

Date of Hearing: April 26, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 2019 (Petrie-Norris) – As Introduced February 14, 2022

**SUBJECT:** Small and disadvantaged business enterprises

**POLICY FRAME:** California’s dominance in many economic areas is based, in part, on the significant role small businesses play in the state’s \$3.1 trillion economy. Two separate studies, one by the US Census Bureau and another by the Kaufman Foundation, found that net job growth was strongest among businesses with less than 20 employees. Among their many other advantages, small businesses play a pivotal role within the state’s domestic and international supply chain, meet the niche needs of California businesses and consumers, and provide many women and people of color with avenues to upward mobility and economic independence.

In the most recent Survey of Small Business Owners, there was a 27.5% increase in women-owned businesses between 2007 and 2012, compared to a 7.9% increase in businesses owned by men and a -45.8% decrease in firms owned equally by men and women. Women-owned businesses also experienced the greatest increase in the number of people they employed and wages paid. Hispanic women had the greatest increase in the number of business owners (89%), followed by female Black-Owned businesses (67.5%) and female Asian American-owned businesses (44.3%).

While the number of women and minority-owned businesses are increasing, it has not seen a comparable shift in the demographic make-up of the state’s procurement participants. For example, according to the most recent report, business owners who self-identified their gender as “Male” received the most dollars in all contracting categories receiving \$82 million (74.5%) in contracts. Business-owners who self-identified their race as “White” reported receiving the largest contract dollars overall, receiving nearly \$79 million. Free enterprise is dependent on fair and robust competition. It is to the state’s advantage to have as many qualified businesses as possible compete for contracts.

AB 2019 proposes a number of actions to solidify California’s small business participation in state contracting and use a federal targeted procurement program to increase minority and women participation in state contracting.

The analysis includes information on the California small business economy, state rulemaking practices, and studies on the cost of regulations to small businesses. There is no known opposition to this bill. Suggested amendments are included in Comment 11.

**SUMMARY:** AB 2019 codifies a 25% small business goal for state procurement and proposes a number of actions to enhance the ability and commitment of state agencies to include small businesses, disadvantaged business enterprises (DBEs), and disabled veteran business enterprises (DVBEs) in state contracting. Specifically, **this bill:**

1) **Legislative Findings:** Makes legislative finds and declarations:

- a) The positive fiscal impact of small businesses and minority-owned businesses on California’s overall economic health and stability, the fifth-largest economy in the world, cannot be underestimated or overlooked – where the entire California economy is predicated on the continual success and growth of all small businesses.

- b) Given that the size of the California budget is the largest of all states in the entire country, the California budget contributes one-seventh of the country's gross domestic product (GDP), and that, pre-COVID-19, small businesses totaled 3.9 million, or 99.8% of all California businesses, and 1.6 million were minority-owned.
  - c) Small businesses not only contribute significantly to the tax base of the State of California but also account for approximately 7 million employees or 48.8% of all employment in the state.
  - d) Therefore, it is incumbent upon the State of California to ensure that a fair share of procurement spending is directed and dedicated to small and minority-owned small businesses.
  - e) The State of California must carefully consider and provide guidance to all state departments, agencies, bureaus, and other state entities as to reflect small and minority-owned businesses as a priority when determining procurement decisions.
  - f) As the economy pivots to recover and rebound post the COVID-19 economic collapse, it is imperative for the state to assert that procurement goals include not only small businesses but also minority-owned businesses, also known as "disadvantaged business enterprises" (DBEs), as is referenced in federal procurement policies.
  - g) A means of economic recovery for the financial base of California would include codifying the previously expressed intent of the executive and legislative branches, respectively, of the state to achieve a goal of procurement spending of 25 percent to SBs and DBE.
  - h) It is the intent of the Legislature that California small businesses and DBEs are prioritized and uplifted by means of economic equity as it pertains to a percentage of state procurement dollars going to these entities.
- 2) **Economic Equity First Action Plan:** Expands the duties of the small business liaison, who is already tasked with assisting agencies in meeting a 25% small business procurement participation goal, to also develop an "economic equity first" action plan and policy for their respective agency.
- a) Specifies that the "economic equity first" action plan and policy are intended to provide, among other things, direction, recommendations, and strategies to best ensure that disadvantaged business enterprises that also qualify as certified small businesses, are effectively involved in, and benefiting from, the procurement process of the agency.
  - b) Specifies that the "economic equity first" action plan may include, but is not limited to, education and outreach, DBE stakeholder engagement, and intentional expansion of DBE suppliers, which also qualify as a certified small business, for the agency.
  - c) Requires the economic equity first action plan and policy to be submitted to the agency secretary, department director, or executive officer by January 1, 2024.
  - d) Requires the "economic equity first" action plan to be adopted by January 1, 2025.
- 3) **Annual Report of the Small Business Advocate:** Expands the content of the Small Business Advocate's annual report to include details regarding the 25% procurement goal for small businesses, microbusinesses, DBEs, and disabled veteran business enterprise (DVBE) participation, as well as compliance and implementation of relative "economic equity first" action plans and policies, as specified, by state agency liaisons and advocates.

- 4) **Content on the GO-Biz Homepage:** Requires information on how to receive assistance in certifying as a DVBE and DBE and participating in state procurement opportunities from the homepage of the GO-Biz website. Existing law requires information on small business certification to be posted on either the GO-Biz website or the Office of the Small Business Advocate website. This bill requires all certification information to be moved to the main page of the GO-Biz website.
- 5) **Diversity of Small Business Owners:** Declares that in supporting the success of California small businesses, the state economy is strengthened by the diversity and resiliency of its small businesses and that it is essential to ensure all small businesses can participate in domestic and global supply chains, including, but not limited to businesses owned by women, disabled individuals, people who identify as LGBQ, immigrants, and socially and economically disadvantaged individuals.
- 6) **Maximum Gross Receipt Limit for Small Businesses:** Requires the Department of General Services (DGS) to communicate and coordinate with the Small Business Advocate on the biennial review and possible adjustment of the average annual gross receipt levels. This review impacts the eligibility of a small business and a microbusiness to participate in state contracting.
- 7) **New Definition:** Defines a “disadvantaged business enterprise,” a socially and economically disadvantaged individual” as it is defined in specified federal law and regulation.
- 8) **Codification of the Small Business Goal:** Requires contracting departments and agencies to establish a minimum small business procurement participation goal of 25%.
- 9) **New 5% Preference for Disadvantaged Businesses:** Authorizes preference for public works contracts that include a disadvantaged business enterprise of 5% of the highest responsible bidder’s total score.
- 10) **Update Legislative Findings:** Deletes old (1990s) and provides more current legislative findings, including both of the following:
  - a) The onset of COVID-19 and the subsequent economic downturn and recession has laid bare considerable social and economic inequities. Overall, nearly one-half of all small businesses face permanent closure, with DBEs facing even higher foreclosure thresholds.
  - b) The current economic recession due to COVID-19 is causing an economic crisis in California, hitting our minority and disadvantaged communities the hardest.
- 11) **Small Business/DVBE Option:** Authorizes the use of the Small Business/DVBE Option to a DBE on construction contracts, as specified. The Small Business/DVBE Option allows a contracting department to by-pass the competitive bid process for construction contracts between \$5,000 and the maximum cost limit set by DGS and, instead, award a contract for the certified small business or DVBE, as long as the agency obtains price quotations from two or more certified small businesses, or from two or more disabled veterans business enterprises. The current maximum price limit is \$388,000.
- 12) **DGS Office of Small Business and DVBE Services:** Expands the duties of the Office of Small Business and Disabled Veteran Business Enterprise Services at DGS to include making recommendations to DGS and other state agencies for simplification of specifications and terms in order to increase the procurement opportunities for DBE.

