

2025 Statewide Disparity Study

Executive Summary

This Executive Summary is based on the Final Executive Summary prepared by Mason Tillman Associates, Ltd., adapted for publication.

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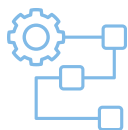
Executive Summary

The California Department of General Services (DGS) is committed to fair, transparent, and inclusive state contracting. To advance that mission, DGS contracted with a consultant to conduct a comprehensive Disparity Study (the Study) of statewide procurement operations covering five major industry categories—Construction, Architectural & Engineering (A&E), Professional Services, Information Technology (IT) Goods & Services, and Non IT Goods & Services—over the period July 1, 2019 through June 30, 2023. The Study evaluated the participation of minority and women owned businesses (M/WBEs), Small Businesses (SBs), Disabled Veteran Business Enterprises (DVBEs), and Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Business Enterprises, comparing their availability in the marketplace with their actual utilization in state contracting and included recommendations for future race and gender-neutral remedies to address any disparities or underutilization of the identified businesses found to exist during the Study period.



Study Team

The Study was conducted by Mason Tillman Associates, Ltd. (MTA), a minority woman-owned certified small business consulting firm, supported by two certified small business and one certified disabled veteran owned subcontractors.



Study Methodology

The methodology employed by MTA cited reliance on the nationally recognized framework established by the U.S. Supreme Court in *City of Richmond v. J.A. Croson Co.* for analyses involving M/WBEs, and on a rational basis review applied to SB, DVBE, and LGBTQ businesses. The Study included seven components: legal review, utilization analysis, market area analysis, availability analysis, disparity analysis, anecdotal analysis, and recommendations.



Data Sources

The Study data consisted of contract records extracted from the Financial Information System for California's State Contracting and Procurement Registration System (FI\$Cal SCPRS) for 151 state departments, supplemented by state department Consolidated Annual Reports (CAR), Bidder Declarations, and Ethnicity, Race, Gender and Sexual Orientation (ERGSO) reports documenting individual contract participation and annual summaries of participation information.

Structure of the Study

The Study information was structured into ten-chapters as described below:

- Chapter 1** *Legal Review* presents the case law applicable to disparity studies and California’s contracting operations.
- Chapter 2** *Procurement Policy Analysis* looks at the state’s governing procurement policies for the purchase of goods and services as set forth in the Government Code, Public Contracting Code and the State Contracting Manual.
- Chapters 3 & 4** *Prime Contractor and Subcontractor Utilization Analysis* shows the distribution of prime contracts by industry, ethnicity, gender, and business categories.
- Chapter 5** *Market Area Analysis* identifies the geographical market areas in the State of California.
- Chapter 6** *Prime Contractor and Subcontractor Analysis* shows the distribution of available businesses in the state’s market area.
- Chapter 7 & 8** *Prime Contract and Subcontract Disparity Analysis* present prime contractor and subcontractor utilization as compared to their availability by industry, ethnicity, and gender and identifies where underutilization or disparities exist.
- Chapter 9** *Anecdotal Analysis* provides the business community’s perceptions of barriers and exemplary practices encountered in contracting or attempting to contract with the state.
- Chapter 10** *Recommendations* identifies race and gender-neutral remedies to enhance the state’s contracting with the Study’s subject businesses.

Key Findings

Utilization & Availability Analysis

- State departments awarded over 79,000 prime contracts totaling nearly \$25 billion across five industries during the study period.
- Over 93% of prime contracts and nearly 90% of dollars were awarded to firms with a California address.
- Approximately half of the state contract dollars in each industry were awarded to a small number of highly used prime contractors.
- M/WBEs, SBs, DVBES and LGBTQ business enterprises participated in state contracting at varying rates, with some notable disparities and underutilization in some industries.

Disparity and Underutilization Analysis

Disparity in participation refers to a statistically significant difference in the number of contracts awarded to a particular group included in the Study compared to that group's availability in the relevant market. Underutilization refers to a difference in the number of contracts awarded to a particular group included in the Study, however the difference is not considered statistically significant.

Various levels of disparity or underutilization in the number of available prime or subcontractor businesses to the number of contracts awarded to these businesses are identified by the following five industries:

- 1) **Construction:** Services for the erection, alteration, repair or improvement of any public structure, building, road or other public improvement of any kind.
- 2) **Architectural and Engineering (A&E):** Specialized professional services provided by a licensed architect, engineer, land surveyor and other professionals engaged in public works projects.
- 3) **Professional Services:** Specialized technical or expert services other than architectural or engineering provided by entities requiring a significant degree of expertise, training or certification. These services are often intellectual or advisory in nature and may involve unique problem solving or decision making.
- 4) **IT Goods and Services:** Products and services related to the acquisition, development, management or maintenance of information technology systems and infrastructure.
- 5) **Non-IT Goods and Services:** Commodities and equipment required for operational, administrative or programmatic needs and services not related to IT and not professional in nature.

