FISCAL YEAR 2014-15

STATEWIDE CONSOLIDATED ANNUAL REPORT

DGS

Prepared By:

Office of Small Business and DVBE Services

California Department of General Services

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I: Overview

"The small business program, the advocacy program, is critical to companies like ours. You [department advocates] have provided our organization with increased business opportunities…My deep thanks to all of you for all you do and for all that you helped us achieve."
—Sean Hansen, Kiefer Consulting

California's economy is largely driven by small businesses as they "make up 99.2 percent of all employers in the state. Firms with fewer than 100 employees have the largest share of small business employment (36 percent of all businesses in California)."[1] In addition, 84 percent of certified disabled veteran business enterprises (DVBEs) are also certified as small businesses/microbusinesses (SBs/MBs). These businesses' participation in the state's $10 billion annual award of contracts is vital to California's economy.

Every year, the Department of General Services publishes the Consolidated Annual Report (CAR) on contracting dollars that state departments award to certified SBs and DVBEs.[2] Statistical data contained in the CAR was consolidated from 154 individual reporting departments. The minimum goals of 25 percent SB/MB and 3 percent DVBEs, respectively, were established by the governor's Executive Orders S-02-06 and D-43-01 and the Military and Veterans Code (MVC). The statutory requirement for the minimum 3 percent DVBE goal is cited in MVC Sections 999(a), 999.1(a), 999.2(a), and Public Contract Code Section 10115(c).

The CAR contains five separate sections with information from the following forms:

- SB/MB and DVBE Contracting Activity (Form 810).
- Consulting Services Contracting Activity (Form 810C).
- SB/MB and DVBE Option and DVBE Incentive (Form 810S).
- SB/MB and DVBE Participation in Infrastructure Bond Acts of 2006 (Form 810A).
- Ethnicity, Race, Gender and Sexual Orientation State Contracting Activity (Form 810E).

If you have any questions about this CAR, contact OSDS Reports at: OSDSReports@dgs.ca.gov *or* (916) 375-3115.

[1] U.S. Small Business Administration, "Small Business Profile: California," (February 2015).

[2] Prepared annually pursuant to the Public Contract Code Section (PCC) 10111 and Government Code Section 14838.1(f).

II: Summary

1: Statewide Participation

Statewide departments consist of mandatory and voluntary departments. There are 154 mandatory state departments that are required to report and another 31 state departments that report voluntarily. Eighty-two percent of statewide departments submitted a CAR, which is an increase of 2 percentage points over last fiscal year. Statewide departments awarded over $10 billion in contracts with $2.4 billion going to SBs/MBs and over $407 million going to DVBEs. Participation achievements were 23.31 percent for SBs/MBs and 4.04 percent for DVBEs.

The statewide achievements are broken down by mandatory and voluntary departments (See Glossary for definitions).

Over 495,000 contracts awarded statewide contained SB/MB participation (Table 1).

Table 1: SB/MB dollar amount, participation, and number of contracts awarded by department type.

FY 2014-15 SB/MB Contracting Activity (Dollars in millions)				
Fiscal Year	Total Contract Dollars	SB/MB Dollars	SB/MB %	Total SB/MB Contracts
Mandatory	$8,117	$2,079	25.61%	482,707
Voluntary	$1,967	$273	13.86%	12,640
Statewide	**$10,084**	**$2,351**	**23.31%**	**495,347**

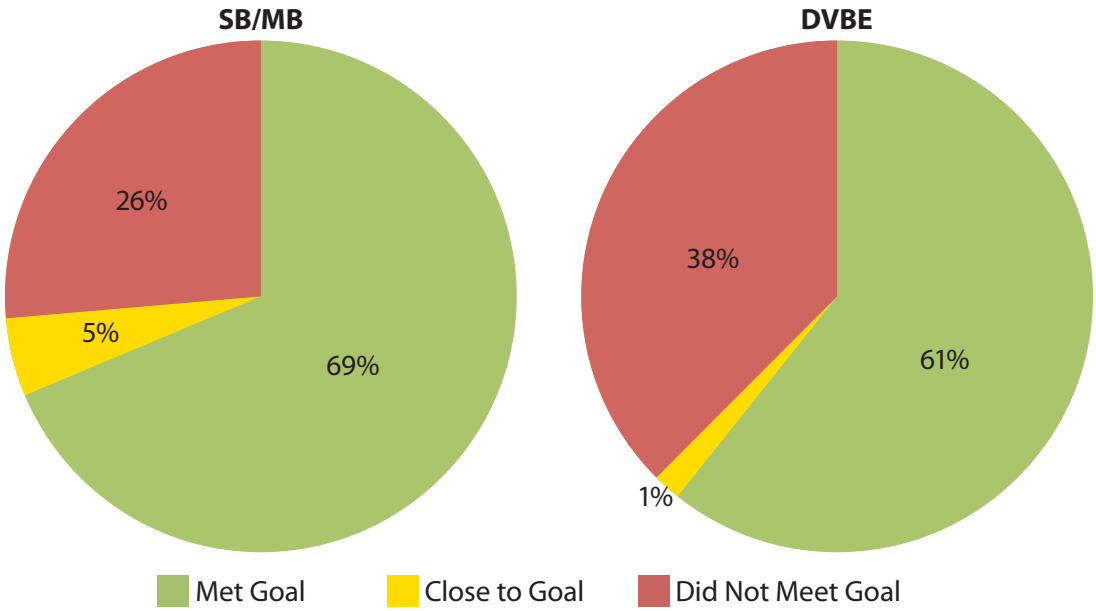
Statewide DVBE contracting participation surpassed the 3 percent goal and over 339,000 contracts were awarded to DVBEs (Table 2).