- 13) **Fast Track Small Business Certification:** Requires DGS to establish a fast track small business certification process for business enterprises that hold a current federal certification for a DBE.
- 14) **Remedial Action for Poor Performing Departments:** Requires DGS to consider appropriate remedial actions to be taken in regards to mandatory reporting agencies that failed in three out of five years to meet their small business or disabled veteran business enterprise goals, including, but not limited to, the removal of the department's delegated contract authority or the placement of additional restrictions on contracting activity. The department is required to set forth its actions related to this subdivision within the department's consolidated annual report.
- 15) **Consolidated Report:** Expands the information in the Consolidated Report to include information on the level of participation of dual-certified small businesses and DBE in statewide contracting. The reporting is to be by an agency and include dollar values of contract awards for the following categories:
  - a) Construction.
  - b) Architectural, engineering, and other professional services.
  - c) Procurement of materials, supplies, and equipment.
  - d) Information technology procurements.
  - e) By general procurement and construction contract categories, statistics comparing the dual certified small business and DBE contract participation dollars to the total state contract participation dollars.
  - f) By awarding department and general procurement and construction categories, statistics comparing the dual certified small business and DBEs contract participation dollars to the total state contract participation dollars.
- 16) Includes a crimes and infractions disclaimer.

## EXISTING FEDERAL LAW

- 1) **Federal Agencies:** Requires certain federal agencies with US Department of Transportation-assisted contracts to have a DBE program, including the US Highway Administration, Federal Transportation Administration, and Federal Aviation Administration.
- 2) **Statute:** Defines a "socially and economically disadvantaged individual" as the following:
  - a) Socially disadvantaged individuals have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control. This includes individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities, as compared to others in the same line of business and competitive market area.
  - b) There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans; Hispanic Americans; Native Americans (Alaska Natives, Native Hawaiians, or enrolled members of a Federally or State recognized Indian Tribe); Asian Pacific Americans; and members of other groups designated from time to time by SBA, as specified. Being born in a

country does not, by itself, suffice to make the birth country an individual's country of origin for purposes of being included within a designated group.

- c) An individual who is not a member of one of the groups presumed to be socially disadvantaged in paragraph (b) must establish individual social disadvantage by a preponderance of the evidence. Evidence of individual social disadvantage must include the following elements:
  - i) At least one objective distinguishing feature that has contributed to social disadvantages, such as race, ethnic origin, gender, physical handicap, long-term residence in an environment isolated from the mainstream of American society, or other similar causes not common to individuals who are not socially disadvantaged;
  - ii) The individual's social disadvantage must be rooted in treatment they have experienced in American society, not in other countries;
  - iii) The individual's social disadvantage must be chronic and substantial, not fleeting or insignificant; and
  - iv) The individual's social disadvantage must have negatively impacted their entry into or advancement in the business world. Relevant evidence in assessing this element may include experiences relating to education and employment, and business history.
- 3) **Federal Statute:** Defines a “socially or economically disadvantaged business concern” to mean a for-profit business enterprise that is not less than 51 percent owned by one or more socially or economically disadvantaged individuals and the management and daily business operations of which are controlled by one or more socially or economically disadvantaged individuals.
- 4) **Federal Regulation:** Defines “socially and economically disadvantaged individuals,” as described in Section 26.67 of Title 49 of the Code of Federal Regulations and Section 8(a) of the Small Business Act of 1953.
  - a) The disadvantaged individual must be a US citizen (or resident alien) and be a member of a socially and economically disadvantaged group. Presumptive groups include women, Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent Asian-Americans, or any individual found to be socially and economically disadvantaged on a case-by-case basis.
  - b) The disadvantaged individual applying must have a personal net worth (PNW) of less than \$1,320,000. Items excluded from personal net worth calculation include an individual's ownership interest in the applicant firm and their equity in their primary. Also, if an individual demonstrates that they can accumulate substantial wealth, the individual's claim of economic disadvantage may be denied, even though the individual's PNW is less than \$1.32 million.
  - c) A firm (including affiliates) must be a small business as defined by the US Small Business Administration. Depending on the primary business activity, a firm (including its affiliates) must not have average annual gross receipts over the previous three fiscal years in excess of \$26,290,000 (\$56,420,000 for airport concessionaires in general with some exceptions). Lower size standards may apply depending on business activity determination.
  - d) The firm must be a for-profit small business where socially and economically disadvantaged owner(s) own at least 51% interest and have managerial and operational control of the business operations; the firm must not be tied to another firm in such a way as to compromise its independence and control.

- e) The socially and economically disadvantaged business enterprise owner(s) must possess the power to direct or cause the direction of the firm's management and policies and make day-to-day and long-term decisions on matters of management, policy, and operations.
- f) If state or local law requires the individual to have a particular license or other credentials in order to own and/or control a certain type of firm, then the socially and economically disadvantaged individual who owns and controls a potential disadvantaged business enterprise firm of that type must possess the required license or credential.

