

# California Consolidated Annual Report

Fiscal Year 2020-21

Prepared by:  
Office of Small Business and Disabled Veteran Business Enterprise Services  
Department of General Services  
707 Third Street  
West Sacramento, California 95605

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## I: Executive Summary

### **State Departments Reported the Highest Contract Award Dollars in the History of the Small Business and Disabled Veteran Business Enterprise Participation Programs**

***Due to High Emergency Procurements in 2020-21, the State Did Not Meet its SB Participation Goal for the Third Year in a Row and, for the First Time in 13 Years, Did Not Meet its DVBE Participation Goal.***

With this Statewide Consolidated Annual Report (CAR), the Department of General Services (DGS) is reporting the fiscal year 2020-21 contract dollars awarded by state departments toward the 25% Small Business (SB) and the 3% Disabled Veteran Business Enterprise (DVBE) participation goals in state procurement and contracting. As required by Public Contract Code (PCC) Section 10111, state departments must annually report to DGS the total awarded state dollars and SB/DVBE participation for Information Technology (IT), non-IT goods and services and construction procurement contracts.

The CAR comprises data from both mandatory and voluntary reporting departments. "Mandatory departments" are under DGS' purchasing authority and are required to report SB/DVBE participation each fiscal year. "Voluntary departments" include universities and other departments that are statutorily exempt from reporting but may elect to submit data. The 2020-21 CAR compiles the data for 141 mandatory departments and 25 voluntary departments.

**In 2020-21, the state's mandatory reporting departments (referred to as "the state" in this report) awarded a total of \$21.23 billion in contracts – the highest awarded dollar amount in the recorded history of the SB/DVBE program.** Voluntary reporting departments reported an additional \$2.45 billion in awards, for a total of \$23.67 billion awarded in CAR reportable procurements statewide.

**The state did not meet the SB or the DVBE participation goals this year.** Of the \$21.23 billion awarded, a record-high \$3.1 billion was awarded to SBs, yet for the third time in a row in the past eight years, the state did not meet the 25% SB participation goal, reaching only 14.60%. Over \$520 million went to DVBEs, but for the first time in the past 13 years, the state did not meet the 3% DVBE participation goal, reaching only 2.45%.

**In 2020-21, the state awarded a record-high \$3.1 billion to SBs and Microbusinesses (Micros) and \$520 million to DVBEs, yet unprecedently high COVID-19 emergency expenditures caused the state not to meet its SB or DVBE participation goals.**

Fiscal year 2020-21 was another challenging year due to the COVID-19 pandemic and other emergencies such as wildfires, heat wave and drought. California continued to be impacted just as the rest of the world was. The emergency proclamation issued by Governor Newsom on March 4, 2020, which directed state agencies to enter contracts for the procurement of materials, goods, and services needed to assist in preparing for, containing, responding to, mitigating the effects of, and recovering from the spread of COVID-19 remained in effect for

a second year. California Department of Public Health (CDPH) was one of the top spending departments responding to the COVID-19 emergency, and to meet the record-high immediate demand, CDPH had to suspend requirements under the Public Contract Code for competitive bidding and SB/DVBE participation. CDPH awarded billions of dollars in emergency contracts to provide complex vaccine tracking services, medical staffing, testing kits, and other emergency supplies and services to protect the citizens of California and to help limit the spread of COVID-19. Some state departments, such as Resources Recycling and Recovery (CalRecycle), were impacted by other emergencies such as wildfires, LAVA Fire, California Heat Wave, Water Creek Fire, Russian River Watershed Drought, etc.

Table 1 shows award dollars (in millions) and the SB/Micro and DVBE participation goals achieved for the mandatory and voluntary departments.

**Table 1. SB/DVBE Award Dollars (in millions) \* and SB/DVBE Participation**

| Departments       | Total Contract Dollars | SB/Micro Dollars | SB/Micro Percent | DVBE Dollars | DVBE Percent |
|-------------------|------------------------|------------------|------------------|--------------|--------------|
| Mandatory (state) | \$21,225               | \$3,100          | 14.60%           | \$520        | 2.45%        |
| Voluntary         | \$2,447                | \$325            | 13.30%           | \$116        | 4.73%        |
| <b>Total</b>      | <b>\$23,672</b>        | <b>\$3,425</b>   | <b>14.47%</b>    | <b>\$636</b> | <b>2.69%</b> |

\* Rounding may cause the totals in this table to vary slightly from the actual totals.

Cumulatively, mandatory and voluntary departments awarded over \$23.67 billion, the highest in the history of the CAR reporting, with over \$3.4 billion (or 14.47%) in SB participation and \$636 million (or 2.69%) in DVBE participation, as follows:

- Mandatory departments awarded \$21.23 billion, with \$3.1 billion (or 14.60%) in SB participation and \$520 million (or 2.45%) in DVBE participation reported.
- Voluntary departments awarded \$2.45 billion, with \$325 million (or 13.30%) in SB participation and \$116 million (or 4.73%) in DVBE participation reported.

For more detailed information about SB/DVBE participation in state contracting for mandatory and voluntary agencies, please visit [SB/DVBE Participation by Agency](#).

As shown in Table 2, mandatory departments awarded emergency procurements totaling \$13.05 billion, almost 61.49% of the total contracting dollars in 2020-21. Of the total emergency procurements, \$749 million (or 5.74%) was awarded to SBs and \$89 million (or 0.68%) was awarded to DVBEs.

**Without emergency procurements, the state would have exceeded SB/DVBE goals, reaching 28.76% in SB participation and 5.28% in DVBE participation.**

**Table 2. Participation with and without Emergency Purchases (dollars in millions) \***

| State Awards        | Total Contract Dollars | SB/Micro Dollars | SB/Micro Percent | DVBE Dollars | DVBE Percent |
|---------------------|------------------------|------------------|------------------|--------------|--------------|
| Total State Award   | \$21,225               | \$3,100          | 14.60%           | \$520        | 2.45%        |
| Without Emergencies | \$8,174                | \$2,351          | 28.76%           | \$432        | 5.28%        |
| Only Emergencies    | \$13,051               | \$749            | 5.74%            | \$89         | 0.68%        |

Source: 2020-21 CAR and CAR Data Validation Query (DVQ) using emergency acquisition method, sub-type, California Governor's Office of Emergency Services (Cal OES) mission task and statewide incident.

\* Rounding may cause totals in this table to vary slightly from the actual totals.

The emergency dollars shown in Table 2 are comprised of COVID-19, wildfires, LAVA Fire, California Heat Wave, Water Creek Fire, and Russian River Watershed Drought.

### Changes from last year's report

The most significant changes compared with the 2019-20 CAR include:

- **The state awarded \$21.23 billion** – an increase of \$9.24 billion (or 77%) when compared to \$11.99 billion awarded in 2019-20.
- **Emergency procurement dollars represented 61.5% in total awarded dollars** for the year, compared to 38.8 % in 2019-20.
- **The emergency procurements surged to \$13.05 billion** – an increase of \$8.4 billion (or 181%) when compared to \$4.65 billion awarded in emergency procurements in 2019-20.
- **SBs/Micros were awarded \$3.10 billion – the highest amount in the program's recorded history**, up from the prior year's \$2.84 billion by \$259 million (or 9%).
- **Micros received the larger share of the SB dollars at \$1.79 billion (or 58%)**; this was more than the prior year's \$1.51 billion by almost 18%.
- **DVBEs were awarded \$520 million – the highest amount in the program's recorded history**, up from the prior year's \$464 million by \$56 million (or 12%).
- **Of the 141 mandatory reporting departments, 61 departments (or 43%) met both the SB and the DVBE participation goals**, with 81 departments meeting the SB goal, and 78 departments meeting the DVBE goal. This is comparable to 2019-20, when 61 departments met both goals, 87 departments met the SB goal, and 84 met the DVBE participation goal.
- **Voluntary department awards increased \$356 million (or 17%) in 2020-21** from \$2.09 billion in 2019-20 to \$2.45 billion in 2020-21. SBs/Micros received \$325 million, \$67 million more in 2020-21 compared to \$258 million in 2019-20, and DVBEs received \$116 million, \$35 million more compared to \$81 million in 2019-20.

- **Overall, mandatory and voluntary departments awarded \$23.67 billion in contract dollars during 2020-21**, which was an increase of \$9.59 billion over 2019-20. Of the \$23.67 billion, \$326 million more was awarded to SBs/Micros and \$91 million more was awarded to DVBEs.

For more detailed information about emergency and non-emergency spending in state contracting, please visit: [Emergency and Non-Emergency Spend](#).

### Top Five Spend Departments Driving the State Awards and SB/DVBE Participation

Table 3 lists the top five spend departments that cumulatively awarded \$15.31 billion (or 72%) of the total \$21.23 billion contract dollars awarded by the state. By comparison, last year the top five spend departments cumulatively awarded \$6.64 billion (or 55%) of the total \$11.99 billion contract dollars awarded.

Of these top five mandatory reporting departments, two – the Departments of Transportation (Caltrans) and Corrections and Rehabilitation (CDCR)– met both the SB and DVBE participation goals. Department of Public Health (CDPH), the Governor’s Office of Business and Economic Development (GO-Biz), and Department of Resources Recycling and Recovery (CalRecycle) were not able to meet either participation goal for 2020-21.

**CDPH, at the top of the list, saw its awarded dollars spike to \$7.2 billion, over 900% more than last year’s \$720 million.** According to CDPH, SB/DVBE participation was low due to emergency purchases primarily related to COVID-19. If these emergency purchases were excluded, CDPH’s awarded dollars would have been \$81,858,667 with SB participation of 20.24% and DVBE participation of 7.30%.