Table 2: DVBE dollar amount, participation, and number of contracts awarded by department type.

FY 2014-15 DVBE Contracting Activity (Dollars in millions)				
Fiscal Year	Total Contract Dollars	DVBE Dollars	DVBE %	DVBE Contracts
Mandatory	$8,105	$314	3.87%	337,872
Voluntary	$1,968	$93	4.75%	2,036
Total	**$10,073**	**$407**	**4.04%**	**339,908**

The SB/MB and DVBE participation goals were achieved for mandatory departments overall. Individual mandatory departments achieved (Figure 1) 74 percent and 62 percent of departments either achieved or were close to achieving the SB/MB and DVBE goals, respectively.[3]

Figure 1: Percentage of mandatory departments that achieved various levels of participation.



An increased percentage of departments are achieving the SB and DVBE goals over last fiscal year. Mandatory departments' achievements can be attributed to the increasing number of individual departments reaching their goals.

Detailed data tables are located in Appendix A.

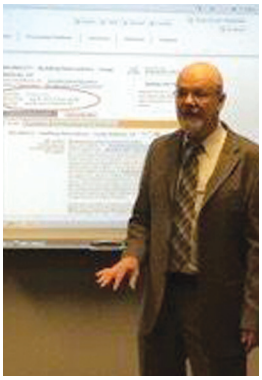
[3] Within 10 percent of achieving participation goal. For DVBE, less than 3 percent and greater than or equal to 2.7 percent. For SB/MB, less than 25 percent and greater than or equal to 23 percent.

2: What Does DGS Do to Help with SB/DVBE Participation?

Annually, General Services implements various strategies to assist departments in achieving their contract participation goals.

- This year, General Services conducted 183 outreach events and worked in partnership with Department of Veterans Affairs (CalVet) to increase the number of certified DVBEs.
- During 2014-15, General Services and CalVet held meetings to offer assistance to six departments that did not achieve their SB or DVBE goals. These meetings were held with the following departments:
  - Air Resources Board
  - CAL FIRE
  - California Energy Commission
  - Department of Child Support Services
  - Department of Health Care Services
  - Department of Toxic Substances Control

  Subsequent follow-up meetings have been held to monitor progress on their Improvement Plans. All departments except Department of Health Care Services improved their SB/MB participation over last fiscal year.



- General Services SB/DVBE Advocates continue to encourage departments to achieve the participation goals. The target group will continue to be those departments with the largest contract dollars that do not achieve participation goals. Each are encouraged to adhere to Improvement Plans designed to promote achieving participation goal.
- General Services recognizes the challenges departments encounter due to the lack of certified SB/DVBE businesses in highly specialized fields. General Services will continue to promote opportunities for certified firms and encourage other businesses to become certified. In addition, public education will continue to stimulate interest in the certification programs.
- General Services encourages state departments to conduct focused outreach consistent with SB 1045 (2001). Departments are encouraged to incorporate focused outreach into their general outreach as part of their public contracting and commitment to diversity.

III: Small Business (SB) and Microbusiness (MB) Participation

Overall, the SB/MB 25 percent participation goal has been surpassed by mandatory reporting departments. This can be attributed to two of the top three spending departments achieving the participation goal. The SB/MB participation was achieved in goods (non-IT) and CAL-Card individual activity categories. Also, the number of certified SBs/MBs has increased over last fiscal year. This allows for more opportunities for contracting with SBs/MBs, which aids in achieving and surpassing the 25 percent goal.

SB/MB Participation

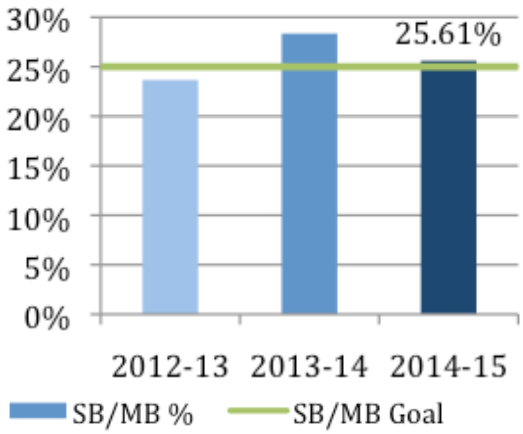


Figure 2: SM/MB three-year participation for mandatory departments.

