



UNIVERSITY OF CALIFORNIA

Michael V. Drake, MD
President

December 9, 2021

Office of the President
1111 Franklin St.
Oakland, CA 94607

The Honorable Nancy Skinner
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

universityofcalifornia.edu

Dear Senator Skinner:

CAMPUSES

- Berkeley
- Davis
- Irvine
- UCLA
- Merced
- Riverside
- San Diego
- San Francisco
- Santa Barbara
- Santa Cruz

Pursuant to Section 10500.5 of the Public Contract Code, enclosed is the University of California’s annual report to the Legislature on Small Business Utilization.

If you have any questions regarding this report, Associate Vice President David Alcocer would be pleased to speak with you. David can be reached by telephone at (510) 987-9113, or by e-mail at David.Alcocer@ucop.edu.

Sincerely,

Michael V. Drake, MD
President

MEDICAL CENTERS

- Davis
- Irvine
- UCLA
- San Diego
- San Francisco

Enclosure

NATIONAL LABORATORIES

- Lawrence Berkeley
- Lawrence Livermore
- Los Alamos

- cc: Senate Budget and Fiscal Review
The Honorable John Laird, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Mr. Christopher Francis)
(Attn: Ms. Jean-Marie McKinney)
The Honorable Kevin McCarty, Chair
Assembly Budget Subcommittee #2
(Attn: Mr. Mark Martin)
(Attn: Ms. Carolyn Nealon)
Mr. Hans Hemann, Joint Legislative Budget Committee
Ms. Erika Contreras, Secretary of the Senate
Ms. Amy Leach, Office of the Chief Clerk of the Assembly
Ms. Sue Parker, Office of the Chief Clerk of the Assembly
Mr. Chris Ferguson, Department of Finance
Ms. Rebecca Kirk, Department of Finance
Mr. Brian Rutledge, Department of Finance
Mr. Gabriel Petek, Legislative Analyst Office

Ms. Jennifer Pacella, Legislative Analyst Office
Mr. Jason Constantouros, Legislative Analyst Office
Provost and Executive Vice President Michael Brown
Executive Vice President and Chief Financial Officer Nathan Brostrom
Associate Vice President and Chief Procurement Officer Paul Williams
Senior Vice President Brent Colburn
Associate Vice President David Alcocer
Associate Vice President and Director Kieran Flaherty

UNIVERSITY OF CALIFORNIA Small Business Utilization

LEGISLATIVE INTENT

This report on small business utilization at the University of California presents a summary of dollars awarded by campuses, medical centers, and the University-managed Department of Energy (DOE) Lawrence Berkeley National Laboratory to small (SB), disadvantaged (DBE), women-owned (WBE), and disabled veteran business enterprises (DVBE) in purchasing, construction, and design. It is submitted to the Legislature pursuant to the California Public Contract Code Section 10500.5, which states in relevant part:

“It is ... the intent of the Legislature that the Regents of the University of California report annually to the Legislature, commencing July 1, 1985, on the participation of small disadvantaged businesses, particularly disadvantaged business enterprises, and women’s business enterprises in university business contracting.”¹

POLICY TO ENSURE EQUAL OPPORTUNITY IN UNIVERSITY BUSINESS CONTRACTING

- A. It is the policy of The Regents of the University of California that race, religion, sex, color, ethnicity, and national origin will not be used as criteria in its business contracting practices except as provided in section B., below. Every effort will be made to ensure that all persons, regardless of race, religion, sex, color, ethnicity, and national origin have equal access to contracts and other business opportunities with the University.

- B. Nothing in this policy shall prohibit any action which is necessary to comply with state and federal law, or to maintain eligibility for any federal or state funded program, where ineligibility would result in a loss of funds to the University. Example of program elements that may be required are:
 - (1) Establishment of annual goals for use of small, disadvantaged, women-owned, and disabled veteran business enterprises as appropriate; and

 - (2) Appropriate record-keeping and preparation of annual statistical reports on the participation of small, disadvantaged, women-owned, and disabled veteran business enterprises, as suppliers, general contractors, and subcontractors.

- C. The University shall establish effective outreach programs to assure equal opportunity in business contracting.