**GO-Biz, a new entry and second on the list, saw its awarded dollars increase to almost \$2.5 billion, roughly 2,000 times more than last year’s \$1.3 million.** GO-Biz indicated that this surge relates to the need to administer multiple rounds of small business COVID-19 relief grant programs at unprecedented high-dollar levels with little to no SB/DVBE participation, stemming from the governor’s COVID-19 response and economic recovery package. If these grant administering contracts were excluded, GO-Biz’s awarded dollars would have been \$1,786,884 (comparable with last year) with SB participation of 17.05% and DVBE participation of 1.24%.

Table 3 shows the five mandatory departments with the highest dollar amount awarded. Three of these departments did not meet either goal due to emergency procurements.

**Table 3. Top Five Mandatory Department Dollars Awarded for Fiscal Year 2020-21**

| Department of                         | Contract Dollars        | SB/Micro %    | DVBE %       |
|---------------------------------------|-------------------------|---------------|--------------|
| Public Health                         | \$7,201,567,239         | 0.77%         | 0.45%        |
| Business and Economic Development     | \$2,468,677,007         | 0.01%         | 0.00%        |
| Resources Recycling and Recovery      | \$2,202,459,930         | 14.64%        | 0.72%        |
| Transportation                        | \$2,127,949,834         | <b>38.60%</b> | <b>3.97%</b> |
| Corrections & Rehabilitation          | \$1,306,178,618         | <b>27.15%</b> | <b>6.42%</b> |
| <b>Total for Top Five Departments</b> | <b>\$15,306,832,628</b> | –             | –            |

Percentages in bold, green color indicate SB and/or DVBE goal(s) were met or exceeded.

While the state was facing challenges in achieving SB/DVBE participation goals and was not able to meet the goals due to unprecedented emergency procurements reaching \$13 billion, DGS continued to make efforts to identify emergency procurements that can be provided by SBs and DVBEs.

## **Efforts to Increase SB/DVBE Participation on Emergency Procurements**

To assist departments with emergency procurements, DGS implemented the following measures:

- **Completed development of the [SB/DVBE Emergency Registry](#), a dedicated searchable portal that** allows SBs and DVBEs with emergency capabilities in more than 32 emergency goods and services categories to self-register so state buyers can easily identify and contact them around the clock. Categories include but are not limited to debris removal, generators, equipment rentals, rescue supplies, medical supplies, respiratory products, sanitation, food and fuel. The SB/DVBE Emergency Registry went live in October 2021 and had over 500 businesses registered with close to \$1 million awarded in emergency contracts in its first three months.
- **Continued to work closely with GovOps and the Minority-Owned Small Business Procurement Task Force** that includes minority small business owners and minority chambers of commerce to identify real-time issues impacting the minority business community. During the pandemic, the Task Force expanded and met monthly to provide feedback and support to the needs of minority small businesses.
- **Provided ongoing guidance for businesses to market themselves** by connecting SB/DVBE businesses that have emergency supplier capacity with state departments and reciprocity partners who respond to emergencies. Continued co-leadership of DGS and the Department of Veterans Affairs (CalVet) on the SB/DVBE advocate program will ensure advocates are connected with SB/DVBE businesses during emergencies and are equipped to assist with identifying opportunities.
- **Increasing transparency with the state's SB/DVBE participation on statewide emergency incidents and Cal OES-tasks emergency procurements** by adding new emergency fields for Cal OES Mission Tasks and Statewide Incidents to the online CAR reporting options in October 2021.<sup>1</sup> During this first transition year, only limited data was reported by several departments that took advantage of this functionality, amounting to \$4.4 billion in Cal OES mission-tasks emergency procurements. However, DGS expects that departments will use these fields to capture their departmental emergency SB/DVBE participation, resulting in more robust data in future reporting periods.
- **Targeted SB/DVBE outreach for emergency purchases included:**
  - Distributing emergency-specific communication to certified firms.

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<sup>1</sup> During emergencies, Cal OES mission-tasks directed select departments to secure billions of dollars in goods and services in response to the incident, often with no more than a 24-hour notice.



- Assisting certified businesses with strengthening their certification profile keywords and United Nations Standard Products and Services Codes (UNSPSC) and taking advantage of the new FI\$Cal search functionality.
- Offering certification workshops and individual assistance to interested businesses.
- Connecting SBs/DVBEs that reported they could provide COVID-related goods and services to all state SB/DVBE advocates and to Cal OES.

## Looking Ahead

**To collect voluntary supplier diversity information from state vendors, including SB/DVBE firms,** OSDS is in the process of adding voluntary questions requesting the race, ethnicity, gender identity and sexual orientation of business owners within the Cal eProcure bidder/supplier registration pages. This data will provide the state with the ability to assess the diversity of its suppliers, conduct targeted outreach and assist underutilized, diverse small businesses within underserved communities with access to, and participation in, state contracting.

**To improve the individual contract voluntary reporting of Ethnicity, Race, Gender and Sexual Orientation (ERGSO) information by business owners contracting with the state,** OSDS will explore how the supplier diversity voluntary data collection can enhance this reporting and will assess the need to develop a separate online confidential survey designed to eliminate paper submittals by state vendors.

**To assist departments with meeting SB/DVBE participation goals in future years,** OSDS continues to expand statewide outreach for DVBEs and SBs/Micros through education and advocacy. In addition, OSDS will continue to provide state departments technical assistance with SB/DVBE participation real-time tracking and goal attainment, to the extent possible, as follows:

- SB/DVBE participation monitoring through training and encouragement for continuous and consistent use of the CAR Data Validation Query. Starting in 2022, OSDS will present SB/DVBE participation progress status at the quarterly statewide SB/DVBE advocate meetings.
- SB/DVBE participation goal attainment through engagement efforts and strategies including agency visits and “best practices” webinars designed to assist departments in achieving contract participation goals.

**To support departments in their efforts to expand their pool of vendors and use new or certified SBs/DVBEs not regularly used in state solicitations,** as required by Assembly Bill (AB) 1574 (Chapter 756, Statutes of 2021), DGS will develop new policy guidance and identify strategies for departments to use in implementing their own policies, such as advertising their SB/DVBE Options or using the Off-Ramp whenever feasible on Leveraged Procurement Agreements. In support of these policies, **DGS will waive the advertising fee for the SB/DVBE Option** in the California State Contracts Register (CSCR), effective Spring 2022.

## Structure of This Report

This report is structured in 10 sections. Section II of this report, “What Does DGS Do to Help with SB/DVBE Participation?” describes in more detail DGS’ outreach efforts.

Following Section II, Sections III – VIII include more detailed information on each of the five reporting components of CAR, as follows:

- Sections III and IV – Contracting Activity Report ([Form DGS PD 810](#))
- Section V – Consulting Services Contracting Activity ([Form DGS PD 810C](#))
- Section VI – SB Option, DVBE Option and DVBE Incentive ([Form DGS PD 810S](#))
- Section VII – SB/DVBE Participation in Infrastructure Bond Acts of 2006 ([Form DGS PD 810A](#))
- Section VIII – Ethnicity, Race, Gender and Sexual Orientation Contracting Activity (ERGSO) ([Form DGS PD 810E](#))

A Glossary of definitions is included in Section IX, followed by the link to the exhibit's dashboards in Section X, as follows:

- [Exhibit: Executive Summary – SB/DVBE Participation by Agency](#)
- [Exhibit: Executive Summary - Emergency and Non-Emergency Spend](#)
- [Exhibit A: Small Business \(SB\) Participation](#)
- [Exhibit B: Disabled Veteran Business Enterprise \(DVBE\) Participation](#)
- [Exhibit C: Consulting Services Contracting Activity](#)
- [Exhibit D: SB Option, DVBE Option and DVBE Incentive](#)
- [Exhibit E: I Bond Funds](#)
- [Exhibit F: Ethnicity, Race, Gender and Sexual Orientation Report \(ERGSO\)](#)
- [Exhibit G: Other – Departments, Boards, or Commissions not under any state agency](#)

## II. What Does DGS Do to Help with SB/DVBE Participation?

DGS, through its Procurement Division and Office of SB/DVBE Services (OSDS), continues to promote and work diligently to increase the state's pool of SB/DVBE certified suppliers through business outreach efforts, strategic partnerships with the business community, and assistance to state departments in achieving their SB/DVBE participation goals.

### A. Assistance to SBs/DVBEs seeking to do business with the state

In summary, DGS employed the following certification, outreach and procurement efforts during the fiscal year 2020-21:

- **Partnering with DGS and its builders** to support outreach efforts to obtain SB/DVBE participation for two new state building design-build projects in downtown Sacramento that began in 2018 and were substantially completed in 2021. The two design-build projects, located on O and P Streets, both set an SB participation goal of 25% and a DVBE participation goal of 3%. The two projects, with a total budget of over \$745 million, had the potential to greatly impact the state's SB/DVBE participation. Both projects relied on OSDS for support and expertise in training their Tier 1 subcontractors to find and use SB/DVBE businesses, and for compiling lists of certified businesses to bring in subcontractors in each phase of the projects. OSDS sent out targeted communication campaigns, presented at events and webinars, and checked participation progress periodically to assist with course correction. In 2021, both projects resulted in over \$186 million in SB subcontracting and \$22 million in DVBE subcontracting. The two projects were able to achieve a combined participation of 27% SB and 6.6% DVBE.
- **Established 13 new strategic partnerships and maintained 35 existing relationships** with diverse organizations that support and help DGS to fulfill the SB/DVBE program mission. New partnerships include: the Golden Gate Business Association (LGBTQ+); Black Business Association; Black Chamber of Commerce of Orange County; Black Small Business Association of California; CA Black Chamber of Commerce; Central San Diego Black Chamber of Commerce; Cooperative Economic Empowerment Movement; Fresno Metro Black Chamber of Commerce; Greater Los Angeles African American Chamber of Commerce; National Association of Minority Contractors - Southern California; National Black MBA Association - San Francisco Chapter; ODOS Synergy Services Women of Color Global Entrepreneur Network; and Sacramento Black Biz.
- **Created a user-friendly SB/DVBE "Work Center" in Cal eProcure.** DGS' Procurement Division led an effort to make Cal eProcure easier for users to navigate. One significant change is the addition of the "WorkCenter" for businesses, a one-stop dashboard where they can quickly see and access information about their business profiles, find contracts, and apply for certification.
- **Facilitated the DGS Small Business Advisory Council's quarterly meetings.** The Small Business Advisory Council (SBAC) and DGS work collaboratively to make improvements to state procurement processes, Commercially Useful Function (CUF), and the state's outreach and education efforts to California's small business communities.

