

**THE ECONOMIC IMPACT OF THE SMALL BUSINESS
AND DISABLED VETERAN BUSINESS ENTERPRISE
PROGRAMS ON THE STATE OF CALIFORNIA**

Submitted by:

Sanjay B. Varshney, Ph.D., CFA

**Professor of Finance and Dean - College of Business Administration
California State University, Sacramento**

Dennis H. Tootelian, Ph.D.

**Professor of Marketing & Director of the Center for Small Business – College of
Business Administration
California State University, Sacramento**

June 2009

TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
INTRODUCTION AND PURPOSE.....	7
BACKGROUND.....	11
SMALL BUSINESS AND DVBE PROGRAMS IN THE STATE OF CALIFORNIA	14
Comparison between the SB and DVBE Certifications	16
Small Business and Microbusiness Certification Benefits	16
METHODOLOGY FOR THE STUDY.....	18
FINDINGS OF THE STUDY	20
Survey of SBs and DVBEs.....	20
Methodology for the Study	21
Summary and Conclusions	21
Economic Impact of Small Businesses and DVBEs	23
Multiplier Effect of Small Business and DVBE Activity	28
Economic Impact Effects on Residents and State Programs.....	33
SUMMARY AND CONCLUSIONS OF THE STUDY.....	35
TABLE ONE: TOTAL PROJECTED ECONOMIC IMPACTS.....	37
Expected Impact	37
Maximum Impact.....	39
Minimum Impact.....	41
TABLE TWO: EXPECTED IMPACT FROM CERTIFIED SMALL BUSINESSES	43
Output	43
Employment.....	43
Labor Income.....	44
Indirect Business Tax.....	44
TABLE THREE: MAXIMUM EXPECTED IMPACT FROM CERTIFIED SMALL BUSINESSES	45
Output	45
Employment.....	45
Labor Income.....	46
Indirect Business Tax.....	46
TABLE FOUR: MINIMUM EXPECTED IMPACT FROM CERTIFIED SMALL BUSINESSES	47
Output	47
Employment.....	47
Labor Income.....	48
Indirect Business Tax.....	48
TABLE FIVE: EXPECTED IMPACT FROM DISABLED VETERAN BUSINESS ENTERPRISES	49
Output	49
Employment.....	49
Labor Income.....	50
Indirect Business Tax.....	50

TABLE SIX: MAXIMUM EXPECTED IMPACT FROM DISABLED VETERAN BUSINESS ENTERPRISES	51
Output	51
Employment	51
Labor Income	52
Indirect Business Tax	52
TABLE SEVEN: MINIMUM EXPECTED IMPACT FROM DISABLED VETERAN BUSINESS ENTERPRISES	53
Output	53
Employment	53
Labor Income	54
Indirect Business Tax	54
TABLE EIGHT: TOTAL IMPACT PER HOUSEHOLD AND PER RESIDENT OF CALIFORNIA	55
TABLE NINE: EXPECTED ALLOCATION OF INCREMENTAL LABOR INCOME THROUGH THE ECONOMY*	56
TABLE TEN: HOW INCREMENTAL TAX DOLLARS COULD IMPACT STATE AGENCY BUDGETS	57
Appendix A: About the DVBE and Small Business Certification Programs	58
Appendix B: About the DVBE Participation Program	60
Appendix C: DVBE Certification Benefits and Eligibility Requirements	61
Appendix D: DVBE Legislation	63
Appendix E: Small Business Certification Benefits and Eligibility Requirements	65
Appendix F: Small Business Legislation	66
Appendix G: Microbusiness Definition	68
Appendix H: DVBE and Small Business Regulations	68
Appendix I: DGS Small Business Advisory Council	70

THE ECONOMIC IMPACT OF THE SMALL BUSINESS AND DISABLED VETERAN BUSINESS ENTERPRISE PROGRAMS ON THE STATE OF CALIFORNIA

EXECUTIVE SUMMARY

Introduction and Purpose

Small businesses are the lifeblood of the economy in the United States. Based on data from the U.S. Census Bureau, the Office of Advocacy at the U.S. Small Business Administration documented that small businesses accounted for over 92% of the net new jobs creation between 1989 and 2003. The smallest among the small businesses (those employing fewer than 20 employees) accounted for 85% of the net new job creation over the same period.

In essence, the vast majority of the new jobs created in the economy come from the very small businesses. Of the total 21.8 million jobs created between 1989 and 2003, small businesses under 20 employees created 18.6 million jobs, small businesses with between 20 and 500 employees created 1.5 million jobs, and large businesses and companies (with over 500 employees) created only 1.7 million jobs. Similarly, while small businesses created net new jobs in 12 of those 14 years, large businesses eliminated more jobs than they created in 5 of those 14 years.

Given the State of California (State) established goals for certified small businesses (SBs) and disabled veteran business enterprise (DVBE) participation, the question that may cross the ordinary tax payer's mind is why the State goes out of its way to help SBs and DVBEs. Why does the State make allowances for them and provide them with bid preferences? Why does the State make the efforts it does to meet the State established goals? To understand why the State makes such concerted efforts to increase SB and DVBE participation, one need to only understand the importance of small business to California economy.

The purpose of this study, therefore, was to assess the economic impact of Department of General Services programs to promote opportunities for SBs and (DVBEs).

Specific issues examined included:

What are the economic costs and benefits to the State of California generated by State government contracting with SBs and DVBEs (i.e. new jobs created, additional business and income taxes paid, goods, homes, cars purchased, etc.)? Is there a legitimate economic multiplier that can be arrived at systematically and validated statistically, by region and then overall for the State?

Summary and Conclusions

The incremental value of the State's awarding contracts to SBs and DVBEs is positive, resulting in tremendous net new job creation, creation of net new Gross State Product (GSP), net new labor income for California employees, and indirect business taxes. Small business accounts for 99.2% of all employer firms and drives the economic engine of the State. This study documents several attributes of SBs and DVBEs of interest:

- There are significant economic benefits to the State of California generated by State government contracting with SBs and DVBEs (i.e. new jobs created, additional business and income taxes paid, goods, homes, cars purchased, etc.) that are incremental and over and above what would have been produced by large businesses.
- The direct incremental value of contracting by the State with SBs and DVBEs is at least \$883 million, averages around \$1.484 billion, and is as high as \$2.242 billion.
- The total net new economic activity generated by the State through contracting with SBs and DVBEs through gross State output is approximately \$4.243 billion, is at least \$2.523 billion, and is as high as \$6.408 billion.
- The total net new jobs created due to the State's contracting with SBs and DVBEs range between 15,234 and 38,685 with the average being approximately 25,617.
- In 2006-07, the State awarded contracts totaling \$9.387 billion. The net new GSP creation due to contracts awarded by the State to SBs and DVBEs is two thirds (68%) of the total amount awarded under the best case scenario, 45% under the "average" scenario, and 27% under the "minimum" scenario. In other words, the State created 68% more value by awarding contracts to SBs and DVBEs over large businesses under the best case scenario, 27% more value under the worst case scenario, and on average produced new economic activity that is 50% more than if awarding the contracts to large businesses.
- Most of the SB and DVBE respondents (62.5% in survey conducted) have tried to obtain contracts with the State.
- The main reasons respondents gave for not trying to bid for a State contract(s) are that they either did not know of bid opportunities (28.0%) or they felt that the products/services they offer did not match the State's needs (28.0%).
- Bid success seems to be a function of the number of applications made. For example, 56.9% of the respondents who have bid two to five times have been successful at least once, and 85.4% of the respondents who bid for at least six contracts have been successful at least once.

- Most respondents (76.0%) indicated they are somewhat or very interested in bidding for State contracts. This demonstrates that the Department of General Services (DGS) list is viable in identifying possible SBs and DVBEs for bid opportunities.
- Survey results suggest that additional SB and DVBE education may be appropriate to improve their knowledge of how the preference program works.
- Most survey respondents (79.0%) said they would like additional information on contracting with the State and the bid opportunities and processes.

THE ECONOMIC IMPACT OF THE SMALL BUSINESS AND DISABLED VETERAN BUSINESS ENTERPRISE PROGRAMS ON THE STATE OF CALIFORNIA

SUMMARY REPORT OF FINDINGS

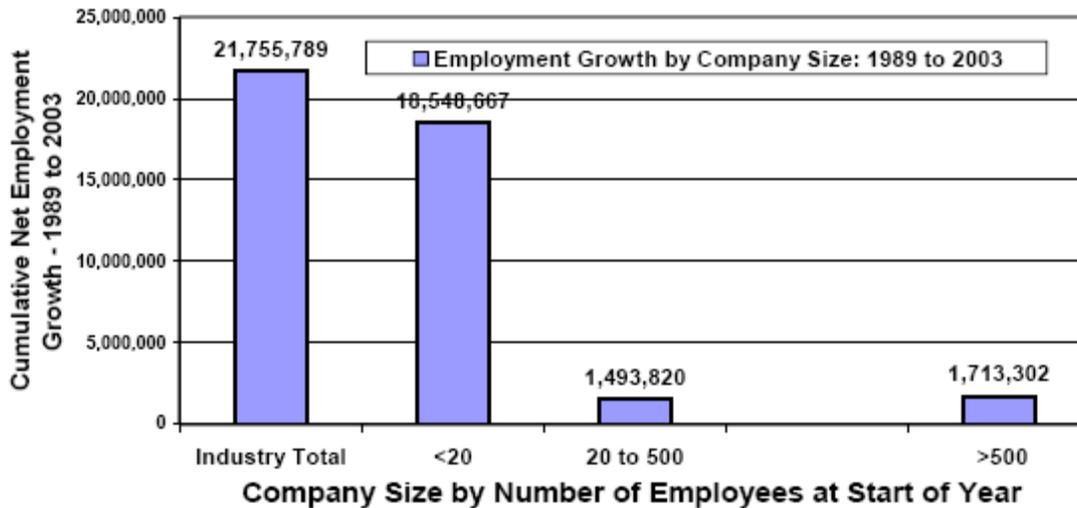
INTRODUCTION AND PURPOSE

Small businesses are the lifeblood of the economy in the United States. Based on data from the U.S. Census Bureau, the Office of Advocacy at the U.S. Small Business Administration documented that small businesses accounted for over 92% of the net new jobs creation between 1989 and 2003. The smallest among the small businesses (those employing fewer than 20 employees) accounted for 85% of the net new job creation over the same period.