¹ Please note that approval was granted to change the annual submittal date to January 1.

Compliance with State and Federal Law or Regulation

California Public Contract Code Section 10500.5 requests The Regents to adopt policies and procedures to facilitate the participation of small businesses, particularly small, disadvantaged, women-owned, and disabled veteran business enterprises in business contracting with the University. California Proposition 209 was passed into law by the electorate and prohibits the use of race and gender on a statewide basis. However, The Regents' policy to ensure equal opportunity in University business contracting and California law do not prohibit the consideration of business size or disabled veteran status as criteria in University business contracting practices. Pursuant to The Regents' policy and state law, the University will comply with the provisions of Public Contract Code Section 10500.5 only in University business contracting with small or disabled veteran business enterprises; continue to set goals and timetables for small disadvantaged and women-owned business enterprises where such goals and timetables are required as a condition of federally funded contracts or grants; maintain statistics on utilization of such businesses; and rely on self-certification or Small Business Administration certification as required by federal regulation. In addition, the University will continue to utilize outreach programs to assure equality of opportunity.

Small Business Outreach

Small business is vital to the success of the University of California and its missions. Consequently, the University has maintained a strong institutional commitment to identifying and working with small businesses over the years. It is our intention to continuously expand our initiatives to ensure that small businesses have equal access to work with UC whenever possible.

It is our belief that actively working with small businesses not only strengthens the economy of California, it connects us with a fuller range of capabilities available in the market to better meet the needs of our stakeholders. Utilization of small businesses allows us to foster competition and to access historically underutilized capacity and capability in the market, which in turn strengthens our economy and builds goodwill in the community in support of the University's commitment to access and opportunity.

In April 2017, UC launched the University of California Small & Diverse Business Advisory Council as a means of actively engaging with small and diverse businesses across the state of California. This Council is chaired by University of California Chief Procurement Officer Paul Williams, and includes membership from the State of California Department of General Services, business leaders from throughout the state, Chamber of Commerce leaders, and leaders of small business networking organizations. The UC Design and Construction Team actively participates. We also seek to connect with a diverse network of small businesses through active participation in the activities and events of these organizations such as the West Region Minority Supplier Development Council and local Chambers of Commerce. It is our intent to increase our participation with these organizations going forward.

In September 2020, UC strengthened its commitment to small business with the kick off of the Small Business First Program. Each campus managed its own rollout of the program, though full compliance was required by March 1st 2021.

Small Business First is a program focused on leveraging certified small businesses or disabled veteran business enterprises by setting aside procurement opportunities between \$10,000 - \$250,000 for competition between these certified businesses via a simplified quotation process. Instances in which there are no small businesses included in a business award require a waiver describing the reason. The data from these waivers can be used to target future small business supplier development.

UC has implemented both Systemwide and campus-specific activities designed to improve the University's access to qualified small business suppliers, including disadvantaged, women-owned and disabled veteran business enterprises. Each campus leads its own outreach program and designs new program commitments as needed, but we also actively seek ways to collaborate across the UC system. UC Procurement Small business activities may include but are not limited to:

1. External Communication with Suppliers and the Community:

- Brochures, digital media, and other instructional materials including University websites designed to convey information about the University's supplier diversity and contracting programs. The material may contain a directory of information on how to access the University's purchasing and contracting systems.

2. Internal Communication with University Colleagues:

- Maintenance of small business information pages on UC Office of the President and campus websites to provide information on University contracting and outreach programs to interested small businesses and campus contracting personnel.
- Access to a supplier locator database so that Supplier Diversity Program Coordinators and Buyers at each campus can search for potential suppliers holding any applicable supplier diversity classifications.

3. Small Business Community Networking and Linkage Activities:

- Sponsorship of trade fairs enables small businesses affordability in demonstrating their abilities and meeting potential customers/buyers.
- Attendance at trade fairs and business opportunity events presented by other organizations for the purpose of meeting new qualified small businesses, including DBE, WBE and DVBE and discussing common concerns and best practices with procurement professionals and organizations.
- Participation in local organizations, which support small business interests, including groups oriented toward small businesses including DBE, WBE and DVBE.