1: Participation Data

Mandatory reporting departments achieved 25.61 percent participation for SB/MB (Figure 2). While it is a 2.74 percentage point decrease over last fiscal year, it is the second year in a row that the SB/MB participation goal has been achieved.

Top Five Mandatory Departments Influencing Overall Statewide Participation

Almost 70 percent of all mandatory contract dollars are awarded by five large departments. These top departments were determined based on total contract dollars. The state's collective ability to achieve the 25 percent participation goal is largely impacted by the five departments (Table 3).

Three out of the top five departments achieved their goals for the fiscal year.

The two departments that did not achieve the 25 percent participation goal—Department of Health Care Services (DHCS) and California High-Speed Rail Authority (CHSRA)—submitted Improvement Plans stating the reasons for their inability to achieve the goals and recommending strategies they plan to improve participation.

Detailed SB/MB participation achieved on department and agency level is located in Appendix A.

Top 5 Mandatory Reporting Departments (in millions)

Department	Contract $	SB/MB $	SB/MB %
Health Care Services	$1,714	$19	1.13%
Transportation	$1,230	$349	28.40%
Corrections & Rehabilitation	$1,033	$333	32.25%
High-Speed Rail Authority	$821	$168	20.51%
State Hospitals	$814	$471	57.87%

Table 3: Top five mandatory departments.

2: SB and MB Contracting Dollars by Activity

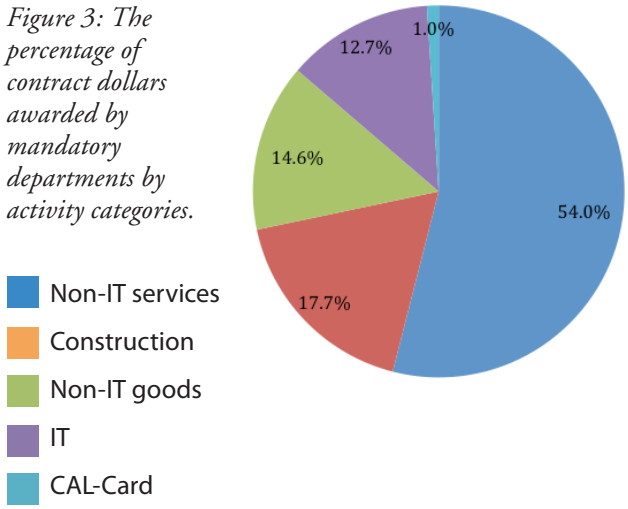
Total contract dollars are divided into five categories:

- Non-IT goods
- CAL-Card data
- Construction
- IT (goods and services)
- Non-IT services

Out of these five activity categories, Non-IT Services accounts for over half of total mandatory contract dollars awarded (Figure 3).

Small businesses were awarded in excess of 25 percent of total dollars in the non-IT goods and CAL-Card activity categories. The other activity categories came within 2.5 percent of achieving participation goals.

Figure 3: The percentage of contract dollars awarded by mandatory departments by activity categories.



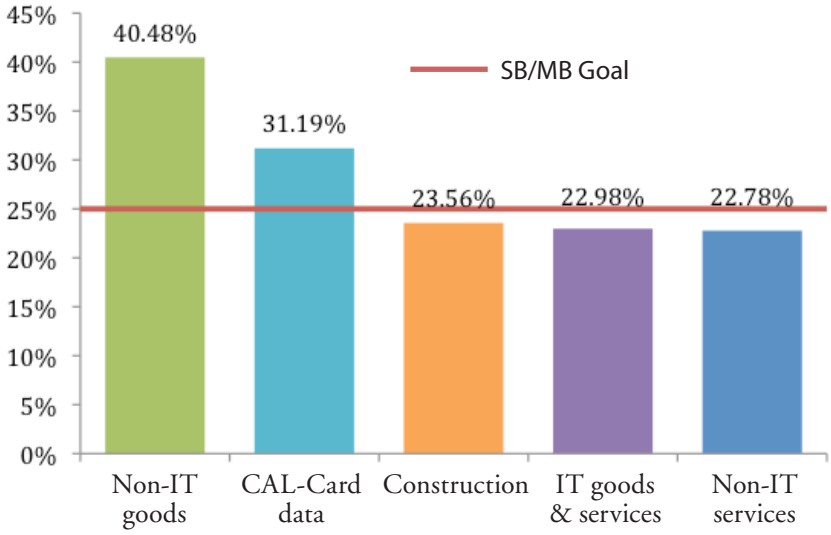


Figure 4: Percentage of SB/MB participation for mandatory departments by activity categories.

3: SB and MB by Employee Count

In 2014-15, SB/MBs increased to 26,154 firms, which is an increase of 4,736 or 22.11 percent (Figure 5).

All employee ranges increased in number of firms over last fiscal year.