- **Increased awareness of the SB/DVBE programs and resources available to suppliers** using social media, webinars and participation in focused outreach. OSDS also completed the following:
  - Launched a LinkedIn page to regularly promote all outreach efforts, directly connect with business communities, and promote contract opportunities. Currently the platform has over 300 followers.
  - Developed and updated outreach advocacy and training resources, including:
    - How to do business with California State Government - an Overview of State Contracting for Small Businesses brochure. (English and Spanish versions)
    - Eligibility requirements for the SB/DVBE certifications
    - Commercially Useful Function brochure
    - Keyword and UNSPSC Guide
  - Translated 32 OSDS certification and training resources and closed-captioned six videos to Spanish to create access for a wider range of diverse California businesses.

To support state departments' SB/DVBE participation success, OSDS will continue to:

- **Assist department buyers and SB/DVBE advocates with tools and best practices** by providing resources to support the inclusion of SBs and DVBEs in state procurement, available on the [SB/DVBE Best Practices for State Departments webpage](#).
- **Increase SB/DVBE participation in emergency procurements.** OSDS continues to conduct SB/DVBE Emergency Registry outreach to suppliers based on needs of the departments, as well as provide training to state departments on utilizing the registry. OSDS also continues to support specialized emergency procurements related to COVID-19 and debris removal.
- **Facilitate SB/DVBE advocates' quarterly workshops** to share SB/DVBE contracting best practices and serve as a training and informational forum for advocates. OSDS also provides tools and guidance to advocates to assist both state departments and SBs/DVBEs with successful state contracting.
- **Require departments that do not meet mandated minimum participation goals to complete Improvement Plans.** Improvement Plans give departments the opportunity to assess their procurement activities; explain why their department did not meet the minimum SB and/or DVBE contracting participation goals for the prior fiscal year; lay out strategies to improve their performance; and describe, in detail, the challenges and barriers they face in meeting the SB and/or DVBE participation goals. OSDS is currently working to move Improvement Plans to an online portal to streamline the collection process for departments. Departments not submitting Improvement Plans

will be provided an opportunity to cure deficiencies through a Purchasing Authority deficiency enforcement letter.

- **Assist underperforming departments**, as needed, to identify department-specific needs and barriers to meeting their participation goals. OSDS continues to assess and recommend additional strategies to address these needs and monitor the progress of departments' SB/DVBE participation.

In fiscal year 2020-21, OSDS developed a four-tiered approach in assisting underperforming departments:

1. Sent executive-level letter to the four departments highly impacted by emergency procurements to offer assistance and reiterate the need to continue their efforts to seek SB/DVBE participation on emergency contracts.
2. Met with six departments that underperformed in the previous fiscal year to gain a better understanding of the departments' procurement obstacles and recommend potential solutions, best practices, and resources to assist with goal attainment.
3. Sent enforcement letters under the DGS Purchasing Authority to departments that failed to submit an Improvement Plan. DGS Purchasing Authority sent letters to 21 departments alerting them of their deficiency.
4. Invited all mandatory reporting departments that missed the participation goals to an SB/DVBE Contracting Best Practices webinar. Two Best Practices webinars were attended by nearly 40 departments.

Table 4 lists the six departments OSDS met with and their progress into the new fiscal year.

**Table 4. SB/DVBE Participation Change for Six Underperforming Departments in 2019-20**

| Department  | 2019-20<br>SB/Micro | 2019-20<br>DVBE | 2020-21<br>SB/Micro | 2020-21<br>DVBE |
|---|---------------------|-----------------|---------------------|-----------------|
| California Highway Patrol                         | 18.25%              | 5.05%           | 13.70%              | 1.85%           |
| Public Health (CDPH)                              | 3.45%               | 2.27%           | 0.77%               | 0.45%           |
| Governor's Office of Emergency Services (Cal OES) | 4.61%               | 0.99%           | <b>26.90%</b>       | <b>4.39%</b>    |
| Exposition and State Fair (Cal Expo)              | 35.03%              | 0.49%           | 14.52%              | 0.25%           |
| Student Aid Commission                            | 65.92%              | 2.11%           | <b>63.35%</b>       | 1.73%           |
| Department of Aging                               | 16.25%              | 2.86%           | <b>33.18%</b>       | <b>6.17%</b>    |

Percentages in bold, green color indicate the SB and/or DVBE participation goal was met.

Three out of the six underperforming departments in fiscal year 2020-21 were not able to show improvement in their SB/DVBE participation goals. The reasons cited in the three departments' Improvement Plans are as follows:

- California Highway Patrol faced challenges in locating qualified SB/DVBE suppliers that provide aircraft maintenance and repair service, enforcement vehicles, aircraft fleet

purchases, major information technology projects, wireless mobile video and audio recording systems, and bulk gas. These procurements were big-ticket items, mostly in the millions of dollars, with no SBs/DVBEs participating in these categories.

- Cal Expo operated as an emergency response facility to assist in the mitigation of the COVID-19 pandemic and had to cease normal business operations, including cancellation of Cal Expo’s largest revenue-generating event, the California State Fair, which would have generated additional SB/DVBE participation.
- CDPH was highly impacted by emergency procurements as discussed in this report.

### III: SB/Micro Participation: Record-High Emergency Procurements Contributed to the State Not Meeting the SB Participation Goal in 2020-21

#### A: SB/Micro Department Participation Data

In 2020-21, the state awarded a total of \$21.23 billion, the highest dollar amount awarded by the state in the SB program’s recorded history and 77% more than the prior year. Although an unprecedentedly high \$3.1 billion went to SBs/Micros, the state did not meet the 25% SB participation goal, reaching only 14.60% (Table 5).

The spike in total awarded dollars – \$9.24 billion higher when compared to 2019-20 – is again attributed to high-dollar emergency contracts awarded for COVID-19 response. Requirements for competitive bidding and advertising were waived because of the emergency proclamation issued by Governor Newsom on March 4. Departments tasked with emergency procurements continued to experience real challenges in contracting with SB prime contractors or subcontractors due to the large contract values, shortened time frames for award, and a limited pool of SB firms offering vital and specialized emergency products and services related to COVID-19.

**Table 5. SB/Micro Contracts by Department Type (dollars in millions) \***

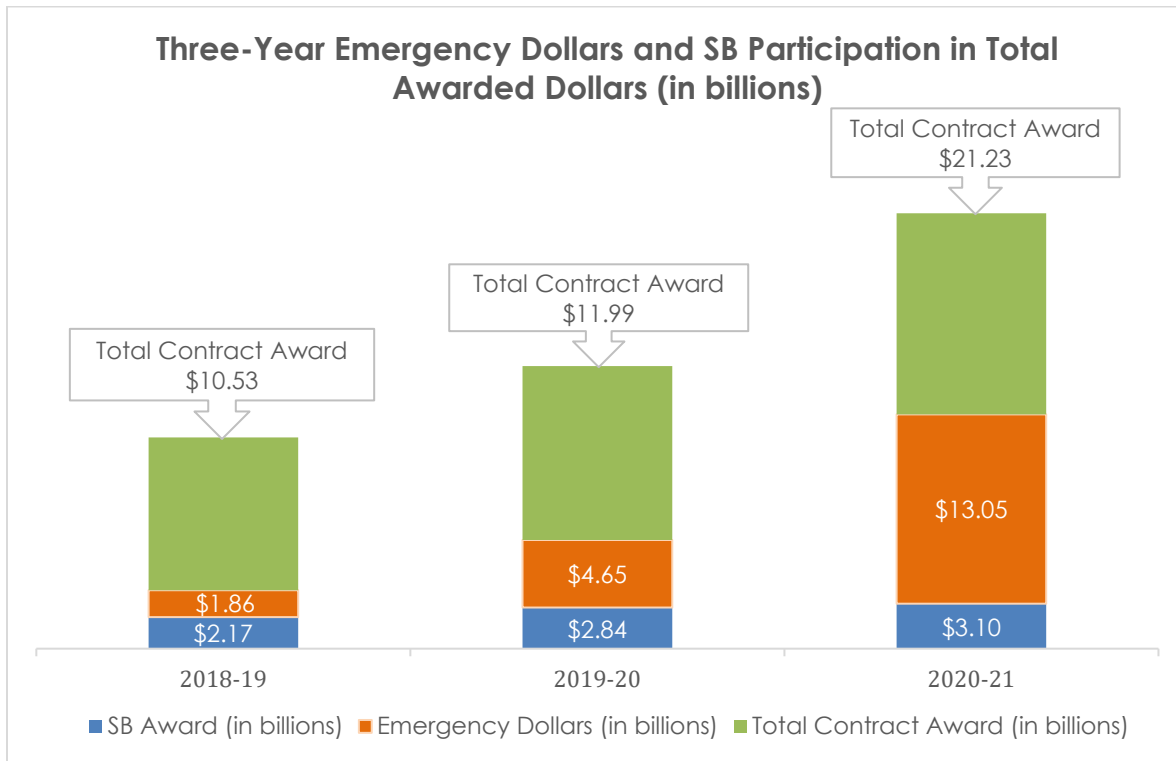
| Departments       | Contract Dollars | SB/Micro Dollars | SB/Micro Percent | SB/Micro Contracts |
|-------------------|------------------|------------------|------------------|--------------------|
| Mandatory (state) | \$21,225         | \$3,100          | 14.60%           | 84,664             |
| Voluntary         | \$2,447          | \$325            | 13.30%           | 5,857              |
| <b>Total</b>      | <b>\$23,672</b>  | <b>\$3,425</b>   | <b>14.47%</b>    | <b>90,521</b>      |

\* Rounding may cause the totals in this table to vary slightly from the actual totals.