4. Small Business Development and Coaching:

- Seminars for groups of small business suppliers including DBE, WBE and DVBE for the purposes of instructing them on how to do business with the University.
- Meetings with small business suppliers on an individual basis to understand their capabilities and qualifications.

- Visits to small business locations to tour their facilities, to better understand their capabilities and to ensure satisfactory business practices in line with the needs of the University.

Small and diverse businesses were disproportionately impacted by COVID-19, particular diverse business. 41% of Black owned businesses, 36% of Latinx, 26% of Asian, and 22% of California small businesses overall were forced to close due the pandemic.² Interestingly, due to their agility, small and diverse businesses played a critical role in being able to secure Personal Protective Equipment (PPE) during the height of the pandemic.

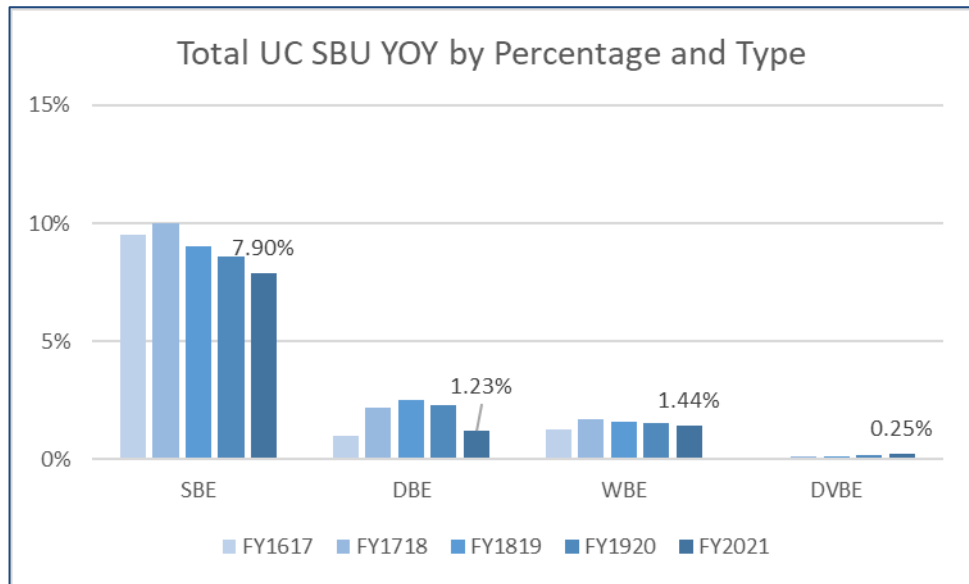
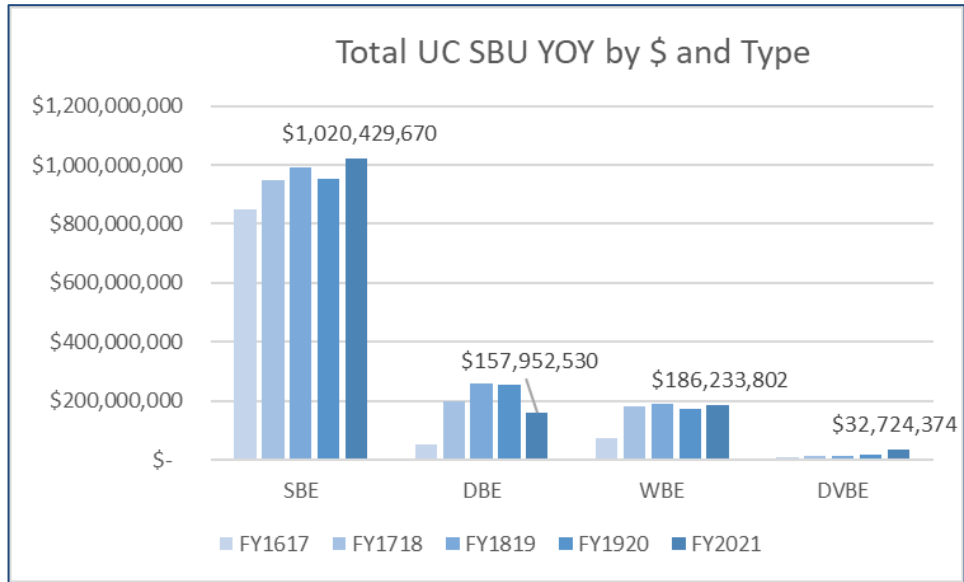
UC policy generally prohibiting contracting for services, and in some cases collective bargaining agreements and statute governing state general fund support for UC facility, building, or other property, may impact efforts to enhance Small Business supplier relationships. Small businesses are disproportionately represented in the services covered in these policies, agreements, and statute. UC estimates that about 15% of all service contracts with small and diverse businesses are impacted by the contracting limitations, translating to a total of about \$30 million in revenue impact among 250 businesses currently. Campuses have reported that policy requirements have resulted in the termination of longstanding contracts with numerous small and diverse businesses, which could be a reason why data related to contracting with diverse businesses is not as robust as desired over the current reporting period.

