



Statement of Brian Morales  
President and CEO  
of Pro-Cal Lighting

on behalf of the  
National Electrical Contractors Association  
to the Committee on Small Business Subcommittee on  
Contracting and Infrastructure  
U.S. House of Representatives

for a hearing on:

“Cleared for Take-off? Implementation of the Small Business  
Runway Extension Act”

March 26, 2019

NECA is the voice of the \$171 billion electrical construction industry that brings power, light and communication technology to buildings and communities across the U.S. Our national office and 118 local chapters advance the industry through advocacy, education, research and standards development. A diverse group of nearly 4,000 member companies account for approximately 300 million manhours per year.

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**Statement of Mr. Brian Morales**  
**President and CEO of Pro-Cal Lighting**  
**On behalf of the National Electrical Contractors Association**  
**Committee on Small Business Subcommittee on Contracting and Infrastructure**  
**March 26, 2019**

Thank you, Chairman Golden, Ranking Member Stauber, and members of the subcommittee for inviting me to testify today. On behalf of the National Electrical Contractors Association (NECA) and Pro-Cal Lighting, we greatly appreciate the opportunity to submit a statement for the record to the House Small Business Subcommittee on Contracting and Infrastructure. The subcommittee is to be commended for holding this hearing to better implement and enact the prudent bipartisan reforms signed into law in the previous Congress.

My name is Brian Morales and I am the President and CEO of Pro-Cal Lighting in Vista, California. As a second generation Mexican American and participant of the NECA/IBEW apprenticeship program, I founded my company in 2014 with my father, Anthony Morales, a Purple Heart recipient and Vietnam War veteran. Since that day, Pro-Cal has provided energy efficient design and installations to public schools, government buildings, and some of our nation's largest private industries. In each year since we broke ground, our company has doubled in revenue and now employs over 50 trained and skilled electricians with plans to hire 16 more this year.

As a small business, Pro-Cal Lighting encountered numerous hurdles related to financial risks, access to capital, and finding a trained workforce. To overcome these and other hurdles, Pro-Cal Lighting found an immediate need to partner with the National Electrical Contractors Association. Our partnership with the 117-year-old association has allowed us to take advantage of the expert apprenticeship training programs while strategically utilizing industry resources like government small business lending programs and free SBA training in government contracting. The association and these programs have afforded Pro-Cal Lighting the support it needed to continue to provide job opportunities to a diverse workforce while implementing appropriate growth strategies.

We at Pro-Cal Lighting are proud members of the National Electrical Contractors Association, which serves as the voice of the 171 billion-dollar electrical construction industry that brings power, light, and communication technology to buildings and communities across the U.S. NECA's national office and 118 local chapters advance the industry through advocacy, education, research and standards development. A diverse group of nearly 4,000 member-companies account for approximately 300 million hours worked each year across the country.

While working with NECA, I have had the pleasure to serve as a member of the Diversity Engagement Council (DEC) which represents the minority-owned and disadvantaged businesses within NECA's membership and endeavors to build an environment that embraces diversity as an integral factor for ensuring the electrical construction industry's viability. This group has been working to support governmental efforts related to business development, capacity building, career advancement, and involvement opportunities for people from all backgrounds, races, nationalities, genders, sexual orientations, and disabilities.

While both the DEC and our business are young, we at Pro-Cal Lighting hold an optimistic outlook for the years to come; we intend to weather the ups-and-downs of the

volatile construction industry through our partnership with NECA and our willingness to utilize the programs you all seek to better legislatively.

## **SMALL BUSINESS AND STABILITY HURDLES**

### ***RISK AND GROWTH:***

Risk is inherent with any business venture and a successful entrepreneur knows how to navigate this risk. In order to build a sustainable business and avoid undo exposure, a business owner must be informed. For my company to continue to grow, our team needs to consider the competition's approach and determine what level of risk we have through formal request for information and clear deliverables. The small business classification has allowed and continues to allow Pro-Cal Lighting and many other NECA contractors the opportunity to understand this risk, learn from it, and be better suited to grow.

The bidding process is complex and competitive, and often pits small businesses against larger more experienced contractors. To a subcontractor a bid for work is an extension of risk; they must be confident that the bid submitted for the proposed work is accurate and free of all maladies. Business training along with industry insight and experience provide a small contractor the best opportunity to become a successful bidder and therefore a successful business.