In essence, the vast majority of the new jobs created in the economy come from the very small businesses. Of the total 21.8 million jobs created between 1989 and 2003, small businesses under 20 employees created 18.6 million jobs, small businesses with between 20 and 500 employees created 1.5 million jobs, and large businesses and companies (with over 500 employees) created only 1.7 million jobs. Similarly, while small businesses created net new jobs in 12 of those 14 years, large businesses eliminated more jobs than they created in 5 of those 14 years.

This is demonstrated in Figure1 from Small Business Technology Council below relative to net employment growth from 1989 through 2003:

**Figure 1. Net Employment Growth
By Company Size at Start of Year:
Cumulative Net Employment Growth - 1989 to 2003**



Source: Small Business Technology Council, “Why are small businesses so important to the United States? They create the vast majority of all net new jobs!”

Over 90% of the firms in the United States employ fewer than 20 employees, and large firms (500 or more employees) constitute only 0.3% of all firms. Small business drives the economic engine and the Gross State Product (GSP). An adverse impact on small business is bound to adversely impact the production of goods and services, the risk tolerance of the American enterprise, the productivity of labor, the quality of life, and the overall well being of the State of California (State) and its citizens. The ultimate drivers of growth and economic prosperity are innovation, economic risk taking, and investment. The majority of this comes from small business.

Efforts to promote small business, facilitate their financing, provide them with fair opportunities to compete for State and federal contracts, and help them overcome regulatory burdens and barriers will help support national economic growth given their importance in driving the economic engine. A study by Clark, Moutray, and Saade showed that even though small businesses in the United States comprise 99.7% of all employers firms, they account for only 23% of direct federal procurement dollars, and 40% of subcontracting dollars using information from 1958 to 2006. The United States federal government promotes direct and subcontracting procurement opportunities for small businesses. And, with the enactment of Public Law 95-507, it also promotes opportunities for small socially and economically disadvantaged small businesses including minorities, women, veterans, service-disabled veterans, and HUB Zone small businesses.

Given the State established goals for certified small businesses (SBs) and disabled veteran business enterprise (DVBE) participation, the question that may cross the ordinary tax payer’s mind is why the State goes out of its way to help SBs and DVBEs. Why does the State make allowances for them and provide them with bid preferences? Why does the State make the efforts

it does to meet the State established goals? To understand why the State makes such concerted efforts to increase SB and DVBE participation, one need to only understand the importance of small business to California economy.

The purpose of this study, therefore, was to assess the economic impact of Department of General Services (DGS) programs to promote opportunities for SBs and (DVBEs).

Specific issues examined included:

What are the economic costs and benefits to the State of California generated by State government contracting with SBs and DVBEs (i.e. new jobs created, additional business and income taxes paid, goods, homes, cars purchased, etc.)? Is there a legitimate economic multiplier that can be arrived at systematically and validated statistically, by region and then overall for the State?

This study was conducted by Dr. Sanjay Varshney and Dr. Dennis Tootelian. Brief biographies on each are presented below.

Dr. Sanjay Varshney is the Dean of the College of Business Administration at California State University, Sacramento. He has also worked at the University of San Francisco, and previously served as the Dean of the Business School at State University of New York in Utica. He earned an undergraduate degree in Accounting and Financial Management from Bombay University, a Master's degree in Economics from the University of Cincinnati and a doctorate in Finance from Louisiana State University in Baton Rouge. He also holds the *Chartered Financial Analyst* (CFA) designation.

Sanjay's research interests include market microstructure, new securities issuance and corporate valuation, and his publications have been included in numerous academic and practitioner journals including Journal of Economics and Finance, Journal of Management Research, Studies in Economics and Finance, Journal of Real Estate Finance and Economics, Contemporary Finance Digest, Advances in Financial Economics, and the Journal of Applied Business Research. Sanjay has also served as a financial consultant for leading Wall Street firms such as UBS Financial Services, Salomon Smith Barney, Fleet Boston, Montgomery Securities, Goldman Sachs, J.B. Oxford, Charles Schwab, and Barclays among others.

Dr. Dennis H. Tootelian is a Professor of Marketing and Director of the Center for Small Business in the College of Business at California State University, Sacramento. He received his Ph.D. in Marketing from Arizona State University, with minor fields in Accounting and Management. Dennis has been the Director of the Center for Small Business for more than thirty years and has made it into one of the largest of its kind in the United States.

Dennis has published approximately one hundred articles dealing with all facets of business, and has co-authored six texts on marketing and small business management. His academic research has appeared as articles in such journals as the Journal of Marketing, Journal of Retailing, Journal of Business Research, Journal of Health Care Marketing, and Journal of Professional Services Marketing. Results of some of his applied research and writing have appeared in The

Congressional Record, The Wall Street Journal, Forbes, The Kiplinger Report, USA Today, ABC National News website, and even The National Enquirer. Dennis has worked in a consulting capacity with businesses that are Fortune 500 companies (e.g., McDonald's Corporation, Merck, Johnson & Johnson, 3M, Target Stores, Nestles U.S.A., McKesson Corporation), professional and trade associations (e.g., California Pharmacists Association, California Dental Association), and federal and State governmental agencies (e.g., Centers for Disease Control, California Environmental Protection Agency, California Department of Parks and Recreation, California Department of Insurance).

BACKGROUND

In 2008, the U.S. Small Business Administration Office of Advocacy reported that California had 3.4 million small businesses, of which 718,220 are small employers and 2.6 million non-employers that are mostly sole proprietors. It reported that there are only 5,660 large businesses.

The small businesses comprised 99.2% of all employer firms, provided 52.1% of the State's private sector employment, and approximately half of all employment both in jobs and employment dollars. While accommodation and food services was the largest small business employer, retail trade was the largest overall employer.

As shown below in Figure 2, small businesses accounted for 87.6% of the new job creation from 2004 to 2005. Small Businesses create 75% of the State's GSP while employing over 7.2 million people. California is the largest economy within the United States, and according to the California Department of Finance, ranks eighth in the world.

FIGURE 2. California Small Business Facts

	Level in % Change from		
	2006	2005	2000
Number of Businesses			
Small employers (<500 employees)	718,220	1.6	9
Large employers (500+ employees)	5,660	1.7	-0.5
Nonemployers	2,645,256	1.4	25.8
	Level in % Change from		
	2002	1997	
Business Owner Demographics			
Male-owned	1,625,297	20.4	
Woman-owned	870,496	24.3	
Equally male/female-owned	346,753	-25.6	
African American-owned	112,815	42.6	
Asian-owned	371,530	18.7	
Hispanic-owned	427,678	27.1	
Native American/Alaskan-owned	38,125	NA	
Hawaiian and Pacific Islander-owned	7,074	128.8	
	Level in % Change from		
	2007	2006	2000
Workforce (Thousands) /Unemployment (%)			
Private-sector employment	12,666	0.5	4.1

Government employment	2,497	1.8	7.7
Self-employed (incorp. & uninc.)	2,322	-2.3	23.6
Female self-employment	840	1	19.6
Male self-employment	1,482	-4.1	26
Minority self-employment	384	-9.6	25.3
Veteran self-employment	189	-12.4	-18.8
Unemployment rate (%)	5.4	0.5	0.5
Business Turnover			
Quarterly establishment openings	175,531	1.6	4.1
Quarterly establishment closings	172,587	1.5	9
Business bankruptcies	3,505	67.1	-52.6
Income and Finance			
Proprietors' income (\$billion)	149.4	-3.1	27.4
Bank branches	7,122	3.3	15
No. of bus. loans under \$100000	116,932	-5	NA
Total value of business loans under \$100,000 (\$million)			
	3,109	-1.5	NA
Sources: U.S. Dept. of Commerce, Bureau of the Census and Bureau of Economic Analysis; U.S. Dept. of Labor, Bureau of Labor Statistics; Administrative Office of the U.S. Courts; Federal Deposit Insurance Corporation, Summary of Deposits; and U.S. Small Business Administration, Office of Advocacy (www.sba.gov/advo/research/lending.html).			
† Latest available data; certain figures are economy wide.			