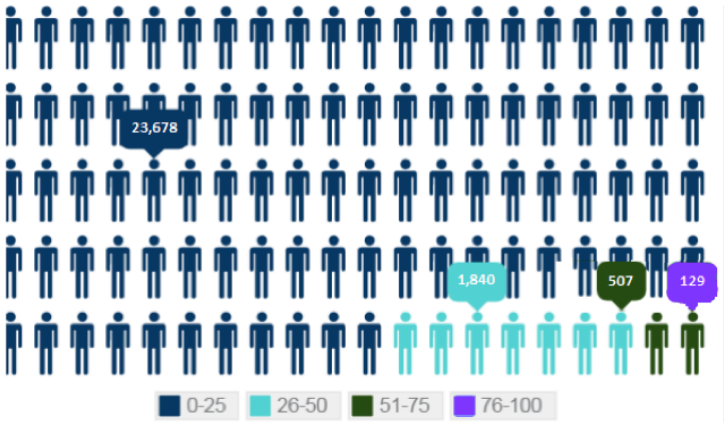
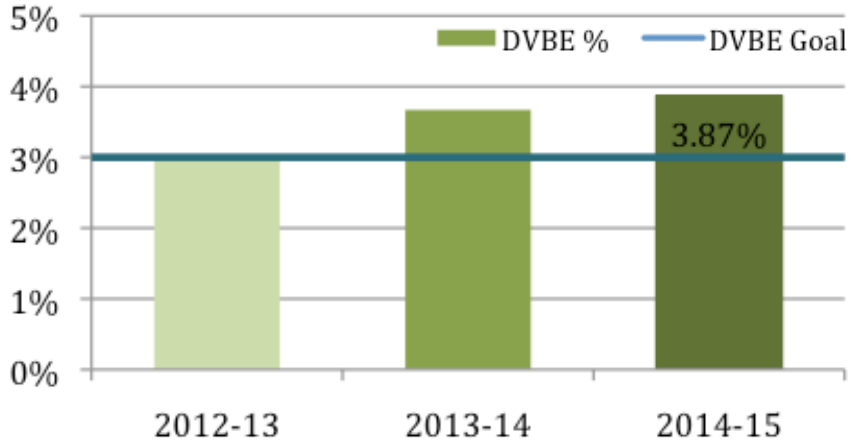


Figure 5: Number of SB and MB firms by number of employees.

IV: Disabled Veteran Business Enterprise (DVBE) Participation

Overall, the DVBE 3 percent participation goal has been surpassed by both mandatory and voluntary reporting departments. This marks the sixth consecutive year the goal was met. This can be attributed to many of the top departments achieving the participation goal. The DVBE participation was achieved in all activity categories except non-IT services and CAL-Card. Further review of DVBE firms in non-IT services needs to be conducted in order to determine the reason for low participation. The number of DVBEs has increased over last fiscal year. This allows for more opportunities for contracting with DVBEs, which aids in achieving and surpassing the goal.

Figure 6: Three year DVBE participation for mandatory departments.



1: Participation Data

Mandatory reporting departments achieved 3.87 percent participation for DVBE; that is a 0.2 percentage point increase over last fiscal year.

Top Five Mandatory Departments Influencing Overall Statewide Participation

Almost 70 percent of all mandatory contract dollars are awarded by five large departments. These top departments were determined based on total contract dollars. The state's collective ability to achieve the 3 percent participation goal is largely impacted by these five departments (Table 4).

Three out of the top five departments achieved their goals for the fiscal year. The two departments that did not achieve the participation goal—Department of Health Care Services (DHCS) and Department of State Hospitals (DSH)—submitted Improvement Plans stating the reasons for their inability to achieve goals and recommending ways they plan to improve participation, as follows:

Top 5 Mandatory Reporting Departments (in millions)			
Department	**Contract $**	**DVBE $**	**DVBE %**
Health Care Services	$1,714	$7	0.38%
Transportation	$1,230	$47	3.83%
Corrections & Rehabilitation	$1,021	$41	4.01%
High-Speed Rail Authority	$821	$26	3.12%
State Hospitals	$814	$15	1.88%

Table 4: Top five mandatory departments, based on total contract dollars.

- Large medical/dental services contracts.
- Hospital-related personnel services.

PCC 10115.11 exempts California Department of Corrections and Rehabilitation (CDCR) from reporting inmate day labor contracts and medical expenses for DVBEs; therefore total contract dollars for DVBE will be lower than SB/MB.

Detailed DVBE participation achieved on department and agency level is located in Appendix B.

2: DVBE Contracting Dollars by Activity

Total contract dollars are divided into five sections:

- IT (goods and services)
- Construction
- Non-IT goods
- Non-IT services
- CAL-Card data

Out of these activity categories, Non-IT services accounts for over half of total mandatory contract dollars awarded (Figure 7).

DVBE contract awards exceeded the 3 percent goal in all activity categories, except non-IT services and CAL-Card.

Figure 7: The percentage of contract dollars awarded by mandatory departments by activity categories.