Figure 1 below shows three-year total contract award, SB participation and emergency dollars for mandatory departments. In 2020-21, the emergency dollars reached \$13.05 billion, almost double the three-year average of \$6.47 billion.

The dollar amount awarded to SBs also exceeded the three-year average of \$2.70 billion in 2020-21, reaching a record high for the program. This is an increase of \$259 million (or 9%) from 2019-20.

**Figure 1. Three-Year Emergency Dollars and SB Participation for Mandatory Departments in Total Awarded Dollars (in billions)**



The state's five top-awarding departments cumulatively awarded almost three quarters (72%) of the \$21.23 billion awarded by the state. Table 6 shows the top five departments by awarded dollars as reported. Two of the top five mandatory departments – Transportation (Caltrans) and Corrections and Rehabilitation (CDCR) – met the SB participation goal; Public Health (CDPH), Governor's Office of Business and Economic Development (GO-Biz) and Resources Recycling and Recovery (CalRecycle) did not meet the SB participation goal.

CDPH's total award of \$7.2 billion takes the lead in the state's top spenders for the first time due to unprecedented statewide emergency purchases, accounting for close to half (or 47%) of the total amount spent by the top five spenders in 2020-21. This is because during the pandemic, CDPH was one of the lead departments involved in the COVID-19 emergency response that suspended requirements under Public Contract Code for competitive bidding and business participation requirements. Without counting emergency spend, CDPH awarded \$81.9 million, with 20.24% in SB participation and 7.30% in DVBE participation.

GO-Biz's total award of \$2.5 billion is a new entry to the top five list and second on the list, experiencing an increase of almost 200,000% in spend when compared to last year's \$1.3 million. This surge is largely attributed to I-Bank contracts for services and consultants and the need to administer multiple rounds of small business COVID-19 relief grant programs at unprecedentedly high dollar levels, stemming from the Governor's Office COVID-19 response and economic recovery package. If these grant-administering contracts were excluded, GO-Biz's awarded dollars would have been \$1.8 million, with SB participation of 17.05% and DVBE participation of 1.24%.

Quadricycle's total award of \$2.2 billion keeps the department in the top five for the third year in a row, primarily due to emergency procurements for wildfire disaster recovery.

Without emergency procurement spend, CalRecycle awarded \$519.8 million and would have met its SB participation goal reaching 48.44%, but not the DVBE participation goal, reaching only 1.28%.

**Table 6. 2020-21 SB/Micro Participation of Top Five Mandatory Awarding Departments**

| Department of                                 | Contract Dollars        | SB/Micro Dollars       | SB/Micro %    |
|---|-------------------------|------------------------|---------------|
| Public Health (CDPH)                          | \$7,201,567,239         | \$55,736,307           | 0.77%         |
| Business and Economic Development (GO-Biz)    | \$2,468,677,007         | \$304,728              | 0.01%         |
| Resources Recycling and Recovery (CalRecycle) | \$2,202,459,930         | \$322,426,752          | 14.64%        |
| Transportation                                | \$2,127,949,834         | \$821,467,928          | <b>38.60%</b> |
| Corrections & Rehabilitation                  | \$1,306,178,618         | \$ 354,686,022         | <b>27.15%</b> |
| <b>Grand Total</b>                            | <b>\$15,306,832,628</b> | <b>\$1,554,621,737</b> | <b>10.16%</b> |

Percentages in bold, green color indicate that the SB participation goal was met or exceeded.

The primary reasons cited by departments for not meeting the SB participation goal included:

- 1) The COVID-19 pandemic continued to have a major impact on the types of procurements the state needed to make during 2020-21. CDPH was greatly impacted by these types of purchases, according to their Improvement Plan.

“CDPH executed billions of dollars in contracts with non-small/non-DVBE businesses to protect the citizens of California and to help limit the spread of COVID-19. SBs and/or DVBEs are unable to provide services for these types of activities due to the large scale and complex nature of the projects. Some examples include systems such as CalVax, which tracks vaccine distribution across the state; Cal-Connect, which allows CDPH to work with the 52 counties to conduct statewide contact tracing activities; various purchases for COVID-19 testing kits, lab supplies, and Personal Protective Equipment (PPE) which have supply chain shortages and can only be secured directly from distributors; and medical staffing contracts with temporary staffing agencies, which support counties, hospitals, vaccine sites, and other critical COVID-19 medical staffing shortages around the state of California. CDPH also has conducted large-scale education and outreach efforts with non-small/non-DVBE businesses for the purposes of educating the public on COVID-19-related media campaigns that SBs and/or DVBEs do not have the ability to handle due to the large scope and scale. CDPH continually strives to reach goals through other procurement methods. Based on our analysis and calculations of non-emergency acquisitions, CDPH reportable total contract dollars would have been \$81,858,666 with a DVBE participation of 7.30% and SB/MB participation of 20.24%.”

– CDPH 2020-21 Improvement Plan

- 2) “GO-Biz’s greatest challenge is locating DVBE/SB/MB for IBank relating to Government Codes 63023, 63024, 63025.1, and 63026. IBank is not required to utilize DVBE/SB/MB because of exemptions stated above. Also, GO-Biz’s new reimbursable grant program that utilizes state funds and are required to be included in the CAR Report.”

– GO-Biz 2020-21 Improvement Plan



- 3) "During fiscal year 2020-21, CalRecycle spent a total of \$2,202,459,930 for Non-IT Services; 99.86% were agreements under the Emergency Services Act, specifically Government Code Section 8571, and the Governor's Proclamations of States of Emergency, which are not subject to SB/DVBE participation goals. The contracted dollars under the emergency declarations totaled \$2,193,083,070 for ongoing hazard tree removal contracts from 2018 and for new 2020 wildfires disaster debris and tree removal contracts. These extremely large and complex solicitations/contracts are issued under urgent circumstances with vastly shortened time frames and by their sheer size exclude SB/DVBE contractors as prime contractors. The contracting opportunities afforded to SBs/DVBEs were as subcontractors, which significantly inhibited CalRecycle's ability to achieve the SB/DVBE participation goals in 2020-21."
- CalRecycle 2020-21 Improvement Plan

### **What DGS Can Do to Increase SB/DVBE Participation During an Emergency or Disaster**

To assist with meeting goals in the future, DGS is continuing to implement several measures, including:

- Develop the SB/DVBE emergency-interest registry and train SBs/DVBEs on how to add their firms to the emergency-interest registry.
- Identify and provide to interested state departments listings of SBs and DVBEs that display the relevant purchasing key words and UNSPSC codes in their certification profiles.
- Provide ongoing education and encourage departments to reach out to DGS early when conducting emergency procurements so they can receive assistance in identifying certified firms.
- Partner with trade associations and licensing bodies to identify and assist skilled and specialized contractors in getting certified.
- Utilize social media, marketing campaigns, advertisements in trade and diversity magazines, radio/media, and outreach to trade organizations to target potential emergency suppliers.
- Contact partner organizations and networks to help disseminate the state's emergency supplier needs.
- Raise awareness of the need for emergency response and recovery suppliers at outreach virtual events and with state department advocates.
- Reach out to certified businesses to help expand their key words and UNSPSC codes in FISCAL to include emergency services their firms can offer.

## B: SB/Micro Contracting Dollars by Contracting Activity

While the SB participation goal is 25%, information on the distribution of total awards and SB/Micro dollars by contracting activity is instrumental in understanding where the state can amplify its efforts to help meet the overall participation goal.

Table 7 below lists dollars awarded in 2020-21, in total and to SBs/Micros, by contracting activity.

Non-IT Services accounted for the top dollars awarded at \$16.35 billion, 168% higher than the prior year's \$6.11 billion, but were well under the 25% in SB participation at 9.48%.

Non-IT Goods decreased from \$2.7 billion in 2019-20 to \$1.4 billion, or 47% less than prior year, and reached 34.87% in SB participation.

IT Goods & Services decreased from \$1.9 billion in 2019-20 to \$1.8 billion, or 7% less than prior year, and reached 25.37% in SB participation.

Construction increased to \$1.6 billion, 34% higher than the prior year's \$1.2 billion, and reached 36.16% in SB participation.

Procurements paid with a CAL-Card (a state-issued credit card for approved buyers) totaled \$80 million, of which \$26 million went to SBs – slightly higher than in 2019-20 – reaching 32.70% SB participation. These are typically smaller dollar amount procurements awarded directly to SBs.