Small businesses account for almost all of the economic growth the State has witnessed since 1975. Because small businesses comprise 99.2% of all employer firms in the State, the economy grows when they produce more goods and services and hire more workers.

California's economy cannot grow and prosper unless small businesses are growing and prospering. Since small businesses generate much of the State's economic activity, purchasing and producing goods and services, almost all of this activity is local and regional. Small businesses generate a very large percentage of the revenue received by State and local governments. They collect sales tax revenue, pay taxes on their profits, and, even more importantly, create taxable personal income for their owners and employees. Small businesses also pay property taxes, permits, licenses, fees, assessments, etc.

Unlike large businesses whose stockholders and owners are spread out potentially all over the world, the vast majority of small businesses are located in California, and their owners and employees are California residents who pay State income taxes. This is true even if the

businesses may be exporting substantial volumes of goods and services to other States and countries and bringing in revenue into California. Small business owners, by living in their local communities, support their churches, social organizations, philanthropy, arts and culture, entertainment, and are an integral part of the local economy. Finally small business owners, being California residents have an influence on the government and politics due to their right to vote and elect their representatives.

Small businesses drive economic growth. A study by Bruce, Deskins, Hill, and Rork shows that the category of small business births--establishment of new firms--is the single largest determinant of GSP, employment, and State personal income growth. Similarly, the deaths of small businesses have the opposite effect--with the influence of births and deaths being almost equal. This study also finds that small business activity in neighboring States does not have a negative impact on a State's own rate of economic growth, but in fact, actually increases growth.

SMALL BUSINESS AND DVBE PROGRAMS IN THE STATE OF CALIFORNIA

The State encourages and promotes SB and DVBE programs which were established to acknowledge small businesses and disabled veterans for their service to the nation and the State. The State hopes to promote competition and encourage greater economic opportunity among small businesses and disabled veteran enterprises. Information on the SB and DVBE programs are contained in Appendices A through I.

The State attempts to level the playing field for small businesses by promoting and encouraging the SB participation program based on the Small Business Procurement and Contract Act of 1973. Small businesses and micro businesses (MB) that are certified after meeting eligibility criteria set by the State and non-small businesses that contract with a small business for at least 25% of the contract award receive a 5% bid preference while competing for applicable State contracts. The State established a twenty-five percent goal for total contract dollars awarded each year. The awarding departments must report to the governor and legislature each year whether they achieved the goal. Similar to the DVBE program, State agencies that fail to meet the goal must explain the reasons why, and show plans for the future that show how they intend to meet the goal.

The State established a DVBE participation goal of at least three percent that applies to the total contract dollars expended each year by the various awarding departments. State agencies make efforts to attain this goal and must report to the governor and legislature each year whether they achieved the goal. If a State agency fails to meet the three percent goal, they are required to explain the reasons why and provide plans for the future that show how they plan to meet the goal. To be eligible for Program benefits, disabled veterans must be registered with DGS as a DVBE after meeting the eligibility criteria. Being registered with DGS as a DVBE not only provides visibility but also several opportunities that may not be available otherwise.

Both the SB and DVBE programs allow the SB and DVBE communities to be able to compete more effectively with the large businesses. The goal is to provide more economic opportunities to them in an effort to boost the overall California economy. Each year, as required by Public Contract Code Section 10111, DGS prepares and submits the Consolidated Annual Report (CAR) that consists of details on contract activity reports for SBs, MBs, and DVBEs, that include consulting services and information on ethnicity, race and gender.

In 2006-07, SBs and MBs (hereafter SBs) were the beneficiaries of \$2.66 billion through State procurement activity for a total of 114,835 contracts. Interestingly, while the SB/MB participation represented 28.31% that met the 25% goal, and represented an increase of 9.05% over the previous year (19.26% that did not meet the 25% goal), the actual number of contracts decreased from 115,064 from the previous year (see Figure 3). The total number of SBs was 13,855 that included 11,225 MBs, and 2,630 non-MBs (see Figure 4). The Department of Corrections and Rehabilitation (CDCR) accounted for 60% of contract dollars to SB/MBs and 45% of overall State total contract dollars. Without CDCR, the State would not meet the 25%

SB goal since the SB participation was only 20.8% (CDCR accounted for the balance 7.5% of the total 28.31%). Finally, CSU system awarded contracts totaling \$1.2 billion of which \$118.25 million went to SBs representing a participation of only 9.84%.

**Figure 3. SB/MB Contracting Activity Comparison
(excludes CSU participation)**

Fiscal Year	Total Contract \$	Total SB/MB \$	Total SB/MB %	Total SB/MB Contracts
2005-2006	\$8,067,016,038	\$1,553,579,315	19.26%	115,064
2006-2007	\$9,386,973,057	\$2,657,828,690	28.31%	114,835
Variance \$	\$1,319,957,019	\$1,104,249,375	9.05%	229
Variance %	16.36%	71.08%	31.97%	0.00%

Figure 4. CERTIFIED SB/MB Firms by Number of Employees

Business Type	All Firms	0-25	26-50	51-75	76-100	>100
SB (All Firms)	13,855	12,275	1,200	315	65	0
SB (W/O MB)	2,630	1,050	1,200	315	65	0
SB (W/MB)	11,225	11,225	0	0	0	0

The latest report available on DGS website is for fiscal year 2006-07. Based on this report, all State agency contracts awarded for the procurement of goods and services totaled approximately \$9.4 billion. Of this total, DVBE participation was \$186 million through the award of 23,341 contracts to DVBE. While these numbers improved from those in 2005-06, they did not reach the three percent contracting goal set for DVBE by Military and Veterans Code Section 999.1 and Executive Order D-43-01. Also, DGS noted that the improved numbers were largely due to more effective and elaborate efforts by DGS to capture and record DVBE participation in contracts and purchase orders. There were 965 registered DVBEs (see Figures 5 and 6), 78% of which were also registered as SBs.

**Figure 5. DVBE Contracting Activity Comparison
(excludes CSU participation)**

Fiscal Year	Total Contract \$	Total DVBE \$	Total DVBE %	Total DVBE Contracts
2005-2006	\$6,441,685,890	\$135,017,788	2.10%	12,649
2006-2007	\$6,639,793,370	\$186,122,017	2.80%	23,341
Variance \$	\$198,107,480	\$51,104,229	0.70%	10,692
Variance %	3.07%	37.85%	33.33%	45.80%

Figure 6. DVBE by Business Type

Business Type	Firm Count	Construction	Manufacturer	Non-Manuf.	Service
DVBE Firms	209	67	6	36	140
DVBE & SB Firms	756	190	30	216	539
DVBE & SB (W/O MB)	57	23	1	19	33
DVBE & SB (W/MB)	699	167	29	197	506

Comparison between the SB and DVBE Certifications

The primary difference between the SB and DVBE certifications are the eligibility requirements. An SB's eligibility is primarily based on size standards (average gross annual receipts and number of employees) and a DVBE's eligibility focuses on the firm's disabled veteran owner(s). Some of the common items between the two certifications that are considered in the certification process are the business' structure, the principal office location, the type of business, and the owners and their domicile.

Another difference is how the certification, once obtained, is applied in the State contracting arena. DVBE certification entitles the certified business to participate in the State's DVBE Participation Program, which establishes a **goal** of at least 3% of total overall annual State contracting dollars to be awarded to DVBEs. Comparatively, SB participation goal is set at 25%. SB certification also entitles the certified business to a five percent bid preference on applicable State contracts. The 5% bid preference is only used for computational purposes to determine a contract award. SBs also have prompt payment benefits and DVBEs do not.

Providing all eligibility and compliance requirements are met, it is possible for a business to be certified as both small business and DVBE. Businesses that have this **dual certification** are able to experience the benefits of both certifications.

The State established a DVBE incentive pursuant to Senate Bill 115 chaptered October 3, 2005 and the Military and Veterans Code section 999.5(a). The new regulations apply to all competitive solicitations for public works, services, goods, and information technology goods and services posted or released after October 09, 2007. The DVBE incentive is required in solicitations that include DVBE program requirements and may be offered in other competitive solicitations.

The DVBE incentive offers State agencies a tool to increase their DVBE participation while still allowing the flexibility to exempt a contract from the participation requirement should the department deem it necessary. Each State agency should incorporate the use of the DVBE incentive into their plan or strategy to ensure achievement of at least three percent DVBE participation on their total contract dollars.

Small Business and Microbusiness Certification Benefits

Upon meeting eligibility requirements, certified SBs and MBs are entitled to the following:

- A five percent bid preference on applicable State solicitations.
- Under the Prompt Payment Act, the State must pay a certified SB/MB higher interest penalties for late payment of an undisputed invoice. Prompt payment penalties for construction firms are addressed separately.
- State agencies may use a streamlined process known as the "**SB/DVBE Option**" by contracting directly with a California-certified small business for goods, services, and information technology valued between \$5,001 and \$99,999 after obtaining price quotes

from at least two California-certified small businesses. For public works projects, the contract value can be up to \$147,000.

- The Department of General Services, Procurement Division charges State and local agencies an administrative fee when contracting with a California Multiple Award Schedules (CMAS) vendor. As an incentive, the fee is waived if the CMAS vendor is a certified small business.
- As an incentive, a non-small business prime contractor who uses certified small business subcontractors for at least 25% of its net bid price is eligible for a bid preference of five percent (5%) of the lowest responsible bid when competing against another non-small business.