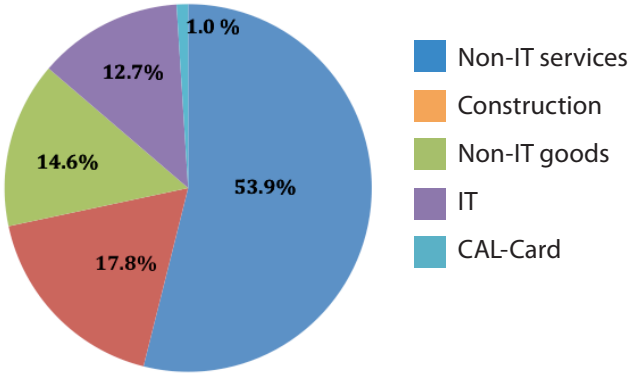
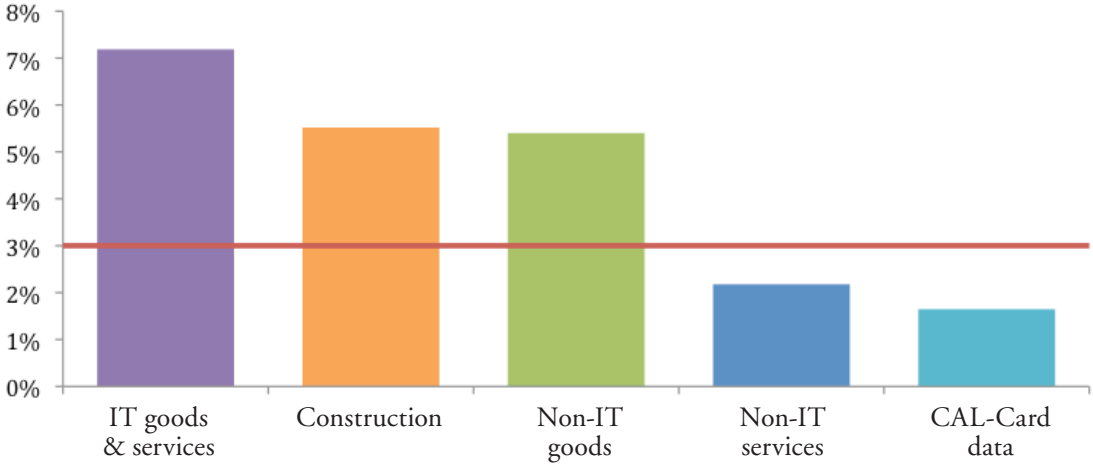


Figure 8: Percentage of DVBE participation by activity (mandatory departments).



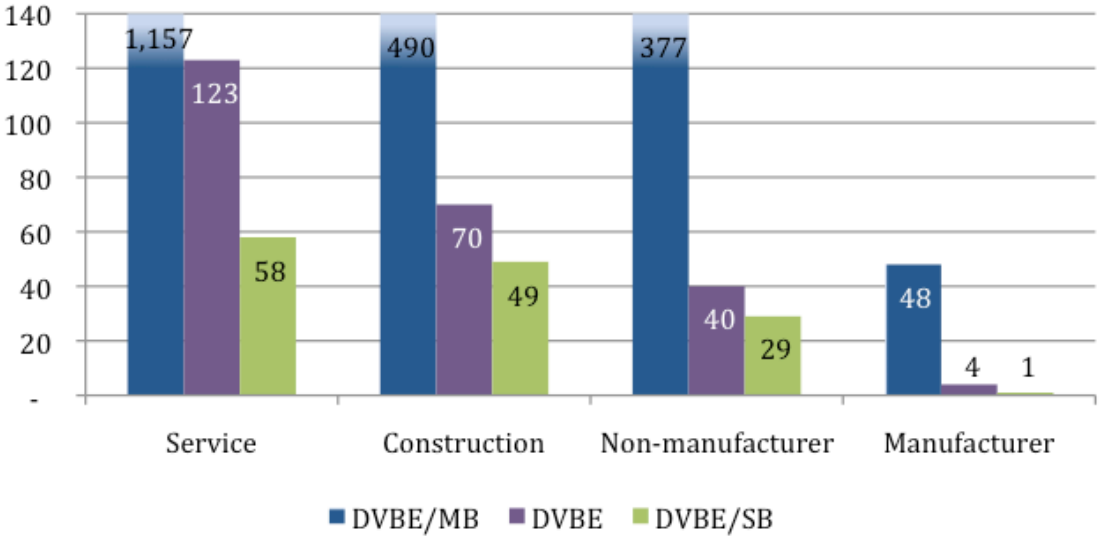
Non-IT services account for over half of total contract dollars yet this category has one of the lowest DVBE participation achievements.

3: Certified Firms by Industry

In 2014-15, there were 1,818 certified DVBE firms. Some DVBEs are active in more than one industry, so the firm count by business type is not equal to the total number of firms in each industry.

The majority of DVBEs are within the service and construction industries (Figure 9).

Figure 9: Number of DVBE firms by industry type.



Firms that are dual certified as DVBE and MB account for approximately 84 percent of DVBEs (Table 5).

Table 5: DVBEs by certification type and industry.