In contrast to a small construction firm whose failure to bid a job appropriately means life and death, a larger company, that holds a greater amount of liquidated cash has the ability to recoup losses on a poorly structure bid by pulling funding from other sources. We have seen numerous small business fall into bankruptcy from failed business ventures characterized by low-profit, high-risk margins and fueled by misinformation or lack of industry and business knowledge. What the small business classification does for companies like Pro-Cal Lighting is limit exposure while opening up other doors for strategic growth.

On a personal note to Pro-Cal Lighting, the small business classification has opened opportunities for us to sit at the table of government procurement and competitively offer our services; while understanding the demands and requirements placed on government contractors. In addition, we have attended procurement workshops and created relationships with vendors that have allowed us to be more competitive. Because of our small business classification, we have been able to competitively secure government subcontracts working on energy efficiency projects at the Marine Corps Recruit Depot in San Diego and the Customs and Border Patrol Facilities in San Diego and Orange counties. The Small Business Administration certification allows us to present our company in a satisfactory way while mitigating our risk of over exposure.

### ***WORKFORCE AND INDUSTRY RESOURCES:***

With our economy returning to its pre-2008 levels and markets on a robust upward trajectory, the construction industry has seen a clear increase in work. All across the country, work has become so plentiful that NECA contractors are extraordinarily hard-pressed to find enough skilled workers to complete the job. While there are numerous causes for the

workforce shortage in the country, it is undeniable that its effects on small businesses are profound and cannot be overstated.

In response to this challenge, NECA has turned to its 70-year-old partnership that produces the best electricians in our industry, the National Joint Apprenticeship Training Program (NJATC) run by NECA and the IBEW. The newly rechristened and jointly managed “*Electrical Training ALLIANCE*” invests well over \$300 million in private funds annually into the largest and most successful apprenticeship training program in the nation.

Over the decades this program has shown its ability to transform apprentices, even those without any prior knowledge of the craft, into full-fledged, high-skilled, journeymen and journeywoman. The NECA/IBEW apprenticeship is a full-time blended learning education, meaning time is spent both in a classroom and on the construction site. The goal of this program has always been and will remain to be providing the electrical construction industry with the highest level of trained and skilled workers possible. To accomplish this, apprentices receive a required 8,000 hours of on-the-job training and 900 hours of classroom time. Throughout this three to five-year education (varying on locale), all electrical apprentices receive incremental raises as they reach certain milestones. We take pride that they are not a burden to the taxpayers because the training is fully funded by the industry without any taxpayer assistance. Instead, our apprentices and others in the program contribute in excess of \$600 million dollars in federal, state, and local taxes each year. Lastly, they receive retirement plans and medical coverage for themselves and their families provided at no cost to the American taxpayer.

This Congress and many past, have made clear that addressing our nation’s current and future employment needs is critically important to expanding and rebuilding our nation. We at NECA and Pro-Cal Lighting believe the existing apprenticeship structure provided by the construction trades is a sure-fire bet for success, particularly for small businesses.

Upon realizing the need to be involved in developing the next generation of trade professionals, I became focused on creating platforms for under-represented minorities to excel. In partnership with a local high school I then created an apprenticeship readiness program that recognizes the emerging opportunities in energy and green building. A majority of the students in our program are second generation Hispanic Americans who are further driven by seeing someone like themselves running a successful multi-million-dollar company. It is programs like this, building from the ground up, that will begin to chip away at the institutional roadblocks to our small businesses having a well-educated, diversified workforce to draw from.

To compliment this grassroots work, NECA in 2018 formed its Diversity Engagement Council (DEC). This governmentally focused contingent is made up of construction professionals from all over the country, from Detroit to New Orleans, from New York to San Diego. These contractors are committed to growing the diversity of their industry and working with elected officials to collectively bettering the contracting environment. A key pillar to NECA’s DEC has been spreading the conversation on best practices and regulations that our smaller and disadvantaged contractors have experienced over the years. We believe that through efforts like the DEC and my own, we can diversify our solutions to the workforce shortage while bettering our small businesses economically.

In addition to our involvement with the NECA/IBEW apprenticeship and NECA’s Diversity Engagement Council, Pro-Cal Lighting has had the opportunity to take advantage of a variety of

industry resources via the small business classification; these resources have in-turn allowed our company to hire a more diverse workforce. Tools like the previously mentioned small business loan program gave our company the ability to challenge the risks of the construction industry and to win work which then permitted our staff, office administration, and our field electricians to grow professionally. Due to the requirements of federal contractors to be proficient in record keeping and safety, upon winning federal work our staff was required to receive additional training and certifications ultimately making them better suited to win more work in the future. Much of this training was free, and all of it has been appreciated.