When applying bidder preferences in which non-small business bidders may be eligible, certified SB and MB bidders have precedence over non-small business bidders. (Small business bids cannot be displaced by non-small business bids when applying any applicable lawful preferences).

- Certified SBs are eligible for the State's Small Business Participation Program. The program sets a goal for the use of small businesses in at least 25% of the State's overall annual contract dollars.
- Certified small businesses increase their visibility and expand their business networking opportunities by being automatically listed in the online search.

Eligibility requirements to be a certified SB include:

- Must be independently owned and operated;
- Cannot be dominant in its field of operation;
- Must have its principal office located in California;
- Must have its owners (or officers in the case of a corporation) domiciled in California; and
- Together with its affiliates, be either:
 - A business with 100 or fewer employees, and an average annual gross receipts of \$12 million or less over the previous three tax years, or
 - A manufacturer with 100 or fewer employees.

METHODOLOGY FOR THE STUDY

It is important to first understand that not every SB and DVBE that received an award got the contract due to the bid preference. Many SBs and DVBEs receive their contracts by competing with all other bidders normally and without the application of bid preferences. The contracts that were awarded to SBs and DVBEs, if awarded based on bid preference only, would have been awarded to any of the other bidders--that were either another SB or DVBE or perhaps a large business.

To measure the true cost or benefit of contracts being awarded to SBs and DVBEs versus being awarded to large businesses, such analysis must be conducted on an incremental basis that measures only the marginal benefit or cost from opportunity foregone. This means that consideration be given to the true net benefit or cost of the contract going to a SB or DVBE instead of a large business.

To conduct this study, therefore, it was necessary to review a sample of relevant past contracts that have been awarded to assess the potential cost of the goals expressed in the two questions identified in the Introduction and Scope.

A component of the study also included a survey of small business owners to assess whether SB and DVBE preferences make contracting with the State more attractive, how they prefer to receive information about contracting and potential contracts. If a program is to be effective, it needs the support of those to whom it is directed. This survey measured responsiveness of SBs and DVBEs to these efforts by the State to engage them in contracting with the State.

It also was necessary to compute the potential costs and benefits of SB/DVBE programs to the State based on a review of past contracts, surveys of small businesses, and other secondary data sources that may be available. This provided the incremental economic impact statistics that were used to assess the overall value of contracting with SBs and DVBEs.

From all of this it was possible to conduct an economic impact analysis to assess what the value of SB and DVBE contracts have on the State and on small businesses to address the issues and impacts identified in the two questions identified in the Introduction and Scope. This involved estimating the amount spent by the State that goes to SBs and DVBEs, how much of that spending remains in the State, and the impact that those expenditures may have on California's economy.

The primary model used for this analysis to capture the indirect and induced effects on State GSP is IMPLAN. It provides modeling based on data and tools to assess economic impacts at the State, multi-county, and county levels. Widely recognized and used nationally and regionally, IMPLAN has more than 1,500 active users in the USA and internationally. These include clients in federal and State government, universities, and private sector consultants.

Minnesota IMPLAN Group, Inc (MIG, Inc) is the developer of the IMPLAN® economic impact modeling system. IMPLAN® is used to create complete, extremely detailed Social Accounting Matrices and Multiplier Models of local economies. MIG, Inc. provides software tools, region-specific data, and technical support to enable users to make in-depth examinations of State, multi-county, county or sub-county, and metropolitan regional economies.

Additionally, the study included an examination of how these expenditures could positively impact small businesses and residents of within the State.

FINDINGS OF THE STUDY

The findings of this study are presented in four sections. The first contains the results of the survey of SBs and DVBES. This provides information on the interest in and level of participation in contracting—factors necessary for a successful program.

The second section contains the analysis to determine the *incremental* economic value of SBs and DVBES. As indicated in the Methodology, consideration of the economic impact must focus on the incremental value of awarding contracts to SBs and DVBES.

The third section presents the overall economic impact on the State. This is based on the computations using IMPLAN, as described in the Methodology, to show the incremental economic impact (output), incremental employment, incremental labor income generated, and incremental indirect business taxes created.

Finally, the overall economic impact findings are shown in terms of what they mean to residents of California, how the benefit trickles to various industry sectors based on increased spending as a result of employment, and how the incremental tax dollars could be used to fund other State programs that benefit residents of California.

Survey of SBs and DVBES

As previously indicated, in December 2008, the DGS commissioned California State University, Sacramento to study the economic impact of a State of California (State) program to provide 5% bid preference to SBs and up to 5% incentive to DVBES in the formal bid process. Part of this study included conducting a survey of owners of SBs and DVBES to assess their awareness of the bid preference program, activities associated with bidding for State projects, and desires for information about the program. The results of this survey are presented herein.

Specific objectives of this survey were to assess:

- Whether owners of SBs and DVBES have tried to obtain contracts with the State, and if not, the reasons why.
- Whether owners of SBs and DVBES who tried to obtain contracts did so as primary contractors or sub-contractors.
- What State, federal, and/or local certifications are held by owners of SBs and DVBES.
- How knowledgeable owners of SBs and DVBES feel they are about how to become certified, identifying the contracts available, the process used to submit bids for State work, and the process used by the State to award contracts.
- Whether owners of SBs and DVBES know about the bid preference program and if that would make them more interested in submitting bids for State work.
- What information owners of SBs and DVBES would like to have about bidding for State contracts and how they would like to receive that information.

Methodology for the Study

The population for this study was defined to be certified SBs and DVBEs in California. The study was limited to those listed on the DGS database as being SBs and DVBEs.

Given the nature of the study, it was determined that a telephone survey would be the most appropriate method of data collection. Telephone interviews can be conducted in a reasonably short period of time across a wide geographic area. This reduces the risk of extraneous events occurring during the data collection process which could adversely affect the quality of the information obtained. Telephone surveys also achieve a high response rate, and thereby minimize potential non-response bias.

Respondents for this survey were selected using a two-tiered sampling plan. Initially, the State was divided into three broad regions: Bay Area, Central Valley, and Southern California. Then, cities within each of these regions were designated for inclusion in the survey. Oakland and San Jose were used in the Bay Area, Sacramento and Fresno used in the Central Valley, and Los Angeles and San Diego used in Southern California.

The cities were selected based on geographic location, population, and SB and DVBE representation. These six cities account for approximately 20.4% of the State's population and 18.7% of the certified SBs and DVBEs in the State. A sample of 200 SBs and DVBEs were selected for surveying.

Summary and Conclusions

Based on the findings of this survey, the following summary points and conclusions appear warranted:

- Most of the respondents (62.5%) have tried to obtain contracts with the State. This may be expected since respondents went through the effort to become certified. However, it does suggest that the SBs and DVBEs in the DGS listing are active in reviewing bid opportunities and seeking State contracts. Accordingly, maintaining such a list is appropriate and a viable means for linking SBs and DVBEs with bid opportunities.
- The main reasons respondents gave for not trying to bid for a State contract(s) are that they either did not know of bid opportunities (28.0%) or they felt that the products/services they offer did not match the State's needs (28.0%).
- While it appears clear that bid opportunities are being made accessible to SBs and DVBEs, not narrowing down the notifications to relevant opportunities is problematic. In one respect, SBs and DVBEs may be "overloaded" with notifications that do not match what they do. However, more precise targeting bid opportunities could result in not alerting SBs and DVBEs of viable opportunities. There is a delicate balance between being more selective in the notifications and risking not alerting some companies of viable opportunities. Given the potential problems that could arise from not notifying

SBs and DVBEs, it would seem that keeping the notification relatively broad is the more appropriate option.

- Bid success seems to be a function of the number of applications made. The direction of the cause-and-effect relationship is not known--whether the more companies bid, the more likely they will be successful; or whether more successful companies are, the more likely they are to bid more frequently. Nevertheless, success rates clearly are higher among respondents who have bid for more State contracts. For example, 56.9% of the respondents who have bid two to five times have been successful at least once, and 85.4% of the respondents who bid for at least six contracts have been successful at least once. This suggests that there may be a “learning curve” effect and SBs and DVBEs should be encouraged to continue bidding for State contracts rather than be discouraged if they do not receive an award the first time.
- As would be expected, most respondents feel they are knowledgeable about how to become certified since they already have SB and/or DVBE certifications. However, 36.5% of the respondents believe they are not very or not at all knowledgeable about how to identify contracts, 41.2% feel this way about how to submit bids, and 44.5% of the respondents feel this way about how bids are awarded. Furthermore, 18.0% of the respondents do not know about the 5% bid preference. All of this suggests that additional SB and DVBE education may be appropriate to improve their knowledge of how the preference program works.
- Most respondents (76.0%) indicated they are somewhat or very interested in bidding for State contracts. This demonstrates that the DGS list is viable in identifying possible SBs and DVBEs for bid opportunities. Of those who did not express an interest in bidding for contracts, 6.3% of the respondents said they would be more interested when knowing of the 5% bid preference. Half of these respondents are uncertain about whether they would be more interested when knowing about the preference.
- Most respondents (79.0%) said they would like additional information on contracting with the State and the bid opportunities and processes. Somewhat contradictory to the additional comments about the need to more narrowly alert companies to bid opportunities, respondents seem to want a wide range of information, and prefer to receive it via e-mail. Additionally, 72.4% of the respondents indicated that they are at least somewhat likely to visit a central website for information. All of this suggests that there are opportunities to further educate SBs and DVBEs about the program, and to do so electronically by e-mail and/or a central website.