Overall, noting caveats regarding insufficient data and methodology, the Study indicates that prime contracting presents more disparity or underutilization than subcontracting. Across the five industries, the Study showed disparities primarily at the prime contractor level for several of the subject business groups and at the subcontractor level for some industries with no data shown for IT and non-IT subcontracting, as follows:

- **Construction** - prime contracting disparity for African American, and subcontracting disparity for WBE and MWBE, and underutilization for Asian American.
- **A&E** - prime contracting disparity for African American, Asian American, Hispanic American, MBE, WBE, MWBE, and subcontracting disparity for African American and underutilization for MWBE.
- **Professional Services** - prime contracting disparity for African American, MBE, MWBE, underutilization for Asian American, and subcontracting underutilization for African American.
- **IT Good and Services** - prime contracting disparity for African American, Hispanic American, MBE, WBE, MWBE, no data shown for subcontracting.
- **Non IT Goods and Services** - prime contracting disparity for African American, Hispanic American, MBE, MWBE, no data shown for subcontracting.

Native American Businesses - Insufficient data/no disparity or underutilization where data available.

Anecdotal Analysis

The Study collected anecdotal testimony through public comments provided at ten business community meetings and one-on-one interviews with 125 businesses across the five industries and five regions of the state. Information collected reflects primarily difficulties with navigating the complex bidding process and procurement systems such as Cal eProcure, inconsistent access to and communication from procurement officials statewide pre- and post-award, transparency of processes, lack of awareness of programs and legislation and exclusion from prime contractor networks.

Key Study Recommendations

While the statistical findings of the Study confirmed that California has made progress in expanding opportunities for SBs and DVBs, barriers persist that may limit fair and open access to state contracting. The Study's recommendations were grouped in the following race and gender-neutral strategies and legislative proposed actions and included potential strategies to strengthen compliance with the race and gender-neutral mandates of the Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) programs.

Race and Gender-Neutral Recommendations

- Benchmark and identify best practices, outreach strategies, state government program development, and improvements to contracting policies
- Identify potential challenges such as resources, case law, statutes, policies and education which may impact the state's outreach program
- Identify policy and programmatic changes to address documented disparity
- Identify outreach efforts for equitable contracting participation
- Standardize the application of United Nations Standards Products and Services Codes (UNSPSC)
- Assess program effectiveness and mitigation strategies
- Define timeframes to implement recommendations

Legislative Recommendations

The legislative recommendations included authorizing narrowly tailored race and gender-neutral tools consistent with constitutional standards, establishing reporting requirements to monitor the utilization of available subject businesses, and conducting a Disparity Study every five years to assess program effectiveness.

DGS Statewide Race-Neutral Actions and Implementation Timeframes

The Study confirms that California's procurement ecosystem includes strong participation by small businesses and diverse firms, yet the concentration of spending among relatively few vendors and the presence of process and information barriers as well as indications of disparities in prime and subcontracting suggest system level improvements are necessary.

While Article 1, Section 31, of the California Constitution prohibits discrimination or preferential treatment based on race and gender in public contracting California, DGS is using the Study insights to continue to expand outreach, clarify requirements, improve data integrity and transparency, and strengthen user support as shown below, so that all qualified businesses have a fair chance to compete on state contracts.

It is noteworthy that over half of the Study recommendations are strategies or programs already in existence today, and a few require legislative changes, such as reducing the size standard for the SB certification, mandating participation goals for microbusinesses, increasing the DVBE participation goal to 5%, or reducing the prompt payment period from 45 to 30 days. To address race and gender-neutral recommendations, DGS is currently working on or is planning to implement in the future the following 22 strategies within the estimated timeframes, and will require sustained, responsible, and transparent support and engagement from departments, agencies, vendors, and other external stakeholders.

1. Benchmark and identify best practices, outreach strategies, state government program development, and improvements to contracting policies

- Research, develop and publish a SB/DVBE Program State Contracting Manual chapter by December 2027. This will provide consistency, transparency and ease of use and reference for the state procurement official, as well as for the SB/DVBE community.
- Develop and publish a SB/DVBE Participation Transparency Dashboard built on the prime and subcontract data reportable into the Consolidated Annual Report, by July 2028. Public will be able to access and view the transaction level detail of data by department and cumulatively for the state that is currently displayed in the CAR dashboards.
- Develop a SB/DVBE preference/incentive visual tool to be referenced in the State Contracting Manual and in the SB/DVBE Procurement training by December 2027. The tool would support consistency in the SB preferences and DVBE incentives application and calculation methodologies statewide.