While there is nationwide concern over the workforce shortage, we at NECA and Pro-Cal Lighting are taking advantage of all the platforms offered to us; understanding that while we must develop our workforce we must also sustain our small businesses. Whether resources are well-established like those offered by the SBA, or the 70-year-old NECA/IBEW apprenticeship, or if business owners create them themselves, we remain optimistic that the skills gap and workforce shortage can be bridged, all while advancing small businesses.

### **BENEFITS OF THIS LEGISLATION**

We at NECA and Pro-Cal Lighting were pleased to learn about the bipartisan legislation of last Congress extending the classification calculation time period for average receipts from three to five years. We again were elated to be asked to participate in this hearing seeking to further clarify, strengthen, and elaborate on that legislation. As a small business owner, keeping up with regulatory and legislative changes is extremely time consuming. By allowing a longer determination period, companies like mine will be granted the time to properly anticipate their cash flow and the effects of risk on their individual classifications.

This legislation is of particular benefit to companies like my own who can say that a five-year period given the measure of our current anticipated revenues for this year and the following, Pro-Cal Lighting would still hold its certification as a small business. If the same were to be evaluated over a three-year period, we would lose our certification after the year 2020. If we were to engage in discovering projects with the Federal Government, by the time the projects were funded and released for 8(a) qualified contractors we would be disqualified from participating and lose all that investment in developing and promoting this work. Instead, upon the passing of this legislation, Pro-Cal Lighting can begin to acquire new clients on long-term contracts, becoming long lasting revenue sources and subsequently moving our company into a safer financial position.

With nearly 80 percent of NECA's contractor-members able to be classified as small businesses, legislation like this allowing our contractors to utilize the small business classification for any additional length of time is of the utmost importance. Helping create small business is a great endeavor, but helping a small business grow and sustain its growth is what this nation needs to reflect a healthy economy. This legislation will positively affect thousands of small businesses across the country.

## **FURTHER LEGISLATIVE PROPOSALS**

### ***REGIONAL CALCULATION FOR SMALL BUSINESS CLASSIFICATION:***

There is no doubt that the small business classification is a beneficial tool for companies to gain a foothold in the industry allowing our business to compete and succeed in a competitive industry. That said, it should come as no surprise to this subcommittee that there are shortcomings to the structure, namely its one-size fits all approach.

By basing the classification off of annual receipts and extending that time period to five years, Congress has shown its understanding that current market realities must be taken into account when working to serve the small businesses that make up over 90 percent of this nation's economy. The next market reality to be addressed arises from the basic concept that the cost of doing business in one locale of the country can be drastically different from another. As a contractor in a high cost area, simple math makes me more likely to graduate out of the small business classification well before a contractor in a lower cost area. For instance, the annual average receipts of \$35 million in Illinois, amounts to around \$31 million in California, and over \$40 million in Mississippi. The differences in these sums equates to the reduction in small businesses classification benefits from high cost areas to low ones.

Although it may not be a perfect science, accounting for these variances is something that can be responsibly addressed by Congress. By taking the small business classification of annual average receipts over five years and tying this amount to a regionally adjusted sum then joined to inflation, Congress will be able to give each business its intended benefit from the program.

## **CONCLUSION**

As a small business contractor, I am extremely encouraged by this committee's efforts to revise and strengthen the Small Business Runway Extension Act. The further clarification and phase-in period of this legislation will be a key component in small business owners like myself mitigating the inherent risks of competing in our industry. The small business classification has been an integral part to our success as a business and has offered invaluable industry resources to our team. In addition, as contractors at NECA continue to address the workforce shortage nationwide, we urge this subcommittee to continue its recognition of the apprenticeship system as a critical tool in educating our nation's men and women.

This legislation will aid the nearly 3,200 NECA small business contractors in their quest to solidify their business for the long-term. As one of those contractors, Pro-Cal Lighting will immediately benefit and in doing so will pass down those benefits to a new, diverse generation of workers. While the legislation offered by this committee is a step forward, there are many more opportunities to come; namely the regionally adjusting of the average annual amount classifying a business as "small." We at NECA and Pro-Cal Lighting see this as an immediate and beneficial areas of action by this subcommittee.

Thank you for the opportunity to testify at this very important hearing. NECA applauds the subcommittee's unwavering efforts to reexamine the benefits of government programs for

small businesses. We are optimistic that this subcommittee remains capable to address the many challenges facing our nation's small business and look forward to working with you all to make those changes in a responsible and swift fashion.