Overall, it appears that the DGS list contains SBs and DVBEs who are interested in contracting with the State, have actively sought contracts, and been somewhat to very successful in their efforts. This makes the listing a very important means for assisting SBs and DVBEs to become more involved in providing services to the State. Further education of these companies to ensure they are knowledgeable about bid opportunities, processes to use to submit bids, and the processes used by the State to award bids could make this list even more valuable.

Economic Impact of Small Businesses and DVBEs

To consider the incremental economic impact, the first step is to construct the input model. Since 78% of all DVBEs also are small businesses, we will assume that 78% of all contracting dollars awarded to DVBEs were awarded to SBs and not to large businesses. Since small businesses have been shown to account for net new job creation that ranged from 85% to almost 100%, we will assume that small business account for 90% of net new job creation while large businesses account for the balance 10%. Further, small businesses have been shown to account for 75% of the new GSP creation, while large businesses account for the balance 25%.

Figure 7 below shows the incremental value of awarding contracts to DVBEs and SBs/MBs instead of awarding to large businesses. Based on the creation of new jobs based on dollars spent on goods and services, every \$100 awarded to a DVBE has a direct incremental benefit of \$62.40 over a larger business. Similarly every \$100 awarded to an SB/MB has a direct incremental benefit of \$80.00 over a larger business.

Figure 7. Impact of Contracting with SBs Based on Job Creation	
Contract Dollars Awarded to Small Business	\$100
Estimated Job Creation by Small Business	90.00%
Net contract dollars per \$100 used for IMPLAN for contracting with SBs/MBs	\$90
Impact of Contracting with DVBEs	
Contract Dollars Awarded to DVBEs	\$100
Percentage of DVBEs that are Small Business	78.00%
Estimated Job Creation by DVBEs that are Small Business	90.00%
Contract Dollars used by IMPLAN for Contracting with DVBEs that are SB	\$70.20
Percentage of DVBEs that are Large Business	22.00%
Estimated Job Creation by DVBEs that are Large Business	10.00%
Contract Dollars used by IMPLAN for Contracting with DVBEs that are Large Business	\$2.20
Net contract dollars per \$100 used for IMPLAN for contracting with DVBEs	\$72
Impact of Contracting with Large Businesses	
Contract Dollars Awarded to Large Business	\$100
Estimated Job Creation by Large Business	10.00%
Net Contract per \$100 dollars used for IMPLAN for contracting with Large Business	\$10.00
Incremental Value of Contracting with SBs and DVBEs	
Net Incremental Dollars Between Small Business and Large Business	\$80.00
Net Incremental Dollars Between DVBEs and Large Business	\$62.40

Next, Figure 8 presented shown shows the incremental value of contracts awarded to DVBEs and SBs/MBs based on the new creation of gross State output. Small businesses generate 75% of the new GSP while large businesses account for the balance 25%. For every \$100 awarded to a DVBE the direct incremental benefit based on new GSP creation is \$39.00 over a large business. Similarly every \$100 awarded to a SB/MB has an incremental benefit of \$50.00 over a large business.

Figure 8. Impact of Contracting with SBs based on Creation of Gross State Product	
Contract Dollars Awarded to Small Business	\$100
Estimated GSP Creation by Small Business	75.00%
Net contract dollars per \$100 used for IMPLAN for contracting with SBs	\$75
Impact of Contracting with DVBEs	
Contract Dollars Awarded to DVBEs	\$100
Percentage of DVBEs that are Small Business	78.00%
Estimated Job Creation by DVBEs that are Small Business	75.00%
Contract Dollars used by IMPLAN for contracting with DVBEs that are SB	\$58.50
Percentage of DVBEs that are Large Business	22.00%
Estimated Job Creation by DVBEs that are Large Business	25.00%
Contract Dollars used by IMPLAN for contracting with DVBEs that are Large Business	\$5.50
Net contract dollars per \$100 used for IMPLAN for contracting with DVBEs	\$64
Impact of Contracting with Large Businesses	
Contract dollars awarded to Large Businesses	\$100
Estimated Job Creation by Large Business	25.00%
Net Contract dollars per \$100 used for IMPLAN for contracting with Large Business	\$25.00
Incremental Value of Contracting with SBs and DVBEs	
Net Incremental Dollars Between Small Business and Large Business	\$50.00
Net Incremental Dollars Between DVBEs and Large Business	\$39.00

The analysis above does not account for other economic constraints or parameters that result in leakages or influence the job creation and GSP generation. It is assumed that while 90% of the spending by small businesses occurs in State (10% leaks to outside of the State), larger businesses, due to their more dispersed and spread out operations spend only 70% in State and leak 30% to outside of the State.

Further, based on industry averages of Financial Ratios, and Return on Sales in particular, for various industry sectors for large corporations and small sole proprietorships from BizStats, it was found that large businesses average a Return on Sales of 10%, while smaller sole proprietorships average 30%. This means that large businesses spend 90% on the production of goods and services (netting only 10%) that result in the creation of new jobs and GSP. The sole

proprietorships spend 70% of their sales in job creation and generation of GSP, netting 30%. This is shown in Figure 9 below:

Figure 9. 2005 BizStats Industrial Financial Ratios - Return on Sales		
Industry	Corporations	Sole Proprietorships
Accommodations - Food Services	9.75	11.7
Administrative - Support - Waste Management	7.68	
Agriculture - Forestry - Fishing – Hunting	9.43	17.67
Arts - Entertainment – Recreation	13.56	45.11
Construction	7.07	20.06
Educational Services	12.48	
Finance – Insurance	17.89	41.88
Health Care - Social Assistance	7.96	45.18
Information	12.41	42.03
Management of Companies (Holding Companies)	18.9	
Manufacturing	11.48	19.58
Mining	21.05	32.93
Other Services	7.17	30.99
Professional - Scientific – Technical	9.7	49.48
Real Estate - Rental – Leasing	16.94	49.8
Retail Trade	4.29	11.14
Transportation – Warehousing	6.72	20.52
Utilities	6.38	
Wholesale	4.24	15.67
Average Industry Total Return on Sales	10.79	30.25
Average Industry Cost of Production	89.21	69.75

Adjustments were then made to the prior Figures to reflect these leakages. After adjusting for the leakages, the table below shows the incremental value of contracts awarded to SBs and DVBEs based on the new creation of jobs. For every \$100 awarded to an SB, the direct incremental benefit based on new job creation is \$50.40 over a large business. Similarly, for every \$100 awarded to a DVBE, the direct incremental benefit based on new job creation is \$39.31 over a large business. This is shown in Figure 10 below.

Figure 10. Impact of Contracting with SBs based on Job Creation and Leakages	
Contract Dollars Awarded to Small Business	\$100
Estimated Average Percent of Dollars Spent in State by SB	90.00%
Estimated Average Percent of Dollars Spent (Not Kept in Retained Earnings) by SB	70.00%
Estimated Job Creation by Small Business	90.00%
Net Contract Dollars Per \$100 Used for IMPLAN for Contracting with SBs/MBs	\$57

Impact of Contracting with DVBEs	
Contract Dollars Awarded to DVBEs	\$100
Percentage of DVBEs that are Small Business	78.00%
Estimated Average Percent of Dollars Spent in State by Small DVBE	90.00%
Estimated Average Percent of Dollars Spent (Not Kept in Retained Earnings) by Small DVBE	70.00%
Estimated Job Creation by DVBEs that are Small Business	90.00%
Contract Dollars Used by IMPLAN for Contracting with DVBEs that are SB	\$44.23
Percentage of DVBEs that are Large Business	22.00%
Estimated Average Percent of Dollars Spent in State by Large DVBE	70.00%
Estimated Average Percent of Dollars Spent (Not Kept in Retained Earnings) by Large DVBE	90.00%
Estimated Job Creation by DVBEs that are Large Business	10.00%
Contract Dollars used by IMPLAN for contracting with DVBEs that are Large Business	\$1.39
Net Contract Dollars Per \$100 Used for IMPLAN for Contracting with DVBEs	\$46
Impact of Contracting with Large Businesses	
Contract Dollars Awarded to Large Business	\$100
Estimated Average Percent of Dollars Spent in State by Large Business	70.00%
Estimated Average Percent of Dollars Spent (Not Kept in Retained Earnings) by Large Business	90.00%
Estimated Job Creation by Large Business	10.00%
Net Contract Dollars Per \$100 Used for IMPLAN for Contracting with Large Business	\$6.30
Incremental Value of Contracting with SBs and DVBEs	
Net Incremental Dollars Between Small Business and Large Business	\$50.40
Net Incremental Dollars Between DVBEs and Large Business	\$39.31

Next, Figure 11 presented below shows the incremental value of contracts awarded to SBs and DVBEs over large businesses arising due to net new GSP creation, and after adjusting for aforementioned leakages. For every \$100 awarded to SBs/MBs the incremental impact due to net new GSP creation is \$31.50 over large businesses. Similarly, for every \$100 awarded to DVBEs, the incremental impact due to net new GSP creation is \$24.57 over large businesses.