**Table 7. Awards and SB Participation by Contracting Activity (dollars in millions) \***

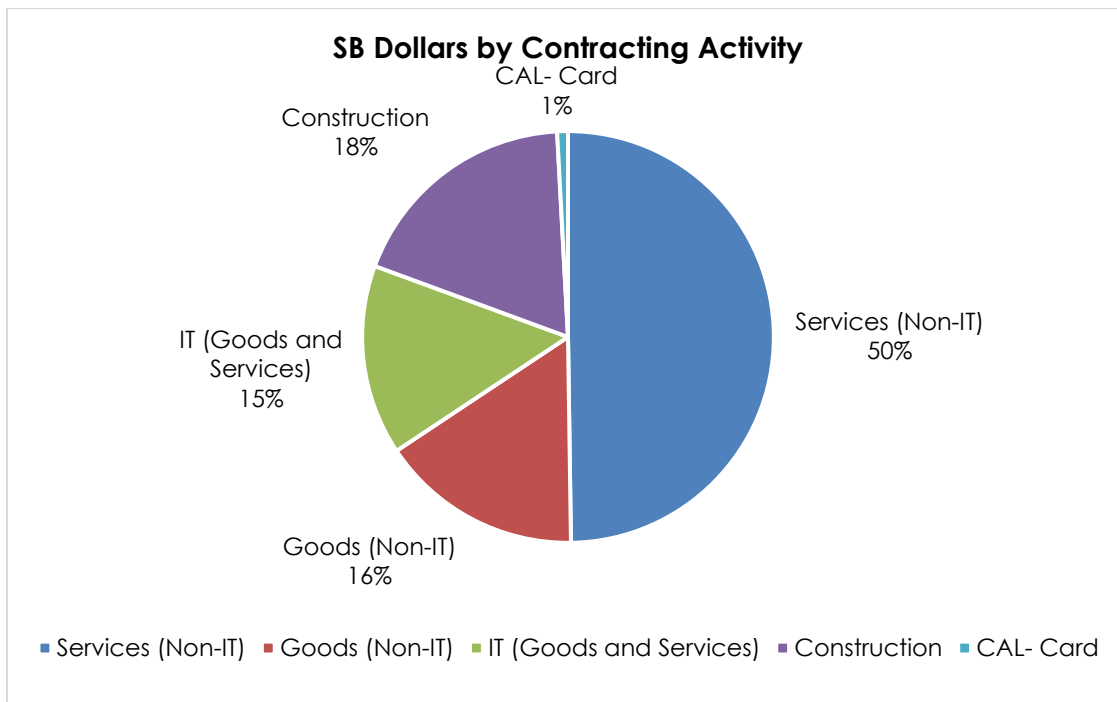
| Contracting Activity  | Total Contract Dollars | Percent of Total Awarded | SB/Micro Dollars | SB/Micro Percent |
|-----------------------|------------------------|--------------------------|------------------|------------------|
| Services (Non-IT)     | \$16,349               | 77.03%                   | \$1,550          | 9.48%            |
| Goods (Non-IT)        | \$1,420                | 6.69%                    | \$495            | 34.87%           |
| IT (Goods & Services) | \$1,778                | 8.38%                    | \$451            | 25.37%           |
| Construction          | \$1,597                | 7.53%                    | \$578            | 36.16%           |
| CAL-Card Data         | \$80                   | 0.38%                    | \$26             | 32.70%           |
| <b>Total</b>          | <b>\$21,225</b>        | <b>100.00%</b>           | <b>\$3,100</b>   | <b>14.60%</b>    |

\* Rounding may cause the totals in this table to vary slightly from the actual totals.

While the percentages in Table 7 show how much of the total dollars awarded went to SBs in each contracting activity, Figure 2 below shows the percentage breakdown (share) of the \$3.1 billion SB participation by contracting activity.

Figure 2 shows the largest share for Non-IT Services at almost 50%, the lowest for IT Goods & Services at 15%, and CAL-Card Data at 0.85%. In 2019-20, the largest share of SB dollars was also for Non-IT Services at 50% and the lowest was for IT Goods and Services at 14%.

**Figure 2. SB Dollars by Contracting Activity**



**C: SB/Micro Firms by Certification Type, Industry and Number of Employees**

At the end of 2020-21, the number of certified SB firms was 20,460 – an increase of 3,086 firms (or 18%) from the previous year, when the number of certified SB firms was 17,374. This number includes certified firms that renewed their certification as well as new certified firms. The increase could be attributed to the COVID-related 6,500+ certification extensions OSDs granted in 2020, so that no firms expired during September 2020 to May 2021.

Table 8 below includes a breakdown by certification type of all SBs and SBs for the purpose of Public Works (SB-PW), with or without Micro designation.

**Table 8. SB Firms by Certification Type and Micro Designation**

| Certification Type       | Certified Firm Count | Percent of Total |
|--------------------------|----------------------|------------------|
| SB Only (non-Micro)      | 2,148                | 10.50%           |
| SB, DVBE                 | 90                   | 0.44%            |
| SB, SB-PW                | 280                  | 1.37%            |
| SB, SB-PW, DVBE          | 16                   | 0.08%            |
| SB (Micro)               | 13,674               | 66.83%           |
| <b>SB (Micro), SB-PW</b> | 2,143                | 10.47%           |
| SB (Micro), DVBE         | 1,404                | 6.86%            |
| SB (Micro), SB-PW, DVBE  | 217                  | 1.06%            |
| SB-PW, DVBE              | 26                   | 0.13%            |
| SB-PW                    | 462                  | 2.26%            |
| <b>Total</b>             | <b>20,460</b>        | <b>100.00%</b>   |

Source: FI\$Cal Master Query - July 2021.

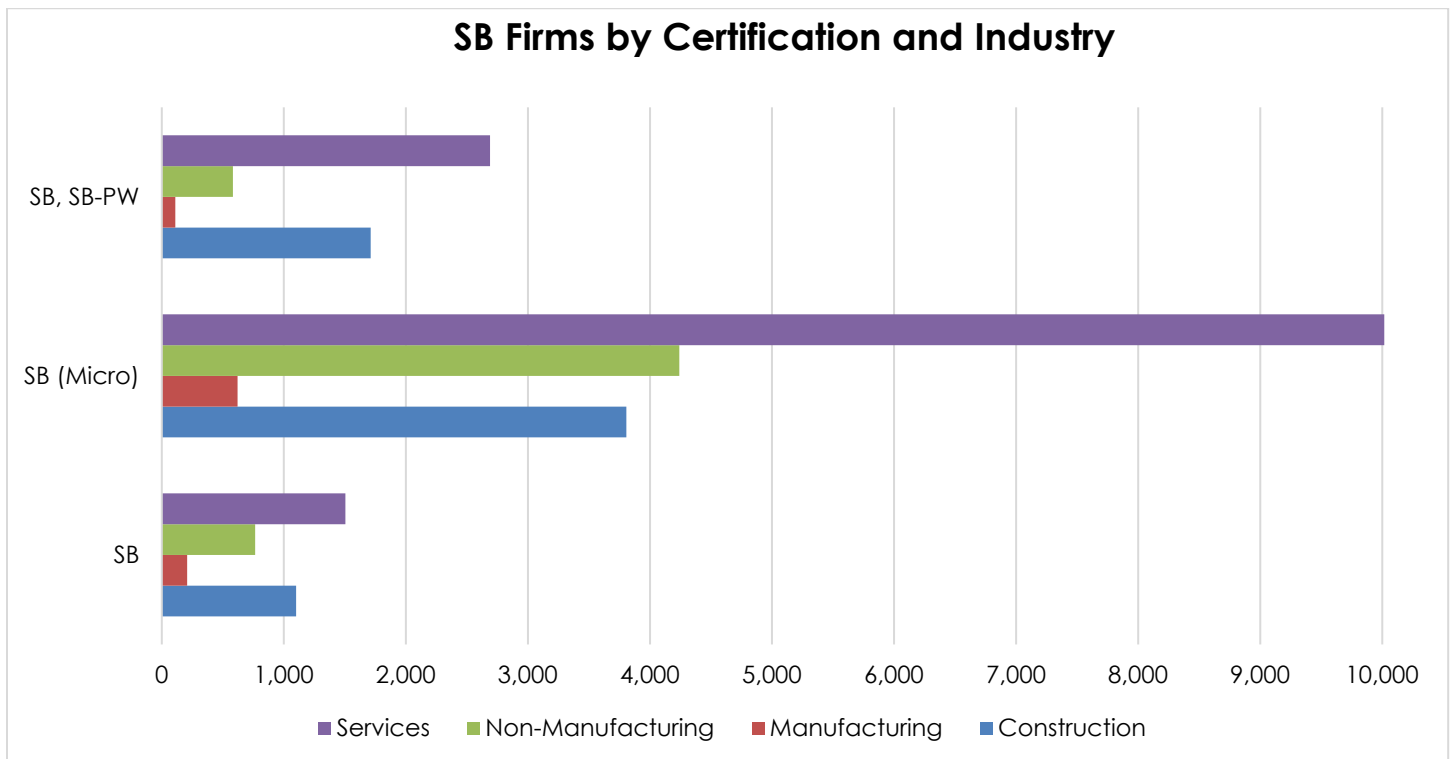
In 2020-21, the total number of Micros (including those with multiple certifications) was 17,438, representing nearly 85% of all 20,460 SB firms. Of all the Micros, almost 78% had no other certifications, while 8% had the DVBE certification and 12% had the SB-PW certification.

The relatively new SB-PW certification implemented in January 2019 reached 3,144 firms in 2020-21, up from 1,997 in 2019-20. Of these firms, 462 were exclusively SB-PW, while 2,682 included multiple certifications, and three in four SB-PWs were also Micros.