#### **EXISTING STATE LAW:**

- 1) Designates DGS as the lead agency implementing the state Small Business Procurement and Contract Act and administrator of the Office of the Small Business and DVBE Services, which includes certifying and implementing targeted preference programs for certified small businesses, microbusinesses, and DVBEs.
- 2) Requires state agencies to set a small business participation goal consistent with guidelines set by the DGS Office of Small Business and DVBE Procurement.
- 3) Authorizes a 5% procurement preference for certified small business bidders or non-small business bidders that provide for small business and microbusiness participation in the contract.
- 4) Defines a "small business" as an independently owned and operated business that is not dominant in its field of operation; in addition, the principal office of which is located in California, the officers of which are domiciled in California and which, together with affiliates, has 100 or fewer employees, with an average annual gross receipt of \$10 million or less over the previous three years.
  - a) For a small business in the manufacturing sector, the limitation on an annual gross receipt is \$15 million.
  - b) For a small business bidding on a public works contract, as defined, the maximum number of jobs is 200 or fewer employees, and the limitation on the average annual gross receipt is \$36 million.
  - c) A "microbusiness" is a small business with an average annual gross receipt limitation of \$5 million or a manufacturer with 25 or fewer employees.
- 5) Applies the 3% DVBE participation goal on each awarding state agency, department, and officer that enters into a contract for materials, supplies, equipment, alteration, repair, or improvement. This requirement can be waived on a specific contract with the approval of the department director or another designated person.
- 6) Authorizes a streamlined small business procurement option (Small Business/DVBE Option) for state contracts over \$50,000 and under \$250,000. Under this process, the contract is not put out for bid; instead, the contracting agency can award the contract to a certified small business after obtaining two price quotes from two certified small businesses. Similar provisions may be used to contract with a DVBE and after obtaining two additional DVBE price quotes.
- 7) Authorizes a 5% preference to the lowest responsible bidder or highest-scoring responsible meeting specifications who provides for certified small business or microbusiness subcontractor participation; this applies to state contracts for goods, information technology, services, and construction, as specified.

- 8) Defines a “DVBE” as a business certified as a sole proprietorship, corporation, or partnership with its home office located in the US, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business. In addition, a DVBE meets all of the following:
- a) The disabled veteran is a veteran of the military, naval, or air service of the US, including, but not limited to, the Philippine Commonwealth Army, Regular Scouts, “Old Scouts,” Special Philippine Scouts, “New Scouts,” and those who have at least a 10% service-connected disability and are domiciled in the state.
  - b) The management and control of the daily business operations are by one or more disabled veterans. The disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business.
  - c) The DVBE’s ownership of the business meets the following criteria:
    - i) If the DVBE is a sole proprietorship, it is at least 51% owned by one or more disabled veterans.
    - ii) If the DVBE is a publicly owned business, at least 51% of its stock is unconditionally owned by one or more disabled veterans.
    - iii) If the DVBE is a subsidiary, it is wholly owned by a parent corporation, but only if one or more disabled veterans unconditionally own at least 51% of the voting stock of the parent corporation.
    - iv) If the DVBE is a joint venture, it is an entity in which at least 51% of the joint venture’s management, control, and earnings are held by one or more disabled veterans.

**FISCAL EFFECT:** Unknown

**COMMENTS & CONTEXT:**

- 1) **Small Business Procurement and Contract Act:** California has a 40-year history of utilizing state contracting to support business development within targeted business populations. The statute sets an annual 3% DVBE procurement participation goal, and a 2006 executive order sets a 25% small businesses and microbusinesses participation goal for state agencies, departments, boards, and commissions.

While encouraging small business participation furthers the state’s interest in having a robust small business sector, the Small Business Procurement and Contract Act also establishes the policy foundation for DVBE contract participation. The DVBE procurement program is intended to recognize the sacrifices of California’s disabled military veterans and address the specific needs of disabled veterans seeking rehabilitation and training through entrepreneurship.

To assist state agencies in reaching these targeted procurement participation goals, state law authorizes:

- A procurement preference of 5% for bids using a certified small business as a prime or subcontractor.
- A streamlined alternative procurement process for smaller size contracts (between \$5,000 and \$250,000), known as the Small Business/DVBE Option, whereby an awarding department can

contract directly with a certified small business or DVBE after comparing the bid against two other similar businesses.

- A DVBE incentive allows an awarding department to set an incentive percentage between 1% and 5% for a particular transaction.

In the state’s experience, a majority of DVBEs are smaller size firms, with 86% having dual certifications, including 56.5% of all DVBEs also holding microbusiness certificates, 25.6% having a small business certification, and 0.6% having a small business public works certification. The remaining 14% of DVBEs operate with only a single DVBE certification.

DGS has a range of responsibilities relating to the implementation of the Small Business and DVBE program, including:

- Certification of DVBEs (36 new and renewed DVBEs certified in 2019-20, which brings the total of certified DVBEs in 2020-21 to 2,070);
- Certification of small businesses and microbusinesses (773 new and renewed certifications bringing the total number of certified small businesses and microbusinesses in 2020-21 to 20,460);
- Outreach to the potential small business and DVBE bidders (132 events, including 110 events to the veteran community in 2020-21);
- Marketing of the DVBE program to state agencies;
- Partnering with CalVet on meetings with departments that are not meeting participation goals;
- Consulting with the California Procurement Contracting Academy on the DVBE training of state contracting staff;
- Preparation of an annual consolidated report on DVBEs, small businesses, and microbusinesses’ participation within state contracting activities; and
- Program oversight to identify abuses by bidders and failures performed by state departments and agencies.

DGS reports that it is also developing an online survey to increase the voluntary reporting of Ethnicity, Race, Gender, and Sexual Orientation information by business owners contracting with the state, in accordance with Public Contract Code Section 10111. According to DGS, this new online ERGSO survey will be designed to ensure the confidentiality of responses and make it easier for business owners to complete this voluntary survey.

- 2) **Tracking Small Business and DVBE Procurement:** Given the importance of small businesses to California's economy, these procurement preferences play a key role in distributing state expenditures throughout the state and among a variety of business types. The charts below (*Charts 1 and 2*) display small business and DVBE procurement participation for the most recent four fiscal years for which data is available.