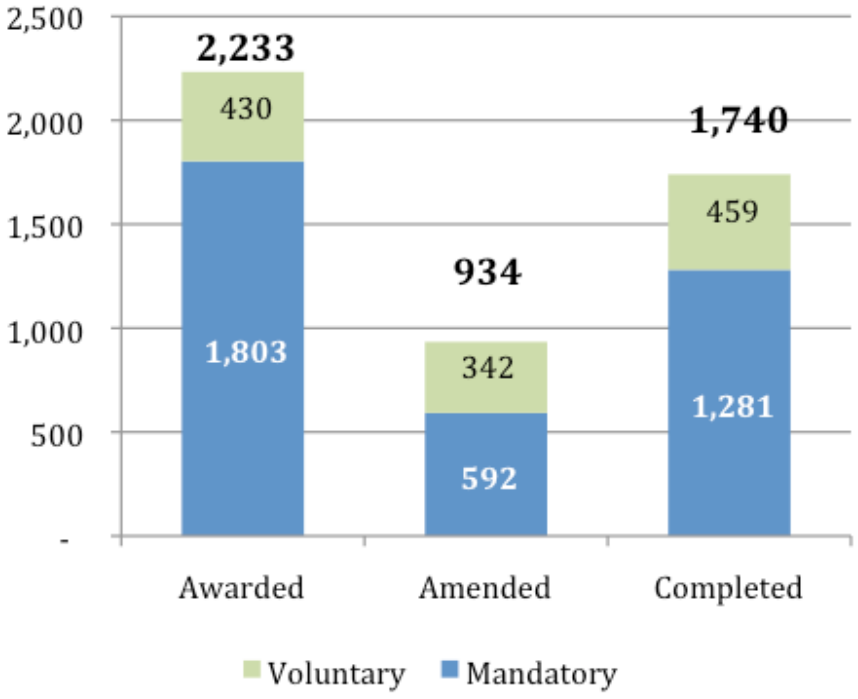
DVBE by Certification Type		
Certification Type	**Firm Count**	**%**
DVBE Only	187	10.29%
DVBE/SB	101	5.56%
DVBE/MB	1,530	84.15%
Total	**1,818**	**100.00%**

V: Consulting Services Contracting Activity

Departments report consulting service contracts that were awarded, amended and completed during this fiscal year.

Over 80 percent of the consulting service contracts awarded this fiscal year were reported by mandatory departments (Figure 10). The number of contracts awarded increased by 21 percent over last fiscal year.

Figure 10: Number of consulting services contracts awarded, amended and completed.



From the departments that reported, 26 percent stated they had no consulting services activities for this fiscal year.

Detailed consulting services contract information by department is located in Appendix C.

VI: SB/MB and DVBE Option

The SB/MB and DVBE Option procurement method is statutorily permitted by Government Code Sections 14838.5(a) and 14838.7(a). Departments may use the SB/MB and DVBE Option by contracting directly with SB or DVBE firms after obtaining price quotes from at least two such firms. This option applies for contracts greater than $5,000 and less than $250,000, and up to $281,000 for public works contracts.

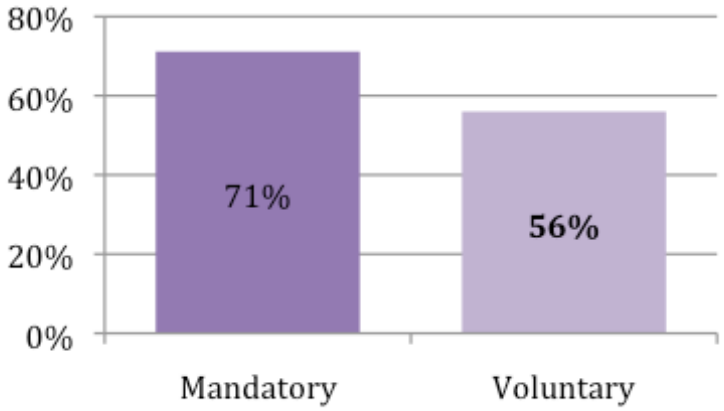
Table 6: Dollar amount and number of contracts that used the SB/MB and DVBE Option.

SB/MB & DVBE Option (dollars in millions)	Dollars	Number of Contracts
Mandatory	$515	22,240
Voluntary	$17	434
Total	**$531**	**22,674**

The dollar amount awarded using the SB/MB and DVBE Option by all state departments has increased by 43 percent over last fiscal year.

The SB/MB and DVBE Option was used by 71 percent and 56 percent of mandatory and voluntary departments, respectively (Figure 11).

Figure 11: Percentage of departments that used the SB/MB and DVBE Option.



Detailed SB/MB and DVBE Option information by department is located in Appendix D.

VII: SB and DVBE Infrastructure Bond Acts of 2006 (I-Bond)

State departments report the use of I-Bond funds for the following Bond Acts:

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

Each department is required to achieve a 25 percent SB/MB participation goal in contracts financed with I-Bond funds. State departments that did not meet this goal must submit a plan of action to increase SB/MB participation in future fiscal years. The SB/MB goal was not achieved collectively for mandatory departments (Table 7).