Micros' eligibility requirements include Gross Annual Receipts (GARs) of no more than 5 million and employee count of or less than 25. While SBs and Micros are not required to be certified as SB-PWs in order to be able to use their certification and participate in public works contracts, they can elect to apply for the SB-PW certification, since their GARs are well under the \$36 million GARs limit for SB-PW. However, once these firms graduate from the SB certification program and their GARs exceed the \$15 million but are less than the \$36 million, their SB-PW certification can be used only on public works contracts. SB-PW certification cannot be used on non-public works contracts and the credit toward SB participation cannot be counted.

Figure 3 below shows firms by certification and industry, as captured in DGS' SB/DVBE database.

**Figure 3. SB by Certification and Industry**

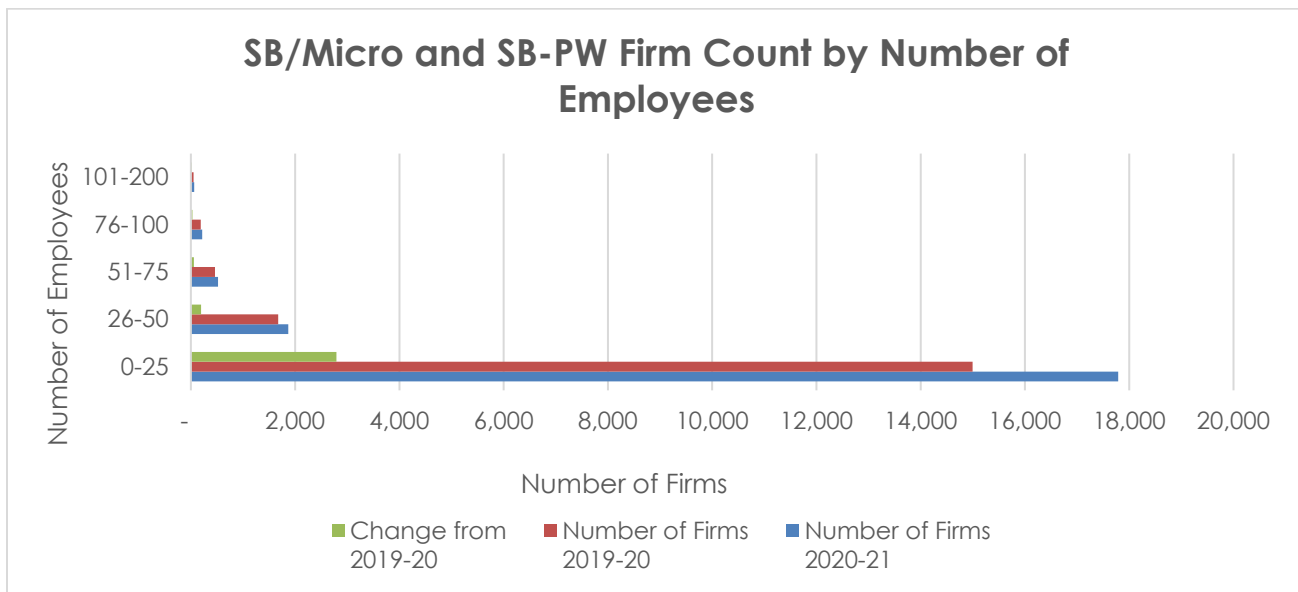


Services represent the most prevalent industry for all SB certifications, especially for the SB/Micro with 12,700 firms, followed by SB/SB-PW with 2,690 and SB-only with 1,505. Non-manufacturing and Construction are also significant for the Micro designation, with approximately 4,000 firms in each of the two industries. As was expected for SB/SB-PW, Construction follows Services with over 1,711 SB/SB-PW firms in this industry.



in state procurement and gained a stronger position in 2020-21 by receiving over \$1.8 billion (57.76%) of the total \$3 billion SB dollars in 2020-21.

**Figure 4. SB/Micro and SB-PW Firm Count by Number of Employees**



**D. Number of SBs and Micros Doing Business with the State in 2020-21 (New!)**

With the automation of the CAR, OSDS began capturing the number of unique certified firms that do business with the state either as prime contractors or subcontractors for the fiscal year. Table 10 shows the total number of unique SBs, by certification type, doing business with the state as a prime or subcontractor. In 2020-21, 5,069 SBs were awarded state dollars, 6% less than the 5,382 SBs awarded in 2019-20. Compared to 2019-20, there were fewer SB prime contractors awarded contracts, with the highest decrease in Micro primes at 544, and slightly more SB subcontractors with the highest increase in Micros.

**Table 10. Unique SB/Micro and SB-PW Firm Count Prime Contractors and Subcontractors**

| Certification Type | 2019-20 Prime | 2019-20 Sub | 2020-21 Prime | 2020-21 Sub |
|--------------------|---------------|-------------|---------------|-------------|
| SB Only            | 1,022         | 61          | 1,099         | 69          |
| SB/Micro           | 5,825         | 616         | 3,964         | 481         |
| SB-PW Only         | 34            | 4           | 65            | 8           |
| SB-PW/Micro        | 180           | 20          | 272           | 23          |
| <b>Totals</b>      | <b>7,061</b>  | <b>701</b>  | <b>5,400</b>  | <b>581</b>  |

Source: 2020-21 and 2019-20 CAR Data Validation Query (DVQ) using Certification ID, Prime, and Sub column.

Although the total number of prime contractors and subcontractors decreased in 2020-21, the CAR DVQ data shows that there were 1,226 new SB prime contractors and 223 new SB subcontractors doing business with the state compared to 2019-2020. This is an important dataset to watch in light of the recently passed Assembly Bill (AB) 1574, which requires departments to make continuous efforts to expand the pool of small businesses and

microbusinesses that participate in state contracts by regularly seeking out and identifying small businesses and microbusinesses that have not done business with the state and including them in their solicitations.

For data tables, see [Exhibit A](#).

## IV: DVBE Participation: Record-High Emergency Procurements Contributed to the State Not Meeting the DVBE Participation Goal for the First Time in 13 Years

### A: DVBE Participation Data

**The state could not meet the 3% DVBE participation goal in 2020-21 for the first time after meeting the DVBE goal 12 years in a row**, reaching only 2.45% in DVBE participation, less than 2019-20's 3.87%.

The state awarded \$21.23 billion in 2020-21, the highest award amount in the SB/DVBE program's recorded history and up by \$9.24 billion from 2019-20. The DVBE dollars awarded followed suit with a total of \$520 million, an increase of \$56 million from 2019-20. The number of DVBE contracts awarded in 2020-21 was 20,120, which was 2,774 contracts fewer than in 2019-20.

Table 11 below shows the total awarded cumulatively by the mandatory and voluntary departments at \$23.67 billion, with 2.45% DVBE participation for mandatory and 4.73% for voluntary departments.

**Table 11. DVBE Contracts by Reporting Department Type (dollars in millions) \***

| Departments       | Total Contract Dollars | DVBE Dollars | DVBE %       | DVBE Contracts |
|-------------------|------------------------|--------------|--------------|----------------|
| Mandatory (state) | \$21,225               | \$520        | 2.45%        | 20,120         |
| Voluntary         | \$2,447                | \$116        | 4.73%        | 1,326          |
| <b>Statewide</b>  | <b>\$23,672</b>        | <b>\$636</b> | <b>2.69%</b> | <b>21,446</b>  |

\* Rounding may cause totals in this table to vary slightly from the actual totals.

As shown in Table 12, the top five departments (by contract dollars) awarded \$15.31 billion in total, representing 72.12% of the total statewide awards, and awarded \$217 million to DVBEs, or 1.42% of the total statewide awards.

**Table 12. 2019-20 DVBE Participation for Top Five Awarding Mandatory Departments**

| Department of                                 | Contract Dollars        | DVBE Dollars         | DVBE %       |
|---|-------------------------|----------------------|--------------|
| Public Health (CDPH)                          | \$7,201,567,239         | \$32,681,957         | 0.45%        |
| Business and Economic Development (GO-Biz)    | \$2,468,677,007         | \$22,204             | 0.00%        |
| Resources Recycling and Recovery (CalRecycle) | \$2,202,459,930         | \$15,825,278         | 0.72%        |
| Transportation (Caltrans)                     | \$2,127,949,834         | \$84,481,272         | <b>3.97%</b> |
| Corrections & Rehabilitation (CDCR)           | \$1,306,178,618         | \$83,793,281         | <b>6.42%</b> |
| <b>Grand Total</b>                            | <b>\$15,306,832,628</b> | <b>\$216,803,992</b> | <b>1.42%</b> |

Percentages in bold, green color indicate that the DVBE participation goal was met or exceeded.

**Two of the top five spend departments – Caltrans and CDCR – met the DVBE participation goal**, while CDPH, GO-Biz and CalRecycle did not meet the DVBE participation goal.

Departments' inability to meet the DVBE participation goals is attributed to issues mentioned in [Section III: SB/Micro Participation](#). CDPH and CalRecycle cited emergency purchase exemptions and difficulty in finding appropriate specialized DVBE contractors as main reasons for not meeting the DVBE goal, while GO-Biz cited IBank services and small business grants administration as the main reasons.

Without these procurements:

- CDPH awarded \$81.9 million with a DVBE participation of 7.30%.
- GO-Biz awarded \$1.8 million with a DVBE participation of 1.24%.
- CalRecycle awarded \$519.8 million with a DVBE participation of 1.28%.

## B: DVBE Contracting Dollars by Activity

Table 13 compares total state awards and DVBE dollars for 2020-21 by contracting activity. Dollars awarded to DVBE for Non-IT Services were \$141 million, an increase of \$35 million, or 33.16% more than awarded in 2019-20 – but did not reach the 3% DVBE participation goal.

While Non-IT Goods, Construction, and IT (Goods & Services) exceeded the 3% participation goal, Non-IT Services and CAL-Card purchases only reached 0.86% and 2.30%, respectively.