Chart 1– Small Business and Microbusiness Contracting Activity of Mandated Reporters (dollars in millions)				
Fiscal Year	Total Contract Dollars	Total Small Business and Microbusiness	Total Percent	Total Number of Contracts

		Contract Dollars		
2019-20	\$11,988	\$2,840	23.7%	97,515
2018-19	\$10,531	\$2,168	20.58%	96,345
2017-18	\$8,361	\$2,720	32.50%	110,864
2016-17	\$6,329	\$1,683	26.60%	117,624
2015-16	\$5,855	\$2,112	36.08%	116,169
2014-15	\$8,117	\$2,079	25.61%	482,707
2013-14	\$7,101	\$2,013	28.35%	90,784
2012-13	\$7,616	\$1,801	23.66%	105,617
2011-12	\$7,399	\$1,796	24.28%	165,523

Source: DGS Statewide Consolidated Annual Reports for the contracting periods

**Chart 2 – DVBE Five-Year Contracting Activity of Mandated Reporters** (dollars in millions)

Fiscal Year	Total Contract Dollars	Total DVBE Dollars	Total DVBE Percent	Total DVBE Contracts
2019-20	\$11,988	\$464	3.87%	22,894
2018-19	\$10,531	\$340	3.23%	23,782
2017-18	\$8,314	\$387	4.7%	19,174
2016-17	\$6,329	\$259	4.1%	19,823
2015-16	\$5,855	\$274	4.6%	18,638
2014-15	\$8,105	\$314	3.8%	16,192
2013-14	\$6,566	\$241	3.6%	12,777
2012-13	\$7,151	\$216	3.0%	14,907
2011-12	\$7,173	\$340	4.7%	16,246

Source: DGS Statewide Consolidated Annual Reports for the contracting periods

Based on the charts’ data, aside from 2019-20, the state appeared to nearly meet its 25% small business target and exceeded the 3% DVBE procurement participation goal. These official numbers are, however, only part of the program assessment. DGS prepares an extensive annual report on state procurement activities, the California Consolidated Report. In addition to reporting the number and dollar amounts of contracts with small businesses and DVBEs, these reports also provide information on outreach activities and other information to provide a framework for understanding the state’s targeted procurement activities.

Although DGS works diligently to gather and aggregate this information, the California Consolidated Report also highlights potential data irregularities, including the inconsistent reporting by state agencies and the failure of some state agencies to even make a report. As an example, in 2012-13, only 79% of the mandatory reporting entities reported their contracting activity to DGS. In 2019-20, 94% of the mandatory reporting agencies submitted data.

The data also provides only a partial look at contracting activities, as it reflects the amount contracted for and not the amounts actually received by a small business or DVBE. A state audit of the DVBE program, released in 2019, suggests that very few state agencies have implemented practices to monitor and report DVBE procurement participation violations for follow-up by DGS. The Legislature passed three measures to address the deficiencies identified in the audit, described in Comment 10. However, the impact of those changes will not be known until procurement data for 2021-22 are released.

- 3) **COVID-19 Procurement Opportunities:** On March 4, 2020, Governor Newsom issued an emergency proclamation due to the COVID-19 pandemic, which suspended statutory requirements for competitive bidding, advertising, and other state purchasing requirements for the procurement of

goods and services needed to address the effects of the pandemic. With the state government operating under a state of emergency, state agencies are authorized to use contracting protocols that allow for little or no small business and DVBE participation. Many small business groups have expressed concern to the Assembly Jobs Committee over the lack of access to new procurement opportunities since April of 2020.

Small business participation in state procurement was below 25% in 2018-19 and 2019-20. One of the reasons for these lower participation levels in small businesses is the increased use of emergency contracting authority. DGS releases an annual *California Consolidated Report*, which tracks small business, micro business, and DVBE procurement participation. In the 2018-19 report, DGS states that the “primary reason departments gave for not meeting the Small Business or DVBE participation goals was the large number of emergency contracts related to the 2018 wildfires, such as the Camp Fire.”

For the 2019-20 report, DGS prepared **Chart 3**, which compares small business and DVBE participation with and without emergency contracting activity.

<b>Chart 3 - Participation with and without Emergency Purchases (dollars in millions)</b>					
<b>Departments</b>	<b>Total Contract Dollars</b>	<b>SB/Micro Dollars</b>	<b>SB/Micro Percent</b>	<b>DVBE Dollars</b>	<b>DVBE Percent</b>
<b>Total State Award</b>	\$11,988	\$2,840	23.70%	\$464	<b>3.87%</b>
<b>Without Emergencies</b>	\$7,339	\$2,661	<b>36.27%</b>	\$407.3	<b>5.54%</b>
<b>Only Emergencies</b>	\$4,650	\$179	3.85%	\$56.7	1.22%
<i>Source:</i> 2019-20 California Consolidated Report					

To combat this trend, DGS reports that its Office of Small Business and DVBE Services has taken a number of steps to address the impact of large emergency/disaster-related contracts on small businesses and DVBEs. A few highlights from their 2018-19 and 2019-20 *California Consolidated Report* are provided below:

- ***New Register of Certified Firms for Emergency-related Contracts:*** Working with departments that make large disaster-related contracts, DGS identified approximately 32 activity/supplies categories for which small businesses and DVBEs will be able to register. Categories include but are not limited to debris removal, energy generators, equipment rentals, rescue supplies, medical supplies, respiratory products, sanitation, food, and fuel. The Emergency Registry went live in October 2021.
- ***Leveraged Procurement Agreements for Emergency Purchases:*** DGS finalized and expanded the Master Service Agreement (MSA) and California Multiple Award Schedule contracting opportunities for emergency procurement. This included the debris removal MSA related to recovery efforts from the fires. DGS will also continue to provide SB/DVBE participation language to be used in emergency MSAs and provide targeted outreach to certified businesses to connect them with emergency contracting opportunities.
- ***Targeted Outreach for Emergency Purchases:*** DGS is encouraging and in some cases requiring, departments to reach out to DGS when conducting emergency procurements. DGS has committed to assisting awarding departments with identifying certified small businesses and DVBEs to meet their needs. Examples of targeted SB/DVBE outreach for emergency purchases include:

- Distributing emergency specific communication to certified firms
- Assisting certified businesses with strengthening their certification profile keywords and UNSPSC and taking advantage of the search functionality of the Financial Information System for California (FI\$Cal).
- Offering certification workshops and individual assistance to interested businesses and will continue to do so moving forward.
- Collecting business information from SB/DVBEs who reported they could provide COVID-related goods and services and distributed their information to all state advocates and Cal OES.

DGS believes that these changes will show improvements in the 2021-22 contract activities.

- 4) **Ethnicity, Race, Gender, and Sexual Orientation (ERGSO):** Existing law encourages businesses contracting with the state to voluntarily provide information on the business owner’s ethnicity, race, gender, and sexual orientation. ERGSO data is captured for goods, services, and construction.