In order to combat the headwinds above, and to significantly improve our spend with small, disadvantaged, and veteran owned businesses, UC Procurement and UC Design and Construction are currently working on efforts to take a more strategic, more targeted approach to small business identification and development by creating programs that assist with capability development and access to capital for small businesses.

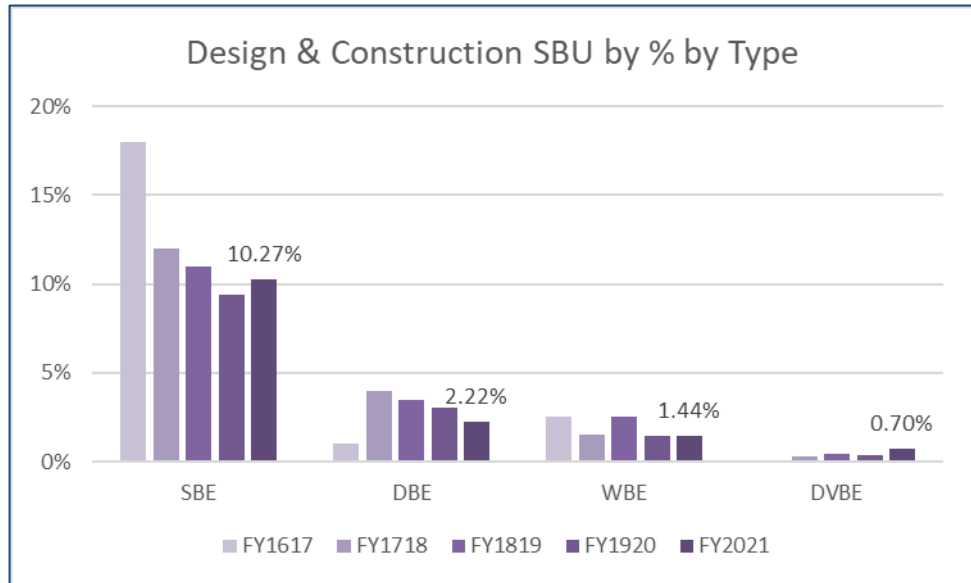
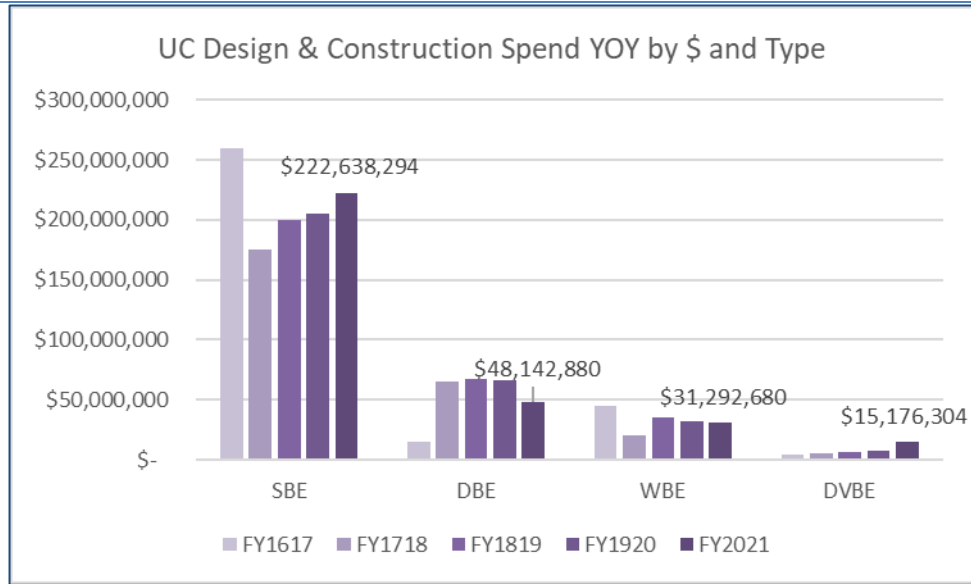
It should be noted that the UC Office of the President Local Procurement results are heavily influenced by the inclusion of \$2.9 billion of UC's systemwide healthcare and insurance provider spend which represents 88% of the total UCOP Procurement Spend. While this healthcare and insurance spend is not completely unaddressable, the nature of this very sizeable spend offers limited Tier I Small Business opportunities. As a result, we are working with our primary suppliers to hold them accountable for delivering and reporting Tier II spend and to encourage them to partner with Small Business providers in the delivery of Tier I.