Figure 11. Impact of Contracting with SBs Based on Creation of Gross State Product and Leakages	
Contract Dollars Awarded to Small Business	\$100
Estimated Average Percent of Dollars Spent in State by SB	90.00%
Estimated Average Percent of Dollars Spent (Not Kept in Retained Earnings) by SB	70.00%
Estimated Gross State Product Created by Small Business	75.00%
Net Contract Dollars Per \$100 Used for IMPLAN for Contracting with SBs/MBs	\$47

Impact of Contracting with DVBEs	
Contract Dollars Awarded to DVBEs	\$100
Percentage of DVBEs that are Small Business	78.00%
Estimated Average Percent of Dollars Spent in State by Small DVBE	90.00%
Estimated Average Percent of Dollars Spent (Not Kept in Retained Earnings) by Small DVBE	70.00%
Estimated Gross State Product Created by DVBEs that are Small Business	75.00%
Contract Dollars used by IMPLAN for Contracting with DVBEs that are SB	\$36.86
Percentage of DVBEs that are Large Business	22.00%
Estimated Average Percent of Dollars Spent in State by Large DVBE	70.00%
Estimated Average Percent of Dollars Spent (Not Kept in Retained Earnings) by Large DVBE	90.00%
Estimated Gross State Product Created by DVBEs that are Large Business	25.00%
Contract Dollars used by IMPLAN for Contracting with DVBEs that are Large Business	\$3.47
Net contract dollars per \$100 Used for IMPLAN for contracting with DVBEs	\$40
Impact of Contracting with Large Businesses	
Contract Dollars Awarded to Large Business	\$100
Estimated Average Percent of Dollars Spent in State by Large Business	70.00%
Estimated Average Percent of Dollars Spent (Not Kept in Retained Earnings) by Large Business	90.00%
Estimated GSP Creation by Large Business	25.00%
Net Contract Dollars Used for IMPLAN for Contracting with Large Business	\$15.75
Incremental Value of Contracting with SBs and DVBEs	
Net Incremental Contract Dollars Between Small Business and Large Business	\$31.50
Net Incremental Contract Dollars Between DVBEs and Large Business	\$24.57

Figures 7 through 11 above help to frame the expected, best case (maximum impact), and worst case (minimum impact) scenarios for measuring the incremental benefit and value of contracts awarded to SBs and DVBEs compared to large businesses. The direct incremental impact of awarding contracts to SBs and DVBEs combined over large businesses, after factoring in net new job creation, net new GSP creation, and various leakages, is at least \$882.66 million (\$836.96 million for SBs and \$45.7 million for DVBEs). This constitutes a worst case scenario.

The direct incremental impact could be as high as \$2.242 billion (\$2.126 billion for SBs and \$116.06 million for DVBEs) for a likely best case scenario.

If all possible scenarios described in tables above were averaged, the direct incremental impact of awarding contracts to SBs and DVBEs averages \$1.484 billion (\$1.408 billion for SBs and \$76.86 million for DVBEs). The direct incremental impact, however, does not account for the multiplier effect that creates second order and tertiary effects that ripple through the economy. This is shown in Figure 12 below and is discussed in the next section.

Figure 12. Incremental Value per \$100 of Contracting with SBs and DVBEs over Contracting with Large Businesses			
	DVBEs	SBs/MBs	Total
Based on Job Creation Only	\$62.40	\$80.00	
Based on Job Creation and Other Leakages	\$39.31	\$50.40	
Based on Creation of Gross State Product Only	\$39.00	\$50.00	
Based on Creation of Gross State Product and Other Leakages	\$24.57	\$31.50	
Average Incremental Value Per \$100	\$41.32	\$52.98	
Lowest Incremental Value Per \$100	\$24.57	\$31.50	
Highest Incremental Value Per \$100	\$62.40	\$80.00	
Dollars Awarded in 2006-07 (in \$ Millions)	\$186.00	\$2,657	
Direct Average Incremental Impact over Large Business (in \$ Millions)	\$76.86	\$1,407.55	\$1,484.40
Direct Lowest Incremental Impact over Large Business (in \$ Millions)	\$45.70	\$836.96	\$882.66
Direct Highest Incremental Impact over Large Business (in \$ Millions)	\$116.06	\$2,125.60	\$2,241.66

Multiplier Effect of Small Business and DVBE Activity

In addition, this study attempts to measure the second order effects of the State's awarding contracts to DVBEs and SBs/MBs such as indirect and induced effects which impact the State's GSP. As an example, small business employees and DVBE employees take home a pay check and then spend a portion on consumer goods. This creates demand for the goods purchased resulting in incremental new employment for the industries that those goods belong to. In turn the new employees working for those industries now take home their paychecks and spend on goods and services creating induced demand for goods and services purchased.

The benefit of using input-output models, including IMPLAN, is that they help evaluate the effects of industries on each other based on the supposition that industries use the outputs of other industries as inputs. Some other models measuring economic activity examine only the total output or employment of an industry, and not the dual causality that may run both ways. The use of an input-output model provides a much more comprehensive view of the inter-related economic impacts. It examines economic relationships between businesses and between business and consumers. This impact analysis then measures changes in any one or several economic variables on an entire economy.

Each industry that produces goods and services has an influence on, and in turn is influenced by, the production of goods and services of other industries. These interrelationships are captured through a multiplier effect as the demand and supply trickle over from industry to industry (direct and derived demand) and thus impact total output, compensation, employment, etc. Multipliers may vary from one region to another depending on the strength of these interrelationships. IMPLAN data can be used to compute economic impact at the national, State, regional, and county levels. Of particular interest are industry output, employment, value added (as measured by employee compensation, proprietary income, other property type income, and indirect business taxes), and final demand of institutions (i.e., households, federal government, State and local governments, businesses).

The full range of economic impacts includes direct, indirect, and induced effects of contracting activity:

- **Direct effects** consist of economic activity contained exclusively within the designated sector(s). This includes all expenditures made and all people employed.
- **Indirect effects** define the creation of additional economic activity that results from linked businesses, suppliers of goods and services, and provision of operating inputs.
- **Induced effects** measure the consumption expenditures of direct and indirect sector employees. Examples of induced costs include employees' expenditures on items such as retail purchases, housing, banking, medical services, and insurance.

The total direct, indirect, and induced effects of the State's awarding contracts to DVBEs, SBs, and MBs that measure the incremental value of contracting over large businesses and arising due to the multiplier effect are presented in four ways:

- **Output** accounts for total incremental revenues generated including all sources of income for a given time period for an industry in dollars. This is the best overall measure of business and economic activity lost because it is the measure most firms use to determine current activity levels.
- **Employment** demonstrates the new number of jobs created and is calculated in a full-time equivalent employment value on an annual basis.
- **Indirect Business Taxes** consist of property taxes, excise taxes, fees, licenses, and sales taxes that have been created and will be paid by businesses. While all taxes during the normal operation of businesses are included, taxes on profits or income are not included.
- **Labor Income** includes all forms of incremental employee compensation that will now be paid by employers (e.g., total payroll costs including benefits, wages and salaries of workers, health and life insurance, retirement payments, non-cash compensation), and proprietary income (e.g., self employment income, income received by private business owners including doctors, lawyers).

The **multiplier effect** for sales and employment reflects the increased economic activity that comes from sales being generated, and expenses being incurred, by a business. When a business generates sales, it must use some of that money to purchase other goods and other services and to hire people to meet the demand for its products and services. Purchases made by the business represent sales to other firms who must then also purchase goods and services and hire people to meet their new demand.

The additional hiring to meet demand means more people will have income which they will use to purchase goods and services for their households. All of this brings added sales to firms in the community. The net effect is that sales dollars are recycled in the community through this

process of sales requiring additional purchases and employment, which results in sales for other firms who must use that money to make their own purchases and hire people.¹

The IMPLAN model can be used to quantify the multiplier effect that occurs when new output or employment is added in the geographical area via the designated economic activities. The multiplier effect is generated when new output or employment is added in one sector, but generates additional output or employment in other sectors that supply goods and services (indirect impact) and consumer services to employees (induced impact).

The largest component of final demand is household consumption. It includes all payments made by households to all industries for personal consumption of goods and services. Part of total labor income may not be available for spending since it may be used to pay personal taxes, principal and interest on loans, credit card payments, etc. It is also expected that spending patterns will vary from one income level to another. For example at the lower income levels, higher proportional spending takes place on food, clothing, and shelter. At the higher income levels, disposable income is higher for luxury spending.

The findings of the IMPLAN analyses in total and separately for SBs and DVBEs are presented in Tables One through Seven at the end of this Summary Report. The impacts are separated into the four categories of output, employment, labor income, and indirect business taxes. They are further separated in each category into the major industrial sectors such as manufacturing, wholesaling, retailing, real estate, professional services, administrative, education, health, arts/entertainment/recreation, accommodations/food services, other, farming, federal, and State/local.

IMPLAN analyses were used to compute the total economic impact (direct, indirect, and induced) of contracts awarded to SBs and DVBEs and SBs/MBs. These were conducted using different scenarios. The “Expected” scenario takes a conservative approach to measuring the economic value. The “Maximum” scenario is more optimistic but still considered well within the realm of possibility. The “Minimum” scenario describes what the impact would be at the very least—it is ultra conservative, and considered a “worst case scenario.”