Compared to 2019-20, in 2020-21 DVBE dollars increased in all contracting activities except Non-IT Goods and CAL-Card, with Non-IT Services experiencing the highest increase at 33.16%, followed by Construction at 27%, and IT Goods & Services at 9.36%.

**Table 13. DVBE Contracts from Mandatory Departments by Activity (dollars in millions) \***

| Contracting Activity  | Total Contract Dollars | Percent of Total | DVBE Dollars | DVBE Goal Percent |
|-----------------------|------------------------|------------------|--------------|-------------------|
| Services (Non-IT)     | \$16,349               | 77.03%           | \$141        | 0.86%             |
| Goods (Non-IT)        | \$1,420                | 6.69%            | \$138        | <b>9.71%</b>      |
| IT (Goods & Services) | \$1,778                | 8.38%            | \$137        | <b>7.69%</b>      |
| Construction          | \$1,597                | 7.53%            | \$103        | <b>6.43%</b>      |
| CAL-Card Data         | \$80                   | 0.38%            | \$2          | 2.30%             |
| <b>Totals</b>         | <b>\$21,225</b>        | <b>100.00%</b>   | <b>\$520</b> | <b>2.45%</b>      |

Percentages in bold, green color indicate that the DVBE participation goal was met or exceeded.

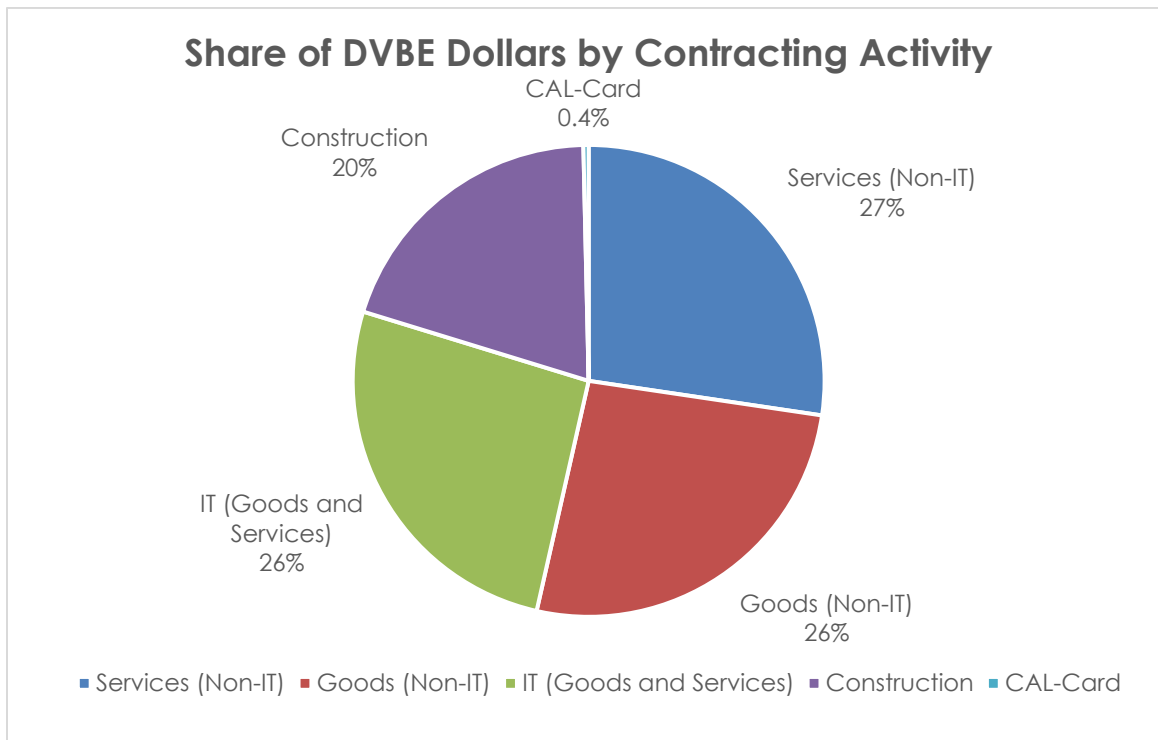
\* Rounding may cause totals in this table to vary slightly from the actual totals.

While the percentages in Table 13 show how much of the total dollars awarded went to DVBE in each contracting activity, Figure 5 below shows a percentage breakdown (share) of the \$520 million DVBE participation by contracting activity.



Figure 5 displays the largest share in Non-IT Services at approximately 27%, followed by Non-IT Goods and IT Goods & Services with a similar share at 26%. Construction and CAL-Card Data had the smallest shares at approximately 20% and 0.4%, respectively.

**Figure 5. DVBE Dollars by Contracting Activity**



### C: DVBE Firms by Certification Type, Industry and Number of Employees

At the end of the 2020-21 fiscal year, there were 2,070 certified DVBE firms (Table 14), 15.3% more than the 1,795 firms in the previous fiscal year. This increase could be attributed to the more than 6,500 COVID-related certification extensions granted in 2020, so that no firms expired from September 2020 to May 2021. Only 317 firms (or 15.31%) were certified as DVBE-only, while 1,753 (or 85%) had multiple certifications. Nearly 78% of DVBEs also had the SB (Micro) designation.

**Table 14. DVBE Firms by Certification Type**

| Certification Type      | Firm Count   | Percent of Total |
|-------------------------|--------------|------------------|
| DVBE only               | 317          | 15.31%           |
| DVBE, SB                | 90           | 4.35%            |
| DVBE, SB (Micro)        | 1,404        | 67.83%           |
| DVBE, SB-PW             | 26           | 1.26%            |
| DVBE, SB, SB-PW         | 16           | 0.77%            |
| DVBE, SB (Micro), SB-PW | 217          | 10.48%           |
| <b>Total</b>            | <b>2,070</b> | <b>100.00%</b>   |

Source: FI\$Cal Master Query for July 2021.



## D. The Number of DVBEs Doing Business with the State (New!)

With the automation of the CAR reporting in 2019, OSDS began capturing the number of unique DVBEs doing business with the state each fiscal year. Table 15 shows the total number of certified DVBEs doing business with the state either as DVBE prime contractors or DVBE subcontractors. A total of 1,151 DVBEs were awarded state dollars in 2020-21, 14% more than 1,009 DVBEs awarded in 2019-20.

**Table 15. Unique DVBE Firm Count as Prime Contractors and Subcontractors**

| Certification Type | 2019-20<br>Prime | 2019-20<br>Sub | 2020-21<br>Prime | 2020-21<br>Sub |
|--------------------|------------------|----------------|------------------|----------------|
| DVBE-SB            | 409              | 206            | 417              | 240            |
| DVBE               | 196              | 198            | 246              | 248            |
| <b>Totals</b>      | <b>605</b>       | <b>404</b>     | <b>663</b>       | <b>488</b>     |

Source: 2020-21 and 2019-20 CAR Data Validation Query (DVQ) using Certification ID, Prime, and Sub columns.

Compared to 2019-20, the CAR DVQ data show there were 126 new DVBE prime contractors and 96 new DVBE subcontractors. This data is important to watch and further analyze for transparency, compliance with AB 1574 (as the majority of DVBEs are also SBs), and to help address 2018 DVBE Audit concerns by making continuous and sustained efforts to increase the number of DVBEs receiving state contracts.

For data tables, see [Exhibit B](#).

## V: Consulting Services Contracting Activity

Public Contract Code Section 10111 within the State Contract Act requires state entities to report all consulting services contracts that are awarded, amended or completed during a fiscal year.<sup>3</sup> Consulting services contracts are services of an advisory nature, in which the final product is the transmittal of information in either written or verbal form.

Table 16 below shows the reported consulting services activity for 2020-21 for mandatory departments.

**Table 16. Consulting Services Contracts Reported in 2020-21 (dollars in millions) \***

| Contract Status | Number of<br>Contracts | Percent of Number of<br>Contracts | Dollar Amount |
|-----------------|------------------------|-----------------------------------|---------------|
| Awarded         | 830                    | 38.9%                             | \$1,055       |
| Amended         | 409                    | 19.2%                             | \$215         |
| Completed       | 892                    | 41.9%                             | \$845         |
| <b>Total</b>    | <b>2,131</b>           | <b>100.0%</b>                     | <b>-</b>      |

\*Rounding may cause totals in this table to vary slightly from the actual totals.

<sup>3</sup>Completed consulting services contracts reported may be awarded and/or amended in previous fiscal years.

The changes in mandatory departments' 2020-21 consulting services contracting activities when compared to 2019-20 include:

- Departments awarded and amended a total of 1,239 consulting services contracts, up from 1,149 in 2019-20. The awarded and amended contract dollars were at \$1.3 billion, much less than the prior year's \$2.13 billion.
- Departments completed 892 consulting services contracts this year, 345 more than the 547 from 2019-20, but at \$845 million, much less than the \$2.07 billion in 2019-20.
- For both mandatory and voluntary departments, consulting services contracts awarded and amended during 2020-21 were at \$1.5 billion, less than the prior year's \$2.3 billion.

Of all departments reporting, 34% did not report consulting services activities for 2020-21, comparable to 2019-20 when 30% had no such contracting activities to report.

For data tables, see [Exhibit C](#).

## VI: Promoting State Contracting with Small Businesses and Disabled Veteran Business Enterprises: the SB Option, the DVBE Option, and the DVBE Incentive

To further encourage the use of SBs and DVBEs for state contracts, departments may use the SB Option or the DVBE Option acquisition method by contracting directly with either a SB or DVBE firm after obtaining price quotes from either two or more SB or two or more DVBE firms.<sup>4</sup> This option applies for goods and services contracts greater than \$5,000 and less than \$250,000, or up to \$333,000 for public works contracts, and does not require following the state's formal competitive bidding and advertising requirements.

