do this and publish their data and scores annually. New Jersey should do the same.

Identified measures of success / metrics: Scorecard of diverse spends; Report card for each state agency and their level of small & diverse spends; Annual plans from each state agency on how they plan to meet their small & diverse goals.

13. Work with all departments to help them set-aside contracts and help them find qualified contractors

It is difficult sometimes to know how to determine which contracts will be used in compliance towards diversity goals. Having personnel on-hand in OSDBO would serve as a resource to all departments to help them with the process. They would also help them with finding qualified potential bidders for a specific contract.

Identified measures of success / metrics: # of contracts set-aside for diverse businesses; Survey procurement personnel on their level of understanding of the program and how best to set aside contracts.

14. Create linkages for county and municipal governments to buy small and diverse

Many counties have programs designed to create opportunities for small & diverse businesses. In fact, Hudson, Essex, Bergen, and Mercer counties all have such programs. Unfortunately, there are no connections or touch points at the state, with these counties as it relates to small & diverse businesses. Jersey City & Hoboken each signed an agreement to provide contract goals for veteran owned and minority owned businesses. There are no connections or communications between these municipalities and the state on matters of diverse business utilization. The OSDBO would serve as a link to all of these governmental entities wishing to add to their diverse vendor lists.

Identified measures of success / metrics: # of touch points with county & municipal governments; Obtain diverse contracting goals from each of the 21 counties; Disseminate information on how to contract with diverse businesses; # of procurement events initiated with each of the counties/municipalities from those counties.

15. Implement a price preference for Service Connected Disabled Veteran Owned Businesses (SDVOBs) of 15% (Requires Legislation)

There is a large number of veterans in New Jersey (roughly 355,000 according to the VA), yet they are not equally represented in the local business environment. Lack of contracting opportunities, difficulty in accessing capital, and lack of access to new markets puts them in a disadvantaged position compared to non-veteran entrepreneurs. Many states have realized this and have adopted a strategy to ensure fairness in contracting with SDVOBs. They have established a price preference for SDVOBs. There are very few SDVOBs in the state of New Jersey (49 as of April 2019). One of the reasons is that so few people join the military these days. There should be special consideration given to those that have been injured in defense of our nation. Essentially, the 3% set aside law for these businesses will not work because there are so few SDVOBs and the need for three qualified bidders in any one category is extremely difficult to achieve. Therefore, the program does not work, unless you move to a rule of two's (as discussed above), where you only need two qualified bidders for a contract. New York State and the federal government follow that practice and have very robust SDVOB set aside programs. That of course will take legislation to make that change. Another program that states are rolling out for this diverse group is a price preference law. This would also require legislation to enact. Essentially, a 15% price preference would be given to certified SDVOBs so that if the lowest bid came in at \$101,000 and the SDVOB bid came in at \$112,000, the SDVOB would have the lowest technical bid. Michigan and Connecticut have had a lot of success with this program. This would enable SDVOBs to compete as a prime contractor and is focused on doing the right thing for those that have been injured defending our country.

Identified measures of success / metrics: # of prime contracts received by SDVOBs; # of SDVOBs in the state; Revenue generated & taxes collected on SDVOBs in the state.

16. Create Joint Venture opportunities with established companies and small business start-ups

Experience is often a mandatory requirement for business contracts to ensure the fulfillment of the job. This requirement acts as a barrier to entry for new businesses who have not been in operation long enough to fulfill the experience requirements. They are usually caught in a "catch-22" scenario where they cannot compete for a job because they don't have the experience, and they do not get to develop experience because they cannot get a job. What some states and governmental agencies are doing is to allow joint venture opportunities. This would allow a newer company to team up with a more experienced company. The more experienced company would serve as the prime contractor and the less experienced company would serve as a subcontractor and get the requisite experience to compete for future jobs. It also allows the experienced company to comply with diverse goals by taking on a less tenured organization. There could also be incentives given to the experienced company to create a joint venture opportunity, either in additional award amounts or payments.

Identified measures of success / metrics: # of joint ventures created; # of diverse companies getting their first contracts through this program; Revenue generated by diverse businesses in the joint venture program.

17. Establish a liaison with large private sector companies with supplier diversity goals to help them find qualified/certified New Jersey small & diverse businesses

Many large companies in the state of New Jersey have supplier diversity personnel and are held to account for bringing diverse vendors into their business. OSDBO could serve as a link for these folks to ensure that they are aware of diverse business entities and encourage collaboration between the public and private sectors.

Identified measures of success / metrics: # of New Jersey diverse businesses hired by large New Jersey companies; Sharing of best practices between the public & private sectors; # of diverse businesses found through collaboration.

CONCLUSION

There is a sense of urgency in implementing a program like this. Clearly, the incentives that the Chinese provincial governments have implemented has had an impact on economic growth. Small businesses in China are the economic driver in that country. We have the ability to create a better and fairer economic environment in New Jersey that improves the business climate and also closes the gap with racial, ethnic, and diverse gender owned companies. It took the state 3 ½ years to award the first contract to a SDVOB company, and many diverse owned companies grow frustrated at the lack of opportunities. This sentiment also holds true in African American, Hispanic, Women, LGBTQ, and Asian owned companies. By setting up an office of small and diverse business opportunities, you create an environment that values diversity, encourages competition, and provides advocacy and training to many of the state's diverse business entities.

Jeff Cantor is the founder & Chief Executive Officer of the NJ State Veterans Chamber of Commerce and a board member of the Supplier Diversity Development Council for the NJ Board of Public Utilities. He has significant business experience and insight and has served in various leadership roles in both the public and private sectors. He retired as a Colonel in 2017 from the US Army Reserve. He can be contacted at jeff@njveteranschamber.com or via cell phone at 732-778-7708.

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Arturo E. Osorio, Ph.D. is a faculty member in Entrepreneurship at Rutgers Business School, an international speaker, and an entrepreneurship and socioeconomic development consultant. Dr. Osorio is also a Fellow at the Center for Urban Entrepreneurship & Economic Development (CUEED), at the Cornwell Center for Metropolitan Studies, and at the Rutgers Business School Public Private Community Partnership Program (RBS - PPCPP). *He can be contacted at osorio@business.rutgers.edu or via cell phone at 413-230-7038.*