Figure 13 describes the total economic impact of State contracts to SBs and DVBEs in the “Expected” scenario. In 2006-07, the State awarded \$2.657 billion in contracts to SBs and \$186 million in contracts to DVBEs, for a total of \$2.843 billion to both business groups. The direct incremental value of contracting with SBs and DVBEs is expected to be \$1.484 billion after accounting for net new job creation, net new creation of GSP, leakages, and other differences between the economic activities of large businesses versus that for small businesses.

¹ For example, assume Company A receives a new order for \$1,000 worth of its products, and the raw materials going into those products cost it \$700. In order to fill the order, Company A will have to purchase the \$700 in raw materials to make those goods from another company (Company B). That \$700 becomes new business for Company B, and it will have to purchase some amount from its supplier (Company C) so it can fill the order from Company A. Then, Company C will have to purchase materials from its supplier (Company D) to fill the order from Company B—and this cycle could continue on. Furthermore, Companies A, B, C, etc. may have to employ more people to fill the orders they receive (or have them work longer), and that results in additional wages for new/existing employees. These employees will now have more money to spend for their personal use, and their purchases create new orders for a variety of businesses within the area.

This direct incremental value of an average \$1.484 billion produces an expected total impact on California’s economy of a net increase of GSP by \$4.243 billion. In other words, **contracts awarded to SBs and DVBES produce additional new economic activity totaling \$4.243 billion. This translates into the creation of 25,617 net new full time jobs, new labor income of \$1.784 billion, and new indirect business taxes of approximately \$134 million.** Figure 13 also shows the distribution of the new economic activity across various industry sectors. The largest benefits from the new economic activity accrue to the professional services, manufacturing, and real estate industries.

Figure 13. Overall Expected Economic Impact

Industry	Expected Total Output	Expected Total Employment	Expected Total Labor Income	Expected Total Business Taxes
Manufacturing	\$316,751,637	719	\$66,798,754	\$6,352,111
Wholesaling	\$126,714,904	654	\$48,875,779	\$17,981,416
Retailing	\$225,055,346	2,654	\$94,381,583	\$29,200,444
Real Estate	\$316,879,352	1,912	\$94,946,438	\$17,148,111
Professional Services	\$2,234,214,358	10,685	\$1,011,046,939	\$30,365,591
Administrative	\$57,051,142	677	\$27,857,545	\$752,924
Education	\$24,480,701	387	\$13,106,091	\$202,964
Health	\$168,373,598	1,481	\$95,516,949	\$1,352,654
Arts, entertainment, recreation	\$99,597,582	614	\$33,859,180	\$3,360,489
Accommodations, food services	\$97,701,586	1,527	\$35,264,519	\$5,965,994
Other	\$314,587,979	1,373	\$61,102,480	\$21,266,783
Farming	\$11,566,695	85	\$2,350,352	\$229,640
Federal	\$75,490,427	649	\$56,515,848	\$0
State and local	\$174,827,254	2,200	\$142,448,007	\$0
Foreign trade	\$0	0	\$0	\$0
Total	\$4,243,292,561	25,617	\$1,784,070,464	\$134,179,121

Figure 14 presents the total economic impact from \$2.843 billion awarded to SBs and DVBES in contracts that describe the “Maximum” scenario. The net new creation of GSP could be as high as \$6.408 billion. This translates into the creation of net new full time 38,685 jobs, \$2.694 billion in new labor income, and approximately \$203 billion in new indirect business taxes. The distribution across industries shows maximum benefit accrual to the professional services, manufacturing and real estate industries.

Figure 14. Overall Maximum Economic Impact

Industry	Maximum Total Output	Maximum Total Employment	Maximum Total Labor Income	Maximum Total Business Taxes
Manufacturing	\$478,337,844	1,090	\$100,875,165	\$9,592,569
Wholesaling	\$191,356,656	988	\$73,809,046	\$27,154,371
Retailing	\$339,864,042	4,009	\$142,528,963	\$44,096,625
Real Estate	\$478,530,726	2,887	\$143,381,981	\$25,895,969
Professional Services	\$3,373,966,199	16,136	\$1,526,817,800	\$45,856,149
Administrative	\$86,154,946	1,021	\$42,068,662	\$1,137,019
Education	\$36,969,173	584	\$19,791,972	\$306,505

Figure 14. Overall Maximum Economic Impact (continued)

Industry	Maximum Total Output	Maximum Total Employment	Maximum Total Labor Income	Maximum Total Business Taxes
Health	\$254,266,926	2,236	\$144,243,529	\$2,042,687
Arts, entertainment, recreation	\$150,405,835	929	\$51,131,940	\$5,074,793
Accommodations, food services	\$147,542,623	2,305	\$53,254,198	\$9,009,459
Other	\$475,070,449	2,071	\$92,273,011	\$32,115,725
Farming	\$17,467,281	129	\$3,549,358	\$346,789
Federal	\$114,000,768	978	\$85,346,577	\$0
State and local	\$264,012,826	3,322	\$215,115,781	\$0
Foreign trade	\$0	0	\$0	\$0
Total	\$6,407,946,294	38,685	\$2,694,187,983	\$202,628,660

Figure 15 describes the total economic impact of State contracts to SBs and DVBES in the “Minimum” scenario that describes the worst case scenario. At the very least, based on the data presented before, the total economic impact will be \$2.523 billion in new gross State output, 15,234 net new full time jobs, \$1.060 billion in new labor income, and \$80 million in new indirect business taxes.

Figure 15. Overall Minimum Economic Impact

Industry	Minimum Total Output	Minimum Total Employment	Minimum Total Labor Income	Minimum Total Business Taxes
Manufacturing	\$188,346,876	428	\$39,719,866	\$3,777,080
Wholesaling	\$75,347,228	389	\$29,062,522	\$10,692,112
Retailing	\$133,822,436	1,579	\$56,121,183	\$17,363,172
Real Estate	\$188,422,839	1,138	\$56,457,066	\$10,196,609
Professional Services	\$1,328,508,798	6,354	\$601,188,858	\$18,055,985
Administrative	\$33,923,756	401	\$16,564,657	\$447,705
Education	\$14,556,718	230	\$7,793,145	\$120,687
Health	\$100,118,329	881	\$56,796,299	\$804,315
Arts, entertainment, recreation	\$59,222,728	365	\$20,133,353	\$1,998,215
Accommodations, food services	\$58,095,330	909	\$20,968,991	\$3,547,500
Other	\$187,060,339	815	\$36,332,758	\$12,645,658
Farming	\$6,877,789	51	\$1,397,567	\$136,554
Federal	\$44,888,127	385	\$33,605,456	\$0
State and local	\$103,955,798	1,309	\$84,702,448	\$0
Foreign trade	\$0	0	\$0	\$0
Total	\$2,523,147,091	15,234	\$1,060,844,169	\$79,785,592

In 2006-07, the State awarded contracts totaling \$9.387 billion. The net new GSP creation due to contracts awarded by the State to SBs and DVBES is two thirds (68%) of the total amount awarded under the best case scenario, 45% under the “Expected” scenario, and 27% under the “minimum” scenario. In other words, ***the State created 68% more value by awarding contracts to SBs and DVBES over large businesses under the best case scenario, 27% more value under the worst case scenario, and on average produced new economic activity that is 50% more.***

Economic Impact Effects on Residents and State Programs

The economic impact can affect the residents of California directly as a result of the incremental economic activity and the additional labor income and as a result of the increased business tax dollars that benefit State programs. The details are presented in Tables Eight through Ten.

Presented below in Figure 16 and in Table Eight is an illustration of how the total incremental economic activity would benefit housing units and individual residents of the State. As shown, if the increased activity were to be divided equally, each household would benefit by at least \$186.48 and as much as \$473.59 *each year*. Similarly, every resident of California would receive at least \$66.14 and as much as \$111.23 *each year* in benefit from the State’s SB and DVBE programs.

Figure 16. Impact of Total Output on Residents of California

	Expected	Maximum	Minimum
Total Net Incremental Benefit	\$4,243,292,561	\$6,407,946,294	\$2,523,147,091
Number of Housing Units in California*	13,530,719	13,530,719	13,530,719
Benefit per Household	\$313.60	\$473.59	\$186.48
Population of California**	38,148,493	38,148,493	38,148,493
Benefit per Resident of State	\$111.23	\$167.97	\$66.14

Presented in Figure 17 and in Table Nine are illustrations of how the incremental labor income would be spent in California. This is based on U.S. Bureau of the Census data on how consumers spend their incomes. As is apparent, the monies would be widely disbursed so that all sectors of California’s economy would benefit.