Awarding departments continue to report to DGS that contractors fail to complete the voluntary surveys. As noted earlier in the analysis, DGS is updating the survey and putting it online to make it easier for businesses to report. In 2019-20, *only 40% of departments had ERGSO data to share*. A few highlights from the report:

• **Contracts by Ethnicity:**

- Business-owners who self-identified their ethnicity as “Hispanic” reported the largest dollars awarded overall at \$7.8 million, of which 86% was in service-related contracts.
- Business-owners who self-identified their ethnicity as “Other” and “Asian-Indian” reported receiving \$7 million each, with the majority of dollars awarded in Services.

Chart 4 - 2019-20 Contract Activity – Ethnic Classifications				
Ethnicity Classifications	Goods	Services	Construction	Totals
Asian-Indian	\$554,153	\$4,509,541	\$1,870,491	\$6,934,184
Black	\$5,724	\$875,926	\$125,000	\$1,006,650
Hispanic	\$460,759	\$6,747,566	\$606,066	\$7,814,392
Native American	\$18,516	\$226,448	\$90,000	\$334,965
Pacific-Asian	\$1,382,019	\$1,621,927	\$0	\$3,003,946
Other	\$1,896,617	\$4,529,720	\$518,064	\$6,944,401
<b>TOTALS</b>	\$4,317,788	\$18,511,128	\$3,209,621	\$26,038,537

Source: DGS Consolidated Report 2019-20 based on 40% of departments responding

• **Contracts by Race:**

- Business-owners who self-identified their race as “White” reported receiving the largest amount of contract dollars overall at nearly \$79 million, of which \$44 million was in Construction.
- Business-owners who self-identified their race as “Asian” received the third-highest amount of contract dollars overall, which was reported at almost \$10 million, of which more than half, \$4.7 million, was in Services.

- Business-owners who self-identified their race as “African American” received just under \$1 million overall, of which 87% was in Services.
- Business-owners who self-identified their race as “Other” received \$20 million in contracts, of which \$18 million was in Services.

<b>Chart 5 - 2019-20 Contract Activity – Race Classifications</b>				
<b>Race Classifications</b>	<b>Goods</b>	<b>Services</b>	<b>Construction</b>	<b>Totals</b>
<b>American Indian or Alaska Native</b>	\$20,755	\$569,621	\$229,350	\$819,726
<b>Asian</b>	\$599,418	\$4,724,052	\$4,012,855	\$9,336,325
<b>Black or African American</b>	\$5,724	\$866,426	\$125,000	\$997,150
<b>Native Hawaiian or Other Pacific Islander</b>	\$5,003	\$263,662	\$0	\$268,665
<b>White</b>	\$11,344,111	\$23,099,700	\$44,508,808	\$78,952,618
<b>Other</b>	\$1,400,903	\$18,092,999	\$593,162	\$20,087,065
<b>TOTALS</b>	\$13,375,914	\$47,616,460	\$49,469,175	\$110,461,549

Source: DGS Consolidated Report 2019-20 based on 40% of departments responding

• **Contracts by Gender and Sexual Orientation:**

- Business-owners who self-identified their gender as “Male” received the most dollars in all contracting categories for \$82 million, with \$36 million in service-related contracts and \$39 million in construction-related contracts.
- Business-owners who self-identified their gender as “Female” received \$28 million in contract dollars overall, with \$10.2 million in service-related contracts and \$11.6 million in construction-related contracts.
- Business-owners who self-identified themselves as “Transgender” received \$613,000 in service-related contracts.

<b>Chart 6 - 2019-20 Contract Activity – Race Classifications</b>				
<b>Gender Classifications</b>	<b>Goods</b>	<b>Services</b>	<b>Construction</b>	<b>Totals</b>
<b>Male</b>	\$6,584,152	\$36,516,490	\$39,109,917	\$82,210,560
<b>Female</b>	\$6,069,156	\$10,296,262	\$11,682,187	\$28,047,604
<b>Transgender</b>	\$0	\$613,049	\$0	\$613,049
<b>TOTALS</b>	\$12,653,308	\$47,425,801	\$50,792,104	\$110,871,213

Source: DGS Consolidated Report 2019-20 based on 40% of departments responding

- Business-owners who self-identified their sexual orientation as “Lesbian” received nearly \$3 million in contracts, with \$2.9 million of those contract awards being for goods-related contracts. This was the highest amount of dollars among individuals who self-identified as either Gay, Lesbian, or Bisexual.
- Business-owners who self-identified their sexual orientation as “Bisexual” received the highest amount of service-related dollars at \$349,500.

<b>Chart 7 - 2019-20 State Contracting – Sexual Orientation</b>				
<b>Sexual Orientation Classifications</b>	<b>Goods</b>	<b>Services</b>	<b>Construction</b>	<b>Totals</b>

<b>Lesbian</b>	\$2,935,964	\$63,706	\$0	\$2,999,670
<b>Gay</b>	\$19,227	\$105,654	\$13,634	\$138,515
<b>Bisexual</b>	\$19,950	\$349,548	\$0	\$369,498
<b>TOTALS</b>	\$2,975,141	\$518,908	\$13,634	\$3,507,683
Source: DGS Consolidated Report 2019-20 based on 40% of departments responding				

5) **Highlights of State Outreach Activities:** Below are highlights of DGS outreach activities from the 2019-20 Consolidated Report:

- Established 12 new strategic partnerships and maintained 35 existing relationships with diverse organizations that support and help DGS to fulfill the SB/DVBE program mission, including but not limited to CA Black Chamber of Commerce, CA Hispanic Chamber of Commerce, CA Asian Chamber of Commerce, CA American Indian Chamber of Commerce, Western Regional Minority Supplier Development Council, Veteran in Business Network, and LGBTQ Golden Gate Business Association.
- Continued to support ongoing DGS-led design-build construction projects to find and use SB and DVBE subcontractors.
- Implemented a FI\$Cal-generated notification to be sent upon the awarding of a contract or purchase order to all listed SB and DVBE subcontractors as well as prime contractors. This notification makes certified firms aware of their participation and provides helpful details about the contract for the prime contractor, SB/DVBE advocate, and OSDS.
- Facilitated the DGS Small Business Advisory Council’s biennial strategic planning meeting and the establishment of three committees within the council. The Processes Committee, Commercial Useful Function Committee, and Outreach, Education and Legislation
- Held the 20th annual State Agency Recognition Awards, which honors state departments and employees for their best practices, innovation, and outstanding achievements to advance California’s SB and DVBE programs.
- Continued to support SBs and DVBEs on their journey toward doing business with the state of California by providing web resources available at: <https://www.dgs.ca.gov/PD-SB-DVBE-Resources>. New training videos and resource documents continue to be developed and uploaded, including:
  - On-demand training videos for the business community.
  - An "Acquisition Methods" flyer describing common acquisition methods that state departments can use to do business with certified SBs/DVBEs.
  - A "Certification Benefits" postcard highlighting what the state buys and the benefits of SB/DVBE certification.
  - A UNSPSC (code used to categorize goods and services) and keywords training handout to assist businesses with selecting codes and descriptions for their Cal eProcure SB/DVBE certification profiles.
- Granted automatic one-year certification extensions to certified Small and Disabled Veteran businesses to mitigate COVID-19 impact.
- Established a 2021 strategic goal to translate OSDS documents and videos to Spanish. Spanish document translation began in August 2020. A total of 24 outreach resources and certification documents have been translated, and six video tutorials have been closed-captioned in Spanish.