I-Bond (dollars in thousands)	Contract Dollars	SB/MB Dollars	SB/MB %
Departments with I-Bond funding	$6,963	$1,596	22.92%
Total	**$6,963**	**$1,596**	**22.92%**

Table 7: I-Bond funding dollar amount and SB/MB participation.

The number of departments using I-Bond funding decreased over the past several years (Figure 12).

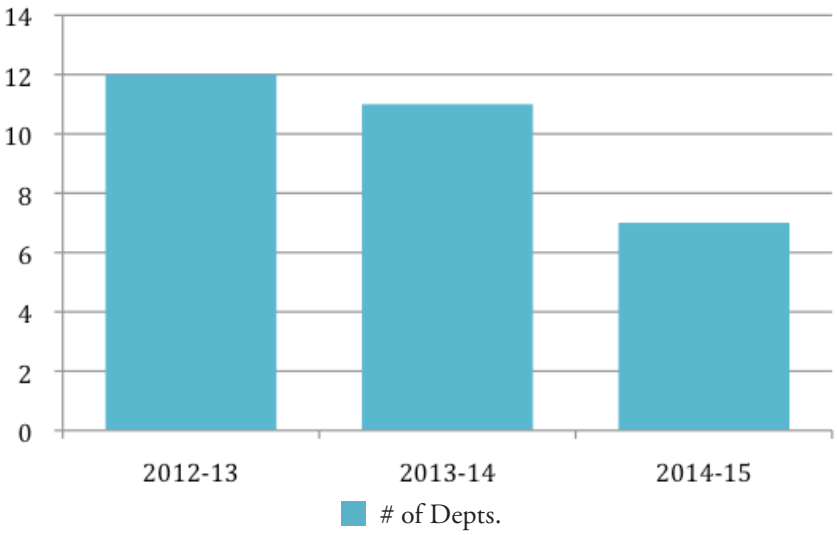


Figure 12: Number of departments that used I-Bond funds.

Detailed I-Bond information by department is located in Appendix E.

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

Departments are required to report on the ethnicity, race, gender and sexual orientation 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 is a compilation of all VSDS' that are returned to departments.

PCC Section 10111(f) requires business owners to voluntarily provide information on the business owner's race, ethnicity, gender and sexual orientation. The reported amounts in each classification are as follows:

- Ethnicity $163 million
- Race $167 million
- Gender $900 million
- Sexual orientation $996,000

For 2014-15, the highest amount reported was in the gender classification ($900 million representing nine percent of total spent statewide) while reporting in the other classifications lagged behind.

ERGSO data is captured for the following categories:

- Services $976 million
- Goods $144 million
- Construction $112 million

Departments continue to report that many VSDS forms are not returned by business owners. Due to the anonymity, multi-category reporting and the low rate of return of the VSDS, the ERGSO data has an undetermined reliability. Therefore DGS cautions against drawing any conclusions based on the limited data reported by departments.

Furthermore, the same contract may be reported in more than one classification. As an example, a business owner may indicate gender and ethnicity classifications for a contract. When multiple boxes are selected by the business submitting the VSDS, it is unclear if the preparer is reporting these categories for the owner(s), employees, the customers they serve, or a combination.

For the ethnicity classification, Asian-Indian accounts for over 51 percent of reported dollar amounts. For the race classification, White accounts for 66 percent of reported dollar amounts (Figure 13).