The following pages display utilization figures for Fiscal Year 2020 - 21 with a summary of University addressable business contracting spend for all contracting categories (Purchasing, Construction and Design). The subsequent pages show the activity for each contracting category by Campus, Medical Center, and National Lab.

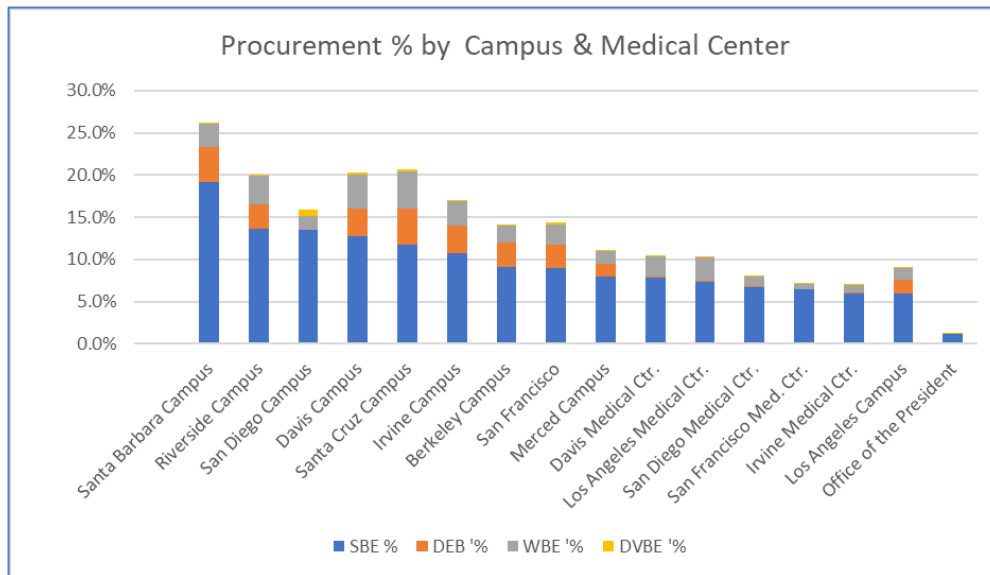
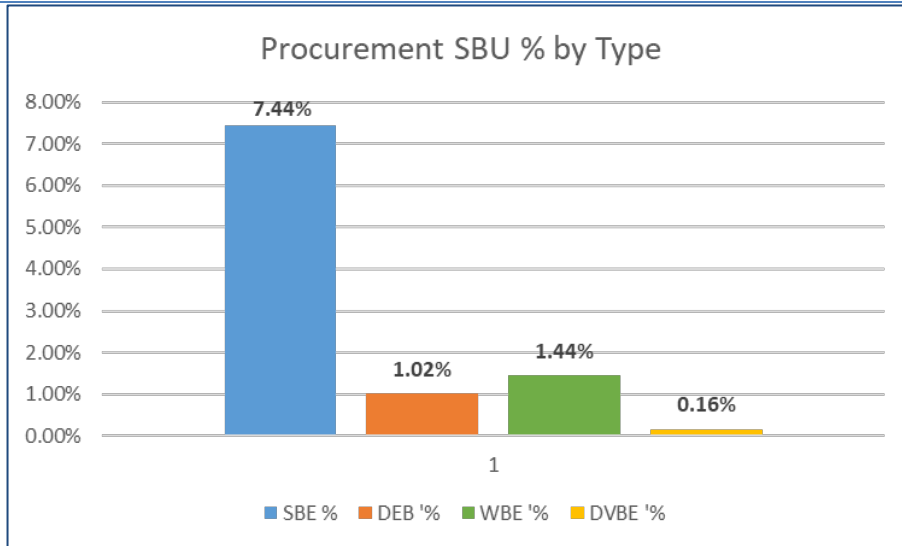
² "The Covid-19 Crisis Has Wiped Out Nearly Half Of Black Small Businesses", Forbes.com, August 10, 2020