- 6) **Small Business Public Works:** In 2019, DGS implemented a new small business certification category - Small Business Certification for the Purpose of Public Works [SB 605, Chapter 673, Statute of 2017]. This new certification includes small businesses in the public works arena with three-year annual average gross receipts not exceeding \$36 million and fewer than 200 employees.

At the end of 2018-19 (six months after the bill took effect), 422 firms had applied for and received the small business-public works certification. Of those 422, 292 were exclusively SB-PWs, while 130 others added this certification to other certifications they used in applying for state contracts. In addition to a new certification category, SB 605 also increased and codified the certification eligibility threshold for firms based on their three-year average of gross annual receipts. The microbusiness designation was increased to \$5 million, and \$15 million was set for the small business certification cap. *Chart 8* displays data on the number of California- certified small businesses and DVBEs in all certification categories for 2019-20.

<b>Chart 8 - Small Business, Micro Firms, and DVBE by Certification Type</b>	<b>Firm Count</b>	<b>Percent of Small Businesses</b>	<b>Percent of DVBEs</b>
DVBE (only)	247	--	13.76%
Small Business	1,998	11.50%	
Dual Certifies Small Business and DVBE	82	0.47%	4.57%
Dual Certified Small Business and Small Business-Public Works	164	0.94%	--
Small Business Micro	12,014	69.15%	--
Dual Certified Small Business Micro and Small Business-Public Works	1,311	7.55%	--
Dual Certified Small Business Micro and DVBE	1,283	7.38%	71.48%
Small Business-Public Works	339	1.95%	--
Dual Certified Small Business-Public Works and DVBE	21	0.12%	8.36%
Triple Certified Small Business, DVBE, and Small Business-Public Works	12	0.07%	0.07%
Triple Certified Small Business (Micro), Small Business-Public Works and DVBE	150	0.86%	1.17%
<b>Total Small Business, Micro Businesses, and Public Works</b>	<b>17,374</b>	100%	--
<b>Total DVBEs</b>	<b>1,795</b>	--	100%

*Source:* 2019-20 California Consolidated Report

AB 2019 adds a new category for reporting on state procurement activities, the certified DBE, which is currently only used in federal transportation funding. The bill requires DGS to establish a fast-track small business certification for businesses with a DBE certification. This could be an effective method for expanding and diversifying the pool of qualified small businesses in the state. Nothing in this bill sets a goal or requires a state agency to contract with a DBE.

- 7) **Equal Protection Clause and Prop 209:** In March of 1998, the Ninth Circuit Court of Appeals determined in *Monterey Mechanical Co. v. Wilson*, that the provisions of Public Contract Code Section 10115 et seq., which held that statutory requirements to achieve minority and women business enterprise procurement participation goals or related good faith efforts were unconstitutional and violate the Equal Protection Clause of the Fourteenth Amendment of the US Constitution.

Article 1 of the Fourteenth Amendment states, “All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the state wherein they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property,

without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.”

The central issues of the case were whether the mandate to classify certain contractors differently according to their ethnicity and sex violated the equal protection clause or had the state constructed “a narrowly tailored remedy to account for past discrimination. In the Monterey Mechanical case, the court stated, upon reviewing the legislative intent of the women and minority business contracting statute, that California had “made no attempt to justify the ethnic and sex discrimination it imposed”.

Prior to the Monterey Mechanical decision (1996), California voters had passed Proposition 209 (Prop 209), which more comprehensively blocked the state’s ability to operate women and minority procurement programs. Under Prop 209, which added Section 31 to Article 1 of the California Constitution, the “state is prohibited from discriminating against, or granting preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education or public contracting”.

As a result of these two cases, Governor Wilson issued Executive Order W-172-98, which stated, in part, that every state department was to cease any enforcement of the minority and women business enterprise participation goals or any related good faith effort requirements associated with Public Contract Code Section 10115 et seq. with respect to any non-federally funded state contracts or amendments on or after March 10, 1998.

In implementing the executive order, the California Department of Transportation (Caltrans) issued instructions that DBEs would only be required in projects that were funded in part or in whole by federal Department of Transportation dollars and would be optional for projects funded by local or private entities. The Local Assistance Program Guidelines issued by Caltrans in April 1998 specifically retained the requirement that “DBE program requirements must be included if Caltrans awards and administers the construction contract.”

The Monterey Mechanical decision did not address, and therefore it is generally recognized that it does not apply to, the DVBE provisions in state law. Further, Prop 209 specifically excludes the use of disadvantaged business enterprises in contracts where their inclusion is necessary to draw-down federal funds. Subdivision (e) of Section 31 of Article 1 of the California Constitution states, “Nothing in this section shall be interpreted as prohibiting action which must be taken to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds to the state.”

Committee staff checked with the Author’s office, and a cover letter was not issued by the Office of the Legislative Counsel’s Office when this measure was drafted.

- 8) **California Certifies DBEs:** As a recipient of certain federal transportation funding, state and local agencies are responsible to:
- Certify DBE eligibility of businesses to participate in contracts that include certain federal transportation funding.
  - Establish narrowly-tailored goals for the participation of DBEs; and
  - Evaluate their federal transportation funded contracts throughout the year and establish contract-specific DBE subcontracting goals as necessary to achieve the agency’s overall goal. The level of

DBE subcontracting goals may vary; however, by the end of the year, the amount of contract/subcontract awards to DBEs must be consistent with the overall goal.

To participate in the DBE program, a small business owned and controlled by socially and economically disadvantaged individuals must receive certification from a designated state agency, the Uniform Certification Program.