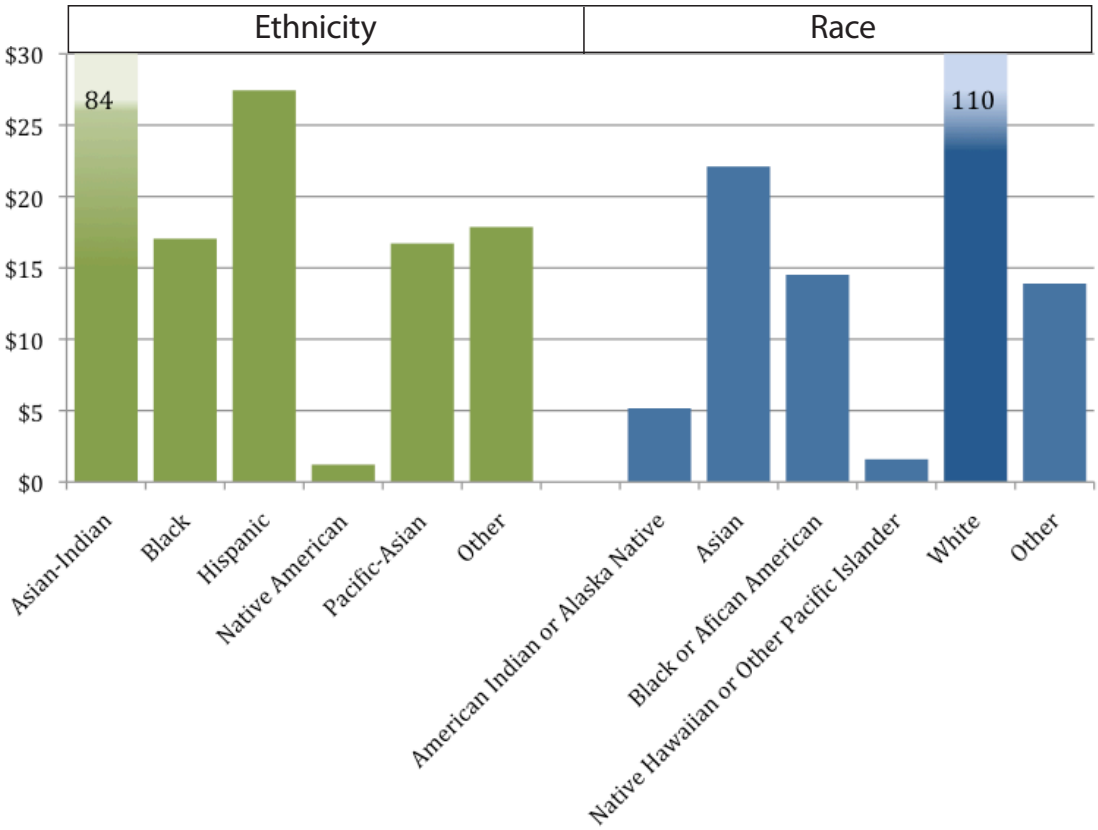


Figure 13: Statewide reported dollars awarded to business owners by ethnicity and race.

For the gender classification, 95 percent of reported dollar amounts were awarded to males; 5 percent to females; and only 0.02 percent was awarded to transgender (Figure 14).

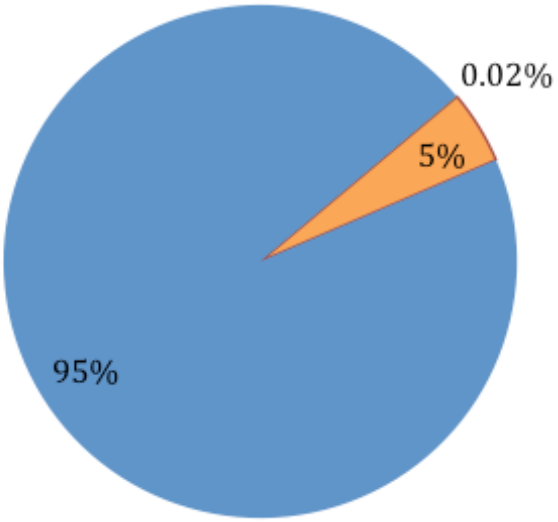


Figure 14: Percentages of statewide reported dollars awarded by gender.

- Female
- Male
- Transgender

For the sexual orientation classification, the distribution of dollars was fairly even to all three categories. Both gay and bisexual categories received 39 percent and lesbian received 22 percent.

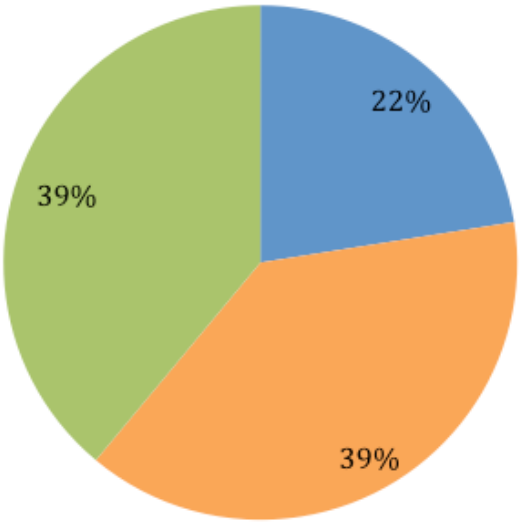


Figure 15: Percentages of statewide reported dollars awarded by sexual orientation (lesbian, gay and bisexual).

- Lesbian
- Gay
- Bisexual

Detailed ERGSO information by category is located in Appendix F.

IX: Glossary of Terms

Definitions

Mandatory departments	Departments that are under Department of General Services' statutory purchasing authority.
Voluntary departments	Departments that are not under Department of General Services' statutory purchasing authority.
Statewide departments	All state departments (mandatory and voluntary).

Acronyms

CalVet	California Department of Veterans Affairs
CAR	Consolidated Annual Report
CDCR	California Department of Corrections and Rehabilitation
DHCS	Department of Health Care Services
DVBE	Disabled Veteran Business Enterprise
DWR	Department of Water Resources
ERGSO	Ethnicity, Race, Gender and Sexual Orientation
DGS	California Department of General Services
I-Bond	Infrastructure Bond Acts of 2006
MB	Microbusiness
MVC	Military and Veterans Code
PCC	Public Contract Code
SB	Small Business
VSDS	Voluntary Statistical Data Sheet

X: Appendices