Overall University of California Small Business Utilization for FY20-21 was 7.91% (\$1.02 billion) of addressable spend. This represents a \$69 million increase in spend versus previous year; but it also represents a 0.98% decrease when considered as a percentage of spend, following a drop of 0.97% the previous year.



Spend with small businesses in Design & Construction increased by \$17 million in terms of dollars and increased by 0.87% in terms of percentage during FY20-21. Total FY20-21 Design & Construction SBU Spend was 10.27% (\$223 million) on a total spend of \$2.16 billion.



It is worth noting that most individual UC campuses significantly surpass the UC average percentage; for example UC Davis at 12.77%, UC San Diego at 13.44%, and UC Santa Barbara at 19.13%. The overall average is lowered by Office of the President Local Procurement at 1.12% (up 0.36% from last year), which, as previously mentioned, is heavily impacted by \$2.9 billion of Healthcare and Insurance spend with limited Small Business Utilization opportunity.

Procurement Services January 2022
 Small Business Utilization Legislative Report -- Page 8

Location	Total \$ Expenditure	SBE	%	DBE	%	WBE	%	DVBE	%
Procurement									
Campuses & Med Ctrs	\$ 10,504,923,986	\$ 650,332,394	6.19%	\$ 89,988,490	0.86%	\$ 138,226,044	1.32%	\$ 13,783,253	0.13%
National Labs	\$ 220,231,305	\$ 147,458,982	66.96%	\$ 19,821,160	9.00%	\$ 16,715,079	7.59%	\$ 3,764,817	1.71%
PROCUREMENT TOTAL	\$ 10,725,155,291	\$ 797,791,376	7.44%	\$ 109,809,650	1.02%	\$ 154,941,123	1.44%	\$ 17,548,070	0.16%
Design & Construction									
Campuses & Med Ctrs	\$ 2,073,175,033	\$ 154,527,076	7.45%	\$ 39,164,046	1.89%	\$ 27,648,152	1.33%	\$ 2,389,623	0.12%
National Labs	\$ 94,158,020	\$ 68,111,218	72.34%	\$ 8,978,834	9.54%	\$ 3,644,528	3.87%	\$ 12,786,681	13.58%
D & C TOTAL	\$ 2,167,333,054	\$ 222,638,294	10.27%	\$ 48,142,880	2.22%	\$ 31,292,680	1.44%	\$ 15,176,304	0.70%
Grand Total	\$ 12,892,488,345	\$ 1,020,429,670	7.91%	\$ 157,952,530	1.23%	\$ 186,233,802	1.44%	\$ 32,724,374	0.25%