To be regarded as economically disadvantaged, an individual must have a personal net worth that does not exceed \$1.32 million. To be seen as a small business, a firm must meet SBA size criteria and have average annual gross receipts not to exceed \$28.48 million. Size limits for the airport concessions certification are higher.

Caltrans and nine other government agencies in California provide DBE certification under the [California Unified Certification Program](#), including Los Angeles County Metropolitan Transit Authority, San Diego County Regional Airport Authority, San Francisco Bay Area Rapid Transit District, San Francisco International Airport, San Francisco Municipal Transportation Agency, San Mateo County Transit District, Santa Clara Valley Transportation Authority, City of Los Angeles, and the City of Fresno.

Caltrans provides a fairly robust set of resources, including a [searchable database](#) for vendors looking for DBE subcontractors, as well as free training. DBEs are also included in the Caltrans SB 1 Small Business Outreach Plan and Implementation Report, which is applied to the state’s \$54 billion transportation infrastructure investment plan.

- 9) **DBEs, Small Businesses, and DVBEs:** As noted previously, the federal government uses the DBE program to ensure that federally assisted contracts for highway, transit and aviation projects are made available for small business concerns owned and controlled by socially and economically disadvantaged individuals.

In general, DBE requirements allow for larger businesses to participate in state procurement activities than those allowed under the state Small Business certification. The DBE certification revenue limits, however, are less than those applied to state-certified Small Business-Public Works. The DBE employment and revenue standards are based on the business’ industry sector and are set through regulation by the federal Small Business Administration.

<b>Chart 9 - Comparison of Selected Elements of the State and Federal Designations</b>				
	Can You Get Certified in CA	Located in California	Employee Limits	Revenue Limits
CA Microbusiness	Yes	Yes	None	\$5 million
CA Microbusiness Manufacturer	Yes	Yes	25 or fewer	None
CA Small Business	Yes	Yes	100 or fewer	\$15 million
CA Small Manufacturers	Yes	Yes	100 or fewer	None
CA Small Business - Public Works	Yes	Yes	200 or fewer	\$36 million
DBE	CalTrans+	No	Various by industry	\$26.2 million
CA DVBE	Yes	Yes	None	None
*For a complete view DGS certification requirements: Government Code Section 14837(d) for small business requirements and Military and Veterans Code 999(b) and 999(B)(7)(A) for DVBE requirements				

While certification is offered through CalTrans and certain local agencies, the DBE program is national. This means that DBEs participating in state contracts are not necessarily, headquartered in California as required for the state's Small Business and DVBE certifications.

As of April 9, 2022, there were 4,626 DBEs out of 5,525 firms in the CalTrans database listed as being in California. A business is not required to be in the DBE database to participate; the business just needs to be a certified DBE. To address concerns over providing a 5% procurement incentive to out-of-state businesses, proposed committee amendments require the DBE to have dual-certification as a small business (all categories) or DVBE in order to receive a 5% procurement incentive.

10) **The Role of Small Businesses within the California Economy:** California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$3.1 trillion economy. Two separate studies, one by the US Census Bureau and another by the Kaufman Foundation, found that net job growth was strongest among businesses with less than 20 employees. Among other advantages, small businesses are crucial in the state's international competitiveness, and they are an important means for dispersing the positive economic impacts of trade within the California economy.

- In 2018 (most recent full set of data), of the 4.4 million firms in California, there were 3.4 million nonemployer firms as compared to 954,632 employer firms.
- Total revenues for nonemployer sole proprietorships, across all industry sectors, were \$189 billion in receipts in 2017.
- Businesses with less than five employees are classified as microenterprises. In 2017, there were 473,641 microenterprises that had one or more employees.
- Microenterprises, including both nonemployer and up-to-5-employee businesses, comprise the single largest segment of the California business community, representing 89.0% (3.9 million) of all businesses in the state.

Microenterprises have many unique features and provide important benefits to local communities, according to a recent study from the Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) at the Aspen Institute. These benefits include:

- Providing products and services tailored to meet local and neighborhood needs.
- Stimulating an inflow of revenues to and within local communities.
- Serving as catalysts for neighborhood reengagement.
- Revitalizing neighborhoods that may otherwise have vacant storefronts.
- Providing role models and support for future entrepreneurs.

Excluding sole proprietorships, businesses with less than 20 employees comprise over 88.6% of all businesses and employ approximately 17.4% of all workers. Businesses with less than 100 employees represent 97.3% of all businesses and employ 34.5% of the workforce.

The chart below displays 2018 data (the most recent full set of data) on California employer businesses, including payrolls, employment, and a number of firms, which may be comprised of one or more establishments.

<b>Chart 10 - 2018 Business Profile by Size (excludes nonemployer firms)</b>						
<b>Area Description</b>	<b>Employment Size</b>	<b>Number of Firms</b>	<b>Percent of Firms</b>	<b>Employees</b>	<b>Percent of Jobs</b>	<b>Annual Payroll (\$1,000)</b>
United States	Total	6,075,937		130,881,471		\$7,097,310,272
California	Total	779,825	12.8% U.S. Firms	15,223,664	11.6% U.S. Jobs	\$1,020,958,926
United States	0-4	3,757,163	61.8% of U.S. Firms	5,967,955	4.5% of U.S. Jobs	\$287,379,518
California	0-4	485,387	62.2% of CA Firms	746,240	4.9% of CA Jobs	\$46,663,550
United States	<20	5,411,180	89.0% of U.S. Firms	21,337,272	16.3% of U.S. Jobs	\$898,874,051
California	<20	692,139	88.7% of CA Firms	2,650,204	17.4% of CA Jobs	\$130,748,308
United States	0-99	5,962,057	98.1% of U.S. Firms	42,918,809	32.7% of U.S. Jobs	\$1,859,572,577
California	0-99	759,654	97.4% of CA Firms	5,214,752	34.2% of CA Jobs	\$261,490,973
United States	<500	6,055,421	99.6% of U.S. Firms	61,244,031	46.7% of U.S. Jobs	\$2,819,089,905
California	<500	773,386	99.1% of CA Firms	7,339,390	48.2% of CA Jobs	\$395,286,015
United States	500+	20,516	0.33% of U.S. Firms	69,637,440	53.2% of U.S. Jobs	\$4,278,220,367
California	500+	6,439	0.82% of CA Firms	7,884,274	51.7% of CA Jobs	\$625,672,911
Source: <a href="https://www.census.gov/data/tables/2018/econ/nonemployer-statistics/2018...">https://www.census.gov/data/tables/2018/econ/nonemployer-statistics/2018... 1</a>						

Excluding sole proprietorships, businesses with less than 20 employees comprise over 88.6% of all businesses and employ approximately 17.4% of all workers. Businesses with less than 100 employees represent 97.3% of all businesses and employ 34.5% of the workforce.