State law also requires awarding departments to apply a "DVBE Incentive" on all competitive procurements to provide an advantage for DVBE firms. For evaluation purposes only, the state shall apply an incentive to bids that commit to DVBE participation as identified on the Bidder Declaration. The incentive amount for awards based on low price will vary in conjunction with the percentage of DVBE participation.

Table 17 below shows the reported usage of the SB/DVBE Options and the DVBE Incentive for 2020-21.

**Table 17. SB/DVBE Option and DVBE Incentive Contracts for Mandatory Departments**

| Acquisition Method | Total Dollars<br>(in millions) | Number of Contracts |
|--------------------|--------------------------------|---------------------|
| SB Option          | \$230.8                        | 6,496               |
| DVBE Option        | \$18.1                         | 1,046               |
| DVBE Incentive     | \$245.5                        | 9,094               |

<sup>4</sup>As noted in Section VI, the SB Option and DVBE Option procurement methods are statutorily permitted by Government Code Sections 14838.5(a) and 14838.7(a).

Highlights of the SB/DVBE Options and the DVBE Incentive during 2020-21 include:

- Of the 141 mandatory reporting departments, 99 used the SB Option, and 64 used the DVBE Option. This was higher than the 98 departments using the SB Option and less than the 73 using the DVBE Option in 2019-20.
- SB Option dollars decreased considerably to \$230.8 million and 6,496 contracts compared to \$296 million and 8,008 contracts in 2019-20.
- DVBE Option dollars decreased considerably to \$18.1 million and 1,046 contracts from \$31.5 million and 1,321 contracts in 2019-20.
- State awards resulting from the DVBE Incentive increased to \$245.5 million but the number of contracts decreased to 9,094, compared to \$176.2 million and 9,613 contracts in 2019-20.

DGS will continue to promote the SB First Policy to state departments and strongly encourage the use of SB/DVBE options whenever feasible. Additionally, DGS will waive the SB/DVBE Option advertisement cost for departments that advertise SB/DVBE option contracts using Cal eProcure to achieve greater participation.

For data tables, see [Exhibit D](#).

## **VII: The Infrastructure Bond Acts of 2006 (I-Bond) SB Participation Goal is Exceeded**

Government Code Section 14838.1 (f) requires entities to report all contracting activity using the funds from the Infrastructure Bond Acts of 2006 (I-Bond) and mandates a 25% SB participation in construction of the state's infrastructure. State departments report the usage of I-Bond funds for the following bond acts:

- Air Quality, Highway Safety Traffic Reduction, and Port Security
- Disaster Preparedness and Flood Prevention
- Emergency Shelter Trust Fund and Housing
- Flood Control, River and Coastal Protection, Safe Drinking Water, Water Quality and Supply
- Kindergarten-University Public Education Facilities

State departments that do not meet this goal must submit a plan of action to increase SB participation in future fiscal years. Only three departments utilized I-Bond funds and one of them exceeded the SB participation achievement of 25%. Table 18 below shows the reported usage of I-Bond funds by the three reporting departments.

**Table 18. I-Bond Dollar Amounts with SB/Micro Participation**

| Department                     | Total Bond Dollars  | SB/Micro Dollars    | SB/Micro %    |
|--------------------------------|---------------------|---------------------|---------------|
| Coastal Conservancy            | \$124,893           | \$0                 | 0.00%         |
| Tahoe Conservancy              | \$8,784             | \$0                 | 0.00%         |
| Water Resources, Department of | \$37,420,000        | \$15,581,323        | 41.64%        |
| <b>Grand Total</b>             | <b>\$37,553,677</b> | <b>\$15,581,323</b> | <b>41.49%</b> |

The number of departments using I-Bond funding has steadily decreased over the past several fiscal years. Fiscal year 2013-14 was the last time more than 10 departments used the I-Bond funds. In 2020-21, only three departments reported use of I-Bond funds. Overall, the state achieved 41.49% SB participation in I-Bond projects in 2020-21. The minimum 3% DVBE participation goal is not mandated in the Infrastructure Bond Acts of 2006.

For data tables, see [Exhibit E](#).

### **VIII: Ethnicity, Race, Gender and Sexual Orientation (ERGSO)**

Public Contract Code Section 10111(f) encourages businesses contracting with the state to voluntarily provide information on the business owner's ERGSO.

Departments are required to report to DGS on the ERGSO of business owners who voluntarily provide such information. Awarding departments are required to send a Voluntary Statistical Data Sheet (VSDS) to every business owner who is awarded a contract. The ERGSO report is an accumulation of all voluntary VSDS forms that are returned to state departments by businesses participating in contracts.

ERGSO data is captured for goods, services, and construction. The same contract may be reported in more than one classification. As an example, a business owner may indicate more than one race and ethnicity classification for a contract. However, when multiple boxes are selected by the business submitting a VSDS, it is unclear if the preparer is reporting these categories for the owner(s), employees, the customers they serve, or a combination thereof.

Departments continued to report that many VSDS forms are not returned by business owners, with only 56.32% of the departments having data to report in 2020-21, a slight increase when compared to last year.

To help facilitate better reporting of this voluntary information, DGS is embarking on an effort to explore and develop an online voluntary ERGSO Survey in FI\$Cal for owners of businesses contracting with the state. The online solution will be designed to preserve confidentiality of responses and make the voluntary survey easier to complete for owners of businesses.

Below are data highlights as voluntarily reported by the business community:

- **The Ethnicity classification contains the following categories: Asian-Indian, Black, Hispanic, Native American, Pacific Asian, and Other.**

- Respondents identifying as Hispanic reported the largest contract dollars awarded overall at \$25 million, of which 97% was in Services.
- Respondents selecting the Other and Asian-Indian classifications followed with \$12 million and \$16 million, respectively, with the majority of dollars awarded in Services.
- **The Race classification contains the following categories: American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, White, and Other.**
  - Respondents identifying as White reported as receiving the top dollars overall at nearly \$55 million, of which \$46 million was in Services; those selecting the Other race classification followed with \$15 million, of which \$13 million was in Services.
  - Respondents identifying as Asian came in third on overall reported dollars at almost \$13 million, of which 96%, or \$12 million, was in Services.
  - Respondents identifying as African American reported \$296,088 overall, of which 81% was in Services.
- **The Gender classification contains the following categories: Female, Male, and Transgender.**
  - Respondents identifying as Male reported receiving the most dollars in all categories at \$51 million, with \$42 million in Services and \$6 million in Goods.
  - Respondents identifying as Female reported receiving \$34 million overall, with \$29 million in Services and \$3 million in Construction.
  - Respondents identifying as Transgender, added to the report in 2018, reported \$167,609 overall, entirely in the Services category.
- **The Sexual Orientation classification contains the following categories: Lesbian, Gay, and Bisexual.**
  - Respondents identifying as Bisexual reported receiving the most overall dollars at nearly \$8.54 million, with \$8.53 million in Services. Those identifying as Gay reported receiving \$358,301 and those identifying as Lesbian reported \$1,525.

Due to the complexity of defining and reporting race and ethnicity (as some business owners identify with more than one race or ethnicity), and the fact that just over 56.32% of reporting departments had data to report in 2020-21, this report may not be representative of all the business owners contracting with the state; therefore, caution is strongly advised when analyzing, interpreting or using the data in the 2020-21 ERGSO report. Public Contract Code Section 2051 defines ethnicity classifications and Public Contract Code Section 10111 requires state agencies to report the participation levels in contracts by ERGSO of the business owner, to the extent that the information has been voluntarily reported to awarding departments.

For data tables, see [Exhibit F](#).

## IX: Glossary of Terms

### Definitions

|                                 |  |
|---------------------------------|--|
| Consulting services             | Services of an advisory nature where the final product is a transmittal of information either written or verbal. |
| Mandatory reporting departments | Departments that are under Department of General Services' statutory purchasing authority.                       |
| Statewide departments           | All state departments (both mandatory and voluntary).  |
| Voluntary reporting departments | Departments that are not under Department of General Services' statutory purchasing authority.                   |

### Acronyms

|         |  |
|---------|--|
| CalVet  | California Department of Veterans Affairs                                  |
| CAR     | Consolidated Annual Report   |
| DGS     | California Department of General Services                                  |
| DVBE    | Disabled Veteran Business Enterprise                                       |
| ERGSO   | Ethnicity, Race, Gender and Sexual Orientation                             |
| FI\$Cal | Financial Information System for California                                |
| I-Bond  | Infrastructure Bond Acts of 2006   |
| Micro   | Microbusiness  |
| OSDS    | Office of Small Business and Disabled Veteran Business Enterprise Services |
| PCC     | Public Contract Code   |
| SARA    | State Agency Recognition Awards  |
| SB      | Small Business   |
| SB-PW   | Small Business for the purpose of Public Works                             |
| VSDS    | Voluntary Statistical Data Sheet   |



## **X: Exhibits**

- [Exhibit: Executive Summary - SB/DVBE participation by Agency](#)
- [Exhibit: Executive Summary - Emergency and Non-Emergency Spend](#)
- [Exhibit A: Small Business \(SB\) Participation](#)
- [Exhibit B: Disabled Veteran Business Enterprise \(DVBE\) Participation](#)
- [Exhibit C: Consulting Services Contracting Activity](#)
- [Exhibit D: SB Option, DVBE Option and DVBE Incentive](#)
- [Exhibit E: I-Bond Funds](#)
- [Exhibit F: Ethnicity, Race, Gender and Sexual Orientation Report \(ERGSO\)](#)
- [Exhibit G: Other - Departments, Boards, or Commissions not under any state agency](#)