Small Business Utilization Report, FY 2020-2021
PROCUREMENT

Location	Total \$ Expenditure	SBE	SBE %	DBE	DEB %	WBE	WBE %	DVBE	DVBE %
Berkeley Campus	\$ 471,522,104	\$ 42,586,965	9.03%	\$ 13,870,357	2.94%	\$ 9,381,604	1.99%	\$ 427,756	0.09%
Davis Campus	\$ 394,221,269	\$ 50,357,332	12.77%	\$ 12,760,234	3.24%	\$ 15,705,520	3.98%	\$ 1,251,407	0.32%
Davis Medical Ctr.	\$ 483,974,173	\$ 37,770,748	7.80%	\$ 798,628	0.17%	\$ 11,245,931	2.32%	\$ 296,214	0.06%
Irvine Campus	\$ 230,271,090	\$ 24,687,008	10.72%	\$ 7,466,707	3.24%	\$ 6,623,002	2.88%	\$ 221,128	0.10%
Irvine Medical Ctr.	\$ 496,819,631	\$ 29,728,046	5.98%	\$ 230,174	0.05%	\$ 4,533,312	0.91%	\$ 256,137	0.05%
Los Angeles Campus	\$ 1,356,819,661	\$ 80,535,521	5.94%	\$ 22,252,956	1.64%	\$ 18,879,678	1.39%	\$ 1,818,806	0.13%
Los Angeles Medical Ctr.	\$ 712,749,206	\$ 52,686,778	7.39%	\$ 679,510	0.10%	\$ 19,230,714	2.70%	\$ 352,564	0.05%
Merced Campus	\$ 58,328,221	\$ 4,669,306	8.01%	\$ 830,644	1.42%	\$ 892,692	1.53%	\$ 4,500	0.01%
Riverside Campus	\$ 116,063,987	\$ 15,822,128	13.63%	\$ 3,392,784	2.92%	\$ 3,914,565	3.37%	\$ 185,419	0.16%
San Diego Campus	\$ 706,234,887	\$ 94,944,888	13.44%	\$ 134,663	0.02%	\$ 11,411,405	1.62%	\$ 5,707,704	0.81%
San Diego Medical Ctr.	\$ 597,229,348	\$ 40,357,612	6.76%	\$ 221,147	0.04%	\$ 6,764,366	1.13%	\$ 1,195,838	0.20%
San Francisco	\$ 616,665,019	\$ 55,681,279	9.03%	\$ 16,614,585	2.69%	\$ 15,147,597	2.46%	\$ 1,354,524	0.22%
San Francisco Med. Ctr.	\$ 694,219,293	\$ 44,717,916	6.44%	\$ 344,825	0.05%	\$ 4,017,570	0.58%	\$ 57,074	0.01%
Santa Barbara Campus	\$ 128,413,061	\$ 24,563,113	19.13%	\$ 5,317,407	4.14%	\$ 3,643,101	2.84%	\$ 187,960	0.15%
Santa Cruz Campus	\$ 119,415,476	\$ 13,977,665	11.71%	\$ 5,073,869	4.25%	\$ 5,359,185	4.49%	\$ 202,930	0.17%
Office of the President	\$ 3,321,977,559	\$ 37,246,090	1.12%	\$ -	0.00%	\$ 1,475,803	0.04%	\$ 263,293	0.01%
Berkeley Lab	\$ 220,231,305	\$ 147,458,982	66.96%	\$ 19,821,160	9.00%	\$ 16,715,079	7.59%	\$ 3,764,817	1.71%
PROCUREMENT TOTAL	\$ 10,725,155,291	\$ 797,791,376	7.44%	\$ 109,809,650	1.02%	\$ 154,941,123	1.44%	\$ 17,548,070	0.16%

Note:
 1. Merced Results are extrapolated by using the first 6 months of spend given the limitation in the CalUsource data and the Oracle system transition.
 2. Office of the President results include \$2,907,194,802 in Insurance Carrier spend (88% of the total UCOP FY20-21 Procurement Spend).