2. Identify potential challenges such as resources, case law, statutes, policies, education, which may impact the state's outreach program

- Using Plain Language, simplify key SB/DVBE education and outreach resources, webpages, certification correspondence and tools in partnership with the Governor's Office, Innovation Fellowship Program and the state Office of Digital and Data Innovation by March 2027.
- The state currently maintains partnerships with 45 reciprocity partners such as cities and counties, special and utility districts, and the University of California system, and will continue to strengthen and forge new partnerships on an ongoing basis.
- Improve display and filtering capabilities of available statewide outreach events on the DGS website by industry, level and locations of the outreach events by July 2027.

3. Identify policy and programmatic changes to address documented disparity

- Establish the Leveraged Procurement Agreement (LPA) Advocate role by December 2026, a dedicated DGS Office of Small Business and DVBE Services (OSDS) resource to support SB/DVBE with awareness, education and preparedness prior to LPA solicitations being published.
- Explore feasibility of implementing SB/DVBE advocate office hours to widen access to procurement for the business community.
- Prompt payment report automation dashboard has been implemented and launched in August 2026 and will continue with enhancements for ease of use and transparency on an ongoing basis.
- Launch Ask Ozzie, the AI-powered OSDS Certification Chatbot to answer frequently asked questions related to SB/DVBE certification around the clock, by October 2026.
- Develop and publish an AI-powered solicitation searching tool to allow businesses with better searchability and access to upcoming bid opportunities in Cal eProcure, by July 2027.

4. Identify outreach efforts for equitable contracting participation

- Implement several human centered design efforts such as updating the SB/DVBE program brochures and creating a SB/DVBE program booklet by December 2027.
- Continue to maintain strategic partnerships with 48 entities such as ethnic chambers of commerce and diverse business organizations and forge new ones on an ongoing basis.
- Convert select SB/DVBE training classes from instructor-led synchronous to an on-demand format by July 2027.
- Explore feasibility of developing statewide SB/DVBE mentorship program by December 2027.

5. Standardize the application of United Nations Standards Products and Services Codes (UNSPSC)

- Update the UNSPSC standard dashboard and webpage with plain language by July 2028.
- Update the Cal eProcure certification database public search page to allow listing of NAICS codes in certification profiles for all businesses by July 2028. NAICS codes supplement UNSPSC for greater business industry identification.

6. Assess program effectiveness and mitigation strategies

- Automation and integration of the Ethnicity Race Gender Sexual Orientation reporting in the Consolidated Annual Report has been completed for departments transacting in FI\$Cal and continues for the rest of the state to nearly eliminate manual processes, and for accuracy and consistency in reporting.
- Explore surveying SB/DVBE biennially to capture their experiences with the procurement process, contract administration, and payment procedures, and inform future strategies and improvements. The last all-encompassing survey was conducted in 2023 as part of the SB/DVBE Programs Economic Impact Study research.
- DGS is in the process of updating its SB/DVBE regulations to include a new SB-designation program where select contracts between \$250,000 and \$3.5 million can be designated by departments to be advertised, competed on and awarded solely to SB including Microbusinesses. The program creates opportunities for small businesses to bid on and participate in select contracts matching their capacity, without competing against larger companies, allowing for greater success in SB awards.
- DGS and its strategic partner, the Western Minority Supplier Development Council, are engaging with the National Minority Supplier Development Council (NMSDC) regarding additional opportunities, including DGS participation in the 2026 NMSDC Annual Conference, the first in California in 20 years.
- The implementation of eMarketplace in August 2026 - a modern procurement platform that gives state agencies easy access to DGS Leveraged Procurement Agreements (LPAs) where users can shop for contracted items, request pricing and offers from suppliers, and seamlessly complete purchases in FI\$Cal through direct system integration – will be supplemented with SB/DVBE Option in the near future and further enhanced to include SB/DVBE considerations.

Conclusion

The 2025 Disparity Study of statewide procurement operations provided a significant opportunity for California to gain insight into how businesses are participating in state contracting opportunities by capturing challenges and barriers to inclusion as well as identifying strengths in state processes that support state contracting goals. The Study also acknowledges the California constitutional limitations around contracting programs' ability to provide opportunities based on race and gender that present unique challenges to the analysis and remedies identified such as the lack of mandatory demographic data collection for businesses and the ability to accurately capture specific participation levels in state contracting. As such, the recommendations put forth by the consultant are race and gender neutral focused and identify areas for improvement in enhancing data tracking, increasing consistency in procurement practices and increasing awareness of support programs.

DGS remains steadfast in ensuring equitable access to state contracting, strengthening supplier diversity, and improving outcomes for all, including certified, diverse, small businesses and disabled veteran business enterprises across California and looks forward to implementation recommendations put forth in the Study.

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