These nonemployer and small employer firms create jobs, generate taxes, support important industry sectors, and revitalize communities. While their small size allows them to be more flexible in meeting niche foreign and domestic market needs, it also results in certain market challenges. These challenges include having difficulty meeting the procedural requirements of the state’s complex regulatory structure and the traditional credit and collateral requirements of mainstream financial institutions. Specialized technical assistance, access to credit enhancements, and targeting of state procurement activities help many small businesses overcome or at least minimize these difficulties.

- 11) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- a) Clarify that the Small Business Advocate’s report on activities undertaken to increase state procurement participation by DBEs, means those DBEs that also qualify as a small business, microbusiness, or DVBE.
  - b) Modify the 5% DBE preference on public works contracts to require that the DBEs is also a certified small business, microbusiness, or DVBE.
  - c) Include a severability clause.

d) Make related technical amendments.

12) **Related Legislation:** Below is a list of bills from the current and prior sessions.

- a) **AB 31 (Price) Public Contracts: Small Business Procurement and Contract Act:** This bill increases the maximum contract threshold amount for awards to small businesses (SME), including microbusinesses, and DVBEs under the state's streamlined procurement process, from \$100,000 to \$250,000, as specified. This bill requires contractors to report the contract amount allocated to SMEs and DVBEs with which they made contract commitments. Status: Signed by the Governor, Chapter 212, Statutes of 2009.
- b) **AB 309 (Price) Public Contracts: Small Business Participation:** This bill would have required the establishment of a 25% small business participation goal for all state entities and directed DGS to monitor each agency's progress in meeting this goal. The bill would have required that the Office of the Small Business Advocate received the same progress report information as state entities and directed DGS and the Office of the Small Business Advocate to work collaboratively to assist state entities in meeting their goals. This goal is currently provided for in Executive Order (EO) D-37-01 and EO S-02-06. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2010.
- c) **AB 550 (Brown) State Procurement Procedures for Small Businesses:** This bill would have required the establishment of a 25% small business participation goal for all state entities and directed DGS to monitor each agency's progress in meeting this goal. The bill would have required that the Office of the Small Business Advocate receive the same progress report information as state entities and directed DGS and the Office of the Small Business Advocate to work collaboratively to assist state entities in meeting their goal. This goal is currently provided for in Executive Order (EO) D-37-01 and EO S-02-06. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2013.
- d) **AB 657 (Cunningham) State Government Small Business Liaisons:** This bill requires certain state agencies to prominently display the name and contact information of the small business liaison on the agencies' websites and to notify the Governor's Office of Business and Economic Development and the Department of General Services of liaison position vacancies, as specified. Status: Signed by the Governor, Chapter 81, Statutes of 2017.
- e) **AB 915 (Chiu and Holden) Small Business, DVBE, and DBE Participation:** This bill codifies a 25% small business goal for state procurement and proposes a number of actions to enhance the ability and commitment of state agencies to include small businesses, disadvantaged business enterprises (DBEs), and disabled veteran business enterprises (DVBEs) in state contracting. Status: Held in the Senate Committee on Appropriations, 2021.
- f) **AB 1365 (Quirk-Silva and Reyes) Small Business Procurement Goal:** This bill would have expressed the Legislature's intent that all California government agencies should have a 25% goal for small business participation in state procurement and contracting activities. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2018.
- g) **AB 1734 (Jones-Sawyer) Public Contracts: Small Business Participation: Disabled Veterans:** This bill would have required each state agency to establish and achieve a 25% small business participation goal and increased the annual procurement participation goal for disabled veteran business enterprises from 3% to 5% of the value of state contracts. In addition, the bill required greater reporting and accountability of DVBE program information. Status: Held on the Suspense File in the Assembly Committee on Appropriations, 2014.

- h) **AB 1635 (Quirk-Silva) Public Contracts and Small Business Participation:** This bill would have required specified state agencies to establish and achieve a 25% small business participation goal within their annual state contracting and permitting activities. The bill would have also required DGS and the state Small Business Advocate to take reasonable steps to assist state agencies in meeting this goal. The Assembly Committee on Jobs, Economic Development, and the Economy was the sponsor of this bill. Status: Died in the Assembly Committee on Appropriations, 2017.
- i) **AB 2905 (Assembly Jobs Committee) Small Business Procurement Goal:** This bill would have expressed the Legislature's intent that all California government agencies should have a 25% goal for small business participation in state procurement and contracting activities. To assist in furthering the state goal, the bill would have required each state department to disclose its small business participation goal when making its annual procurement report. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2016.
- j) **SB 67 (Price) Small Business Participation in Public Contracts:** This bill would have authorized DGS to direct all state entities to establish an annual goal of achieving no less than 25% small business participation in state procurement contracts, as specified. This goal is currently provided for in Executive Order (EO) D-37-01 and EO S-02-06. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2011.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

Asian Business Association of Los Angeles  
 Asian Business Association of San Diego  
 Asian Pacific Islander American Public Affairs Association (APAPA)  
 Avvento Consulting  
 CA African American Chamber of Commerce  
 California African American Chamber of Commerce  
 California Asian Pacific Chamber of Commerce (CAPCC)  
 California Chamber of Commerce  
 California Charter Schools Association  
 California Charter Schools Association (CCSA)  
 California Forward  
 California Forward Action Fund  
 California Hispanic Chamber of Commerce  
 California Retailers Association  
 California State Treasurer  
 California State Treasurer Fiona Ma  
 Cameo - California Association for Micro Enterprise Opportunity  
 Correct Direct Marketing  
 Gentlemen Health  
 Greater Sacramento Economic Council  
 Intel Consulting Management LLC  
 Los Angeles County Business Federation (BIZ-FED)  
 Los Angeles County Business Federation (BIZFED)  
 National Association of Women Business Owners (NAWBO)  
 National Federation of Independent Business (NFIB)  
 Sac Valley Translations INC.  
 Sacramento Area Council of Governments

Sacramento Asian Pacific Chamber of Commerce  
Sacramento Metropolitan Chamber of Commerce  
Small Business California  
Small Business Majority  
Valley Vision

**Opposition**  
None on File

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