Small Business Utilization Report, FY 2020-2021
DESIGN & CONSTRUCTION

Location	Total \$ Expenditure	SBE	%	DBE	%	WBE	%	DVBE	%
Berkeley Campus	\$ 62,060,107	\$ 14,068,251	22.67%	\$ 2,165,638	3.49%	\$ 1,644,630	2.65%	\$ 37,888	0.06%
Davis Campus	\$ 182,827,309	\$ 11,223,944	6.14%	\$ 3,545,461	1.94%	\$ 1,286,164	0.70%	\$ 655	0.00%
Davis Medical Ctr.	\$ 168,428,874	\$ 13,336,859	7.92%	\$ 2,960,677	1.76%	\$ 2,778,402	1.65%	\$ 335,649	0.20%
Irvine Campus	\$ 176,326,759	\$ 19,099,008	10.83%	\$ 11,336,781	6.43%	\$ -	0.00%	\$ -	0.00%
Irvine Medical Ctr.	\$ 15,226,525	\$ 8,314,613	54.61%	\$ 457,130	3.00%	\$ 89,400	0.59%	\$ -	0.00%
Los Angeles Campus	\$ 437,843,055	\$ 11,428,470	2.61%	\$ 9,851,996	2.25%	\$ 1,226,392	0.28%	\$ 233,161	0.05%
Los Angeles Medical Ctr.	\$ 13,337,628	\$ 5,603,417	42.01%	\$ 1,304,574	9.78%	\$ 933,775	7.00%	\$ 507,180	3.80%
Merced Campus	\$ 3,556,797	\$ 225,112	6.33%	\$ 175,721	4.94%	\$ -	0.00%	\$ -	0.00%
Riverside Campus	\$ 95,075,632	\$ 1,400,857	1.47%	\$ 616	0.00%	\$ 59,165	0.06%	\$ -	0.00%
San Diego Campus	\$ 357,994,924	\$ 7,353,898	2.05%	\$ 51,625	0.01%	\$ 486,823	0.14%	\$ 467,007	0.13%
San Diego Medical Ctr.	\$ 24,167,521	\$ 6,736,283	27.87%	\$ 81,406	0.34%	\$ 693,273	2.87%	\$ -	0.00%
San Francisco	\$ 265,509,440	\$ 11,047,918	4.16%	\$ 1,330,056	0.50%	\$ 758,392	0.29%	\$ -	0.00%
San Francisco Med. Ctr.	\$ 180,629,691	\$ 38,719,684	21.44%	\$ 1,916,071	1.06%	\$ 13,685,197	7.58%	\$ 796,051	0.44%
Santa Barbara Campus	\$ 28,262,529	\$ 1,888,350	6.68%	\$ 854,019	3.02%	\$ 497,548	1.76%	\$ -	0.00%
Santa Cruz Campus	\$ 58,805,944	\$ 3,914,397	6.66%	\$ 3,132,274	5.33%	\$ 3,465,643	5.89%	\$ 12,031	0.02%
Office of the President	\$ 3,122,297	\$ 166,015	5.32%	\$ -	0.00%	\$ 43,348	1.39%	\$ -	0.00%
Berkeley Lab	\$ 94,158,020	\$ 68,111,218	72.34%	\$ 8,978,834	9.54%	\$ 3,644,528	3.87%	\$ 12,786,681	13.58%
D&C TOTAL	\$ 2,167,333,054	\$ 222,638,294	10.27%	\$ 48,142,880	2.22%	\$ 31,292,680	1.44%	\$ 15,176,304	0.70%

Note:
 1. Merced Results are extrapolated by using the first 6 months of spend given the limitation in the CalUsource data and the Oracle system transition.

- All Campus data is reported from UC's central spend data system, CalUsource.net. Data in this system is enriched by a third-party supplier to link diversity certification information based on verification from various certifying bodies including State and Federal governments. Medical Centers and the Lawrence Berkeley National Lab self-report spend data out of their individual financial systems. Supplier diversity information is currently collected and verified based on individual site practices. However, we are working to harmonize the data collection and reporting methodology across all the spends.
- All UC Campus spend excludes "Non-Addressable" spend. Only spend that can be impacted by procurement activity is included. Non-Addressable spend generally includes expenses like payroll, benefits, government services/taxes, subawards, etc.
- Not all Design & Construction spend is reported into CalUsource for UC campuses, some D&C spend is managed out of financial systems external to the primary ones for a given site.
- UC Merced FY20-21 results are extrapolated by using the first 6 months of spend. Data available in CalUsource for the second half of the year was limited due to the Oracle system transition.