Figure 17. How Incremental Labor Income Could be Spent

	Expected	Maximum	Minimum
Incremental Labor Income	\$1,784,070,464	\$2,694,187,983	\$1,060,844,169
Food	\$222,147,590	\$335,472,943	\$132,093,424
Alcoholic beverages	\$20,700,257	\$31,260,192	\$12,308,789
Housing	\$622,590,502	\$940,195,963	\$370,204,830
Apparel and services	\$65,980,131	\$99,638,932	\$39,233,112
Transportation	\$315,190,127	\$475,979,772	\$187,418,387
Health care	\$88,542,480	\$133,711,135	\$52,649,139
Entertainment	\$92,173,560	\$139,194,557	\$54,808,252
Personal care products and services	\$21,134,746	\$31,916,328	\$12,567,145
Reading	\$4,469,021	\$6,748,827	\$2,657,370
Education	\$29,421,056	\$44,429,778	\$17,494,351
Miscellaneous	\$41,276,375	\$62,332,916	\$24,543,763
Cash contributions	\$72,931,942	\$110,137,107	\$43,366,799
Personal insurance and pensions	\$187,512,677	\$283,169,533	\$111,498,808

Finally, while it is unknown how the incremental business tax dollars would be spent, shown below in Figure 18 (only a sample) and in Table Ten are the percentages of each State agency/department “General Fund” portion of its budget that could be paid for by the economic activities caused by the State’s SB and DVBE programs. It is important to note that the increased business tax dollars were applied to each budget and this does not mean it would cover all of the General Fund portions of the budgets shown below.

Figure 18. Sample of How Incremental Business Tax Dollars Could Fund State Agency General Fund Portion of their Budgets

	Expected Tax Dollars*	Maximum Tax Dollars*	Minimum Tax Dollars*
California Conservations Corps	358.9%	542.0%	213.4%
Coastal Commission	1197.0%	1807.6%	711.7%
Department of Aging	273.4%	412.9%	162.6%
Department of Child Support Services	33.5%	50.6%	19.9%
Department of Conservation	1158.4%	1749.4%	688.8%
Department of Fish & Game	157.6%	238.0%	93.7%
Department of Food & Agriculture	136.9%	206.7%	81.4%
Department of Forestry & Fire Protection	13.1%	19.7%	7.8%
Department of General Services	1318.2%	1990.7%	783.8%
Dept. of Housing & Community Development	1342.1%	2026.7%	798.0%
Department of Parks & Recreation	94.5%	142.8%	56.2%
Department of Public Health	38.3%	57.9%	22.8%
Department of Rehabilitation	237.8%	359.0%	141.4%
Department of Veterans Affairs	75.2%	113.6%	44.7%
Employment Development Department	481.6%	727.2%	286.3%
Environmental Protection	161.3%	243.6%	95.9%

*If percent exceeds 100.0%, it indicates the taxes could pay more than the General Revenue budget request.

SUMMARY AND CONCLUSIONS OF THE STUDY

The incremental value of the State awarding contracts to SBs and DVBEs is positive, resulting in tremendous net new job creation, creation of net new GSP, net new labor income for California employees, and indirect business taxes. Small business accounts for 99.2% of all employer firms and drives the economic engine of the State. This study documents several attributes of SBs and DVBEs of interest:

- There are significant economic benefits to the State of California generated by State government contracting with SBs and DVBEs (i.e. new jobs created, additional business and income taxes paid, goods, homes, cars purchased, etc.) that are incremental and over and above what would have been produced by large businesses.
- The direct incremental value of contracting by the State with SBs and DVBEs is at least \$883 million, averages around \$1.484 billion, and is as high as \$2.242 billion.
- The total net new economic activity generated by the State through contracting with SBs and DVBEs through gross State output is approximately \$4.243 billion, is at least \$2.523 billion, and is as high as \$6.408 billion.
- The total net new jobs created due to State contracting with SBs and DVBEs range between 15,234 and 38,685 with the average being approximately 25,617.
- In 2006-07, the State awarded contracts totaling \$9.387 billion. The net new GSP creation due to contracts awarded by the State to SBs and DVBEs is two thirds (68%) of the total amount awarded under the best case scenario, 45% under the “average” scenario, and 27% under the “minimum” scenario. In other words, the State created 68% more value by awarding contracts to SBs and DVBEs over large businesses under the best case scenario, 27% more value under the worst case scenario, and on average produced new economic activity that is 50% more than if awarding the contracts to large businesses.
- Most of the SB and DVBE respondents (62.5% in survey conducted) have tried to obtain contracts with the State.
- The main reasons respondents gave for not trying to bid for a State contract(s) are that they either did not know of bid opportunities (28.0%) or they felt that the products/services they offer did not match the State’s needs (28.0%).
- Bid success seems to be a function of the number of applications made. For example, 56.9% of the respondents who have bid two to five times have been successful at least once, and 85.4% of the respondents who bid for at least six contracts have been successful at least once.

- Most respondents (76.0%) indicated they are somewhat or very interested in bidding for State contracts. This demonstrates that the DGS list is viable in identifying possible SBs and DVBEs for bid opportunities.
- Survey results suggest that additional SB and DVBE education may be appropriate to improve their knowledge of how the preference program works.
- Most survey respondents (79.0%) said they would like additional information on contracting with the State and the bid opportunities and processes.

TABLE ONE: TOTAL PROJECTED ECONOMIC IMPACTS

Expected Impact

Expected Output

Industry	Indirect	Induced	Total*
Manufacturing	\$53,006,206	\$263,745,431	\$316,751,637
Wholesaling	\$13,297,476	\$113,417,428	\$126,714,904
Retailing	\$17,938,678	\$207,116,668	\$225,055,346
Real Estate	\$50,155,612	\$266,723,740	\$316,879,352
Professional Services	\$358,177,863	\$391,626,543	\$2,234,214,358
Administrative	\$25,642,573	\$31,408,569	\$57,051,142
Education	\$151,288	\$24,329,413	\$24,480,701
Health	\$18,394	\$168,355,204	\$168,373,598
Arts, entertainment, recreation	\$62,353,581	\$37,244,001	\$99,597,582
Accommodations, food services	\$17,946,417	\$79,755,169	\$97,701,586
Other	\$51,542,588	\$263,045,391	\$314,587,979
Farming	\$484,934	\$11,081,761	\$11,566,695
Federal	\$3,842,639	\$71,647,788	\$75,490,427
State and local	\$4,619,785	\$170,207,469	\$174,827,254
Foreign trade	\$0	\$0	\$0
Total*	\$659,178,034	\$2,099,704,575	\$4,243,292,561

Expected Employment

Industry	Indirect	Induced	Total*
Manufacturing	154	565	719
Wholesaling	69	585	654
Retailing	170	2,484	2,654
Real Estate	333	1,579	1,912
Professional Services	1,872	2,268	10,685
Administrative	275	402	677
Education	2	385	387
Health	0	1,481	1,481
Arts, entertainment, recreation	275	339	614
Accommodations, food services	276	1,251	1,527
Other	379	994	1,373
Farming	4	81	85
Federal	35	614	649
State and local	22	2,178	2,200
Foreign trade	0	0	0
Total*	3,866	15,206	25,617

Expected Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$13,376,959	\$53,421,795	\$66,798,754
Wholesaling	\$5,142,092	\$43,733,687	\$48,875,779
Retailing	\$7,123,521	\$87,258,062	\$94,381,583
Real Estate	\$9,731,225	\$85,215,213	\$94,946,438
Professional Services	\$153,436,440	\$168,316,955	\$1,011,046,939
Administrative	\$12,147,604	\$15,709,941	\$27,857,545
Education	\$70,572	\$13,035,519	\$13,106,091
Health	\$7,226	\$95,509,723	\$95,516,949
Arts, entertainment, recreation	\$20,296,081	\$13,563,099	\$33,859,180
Accommodations, food services	\$6,473,801	\$28,790,718	\$35,264,519
Other	\$21,246,408	\$39,856,072	\$61,102,480
Farming	\$94,364	\$2,255,988	\$2,350,352
Federal	\$2,957,195	\$53,558,653	\$56,515,848
State and local	\$2,164,735	\$140,283,272	\$142,448,007
Foreign trade	\$0	\$0	\$0
Total*	\$254,268,223	\$840,508,697	\$1,784,070,464

Expected Indirect Business Taxes

Industry	Indirect	Induced	Total*
Manufacturing	\$2,032,307	\$4,319,804	\$6,352,111
Wholesaling	\$1,896,131	\$16,085,285	\$17,981,416
Retailing	\$971,985	\$28,228,459	\$29,200,444
Real Estate	\$5,501,238	\$11,646,873	\$17,148,111
Professional Services	\$6,967,184	\$9,301,070	\$30,365,591
Administrative	\$302,463	\$450,461	\$752,924
Education	\$970	\$201,994	\$202,964
Health	\$120	\$1,352,534	\$1,352,654
Arts, entertainment, recreation	\$1,348,375	\$2,012,114	\$3,360,489
Accommodations, food services	\$1,133,723	\$4,832,271	\$5,965,994
Other	\$1,202,898	\$20,063,885	\$21,266,783
Farming	\$10,919	\$218,721	\$229,640
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$21,368,313	\$98,713,471	\$134,179,121

Maximum Impact

Maximum Output

Industry	Indirect	Induced	Total*
Manufacturing	\$80,046,528	\$398,291,316	\$478,337,844
Wholesaling	\$20,080,990	\$171,275,666	\$191,356,656
Retailing	\$27,089,834	\$312,774,208	\$339,864,042
Real Estate	\$75,741,767	\$402,788,959	\$478,530,726
Professional Services	\$540,897,096	\$591,409,103	\$3,373,966,199
Administrative	\$38,723,757	\$47,431,189	\$86,154,946
Education	\$228,467	\$36,740,706	\$36,969,173
Health	\$27,777	\$254,239,149	\$254,266,926
Arts, entertainment, recreation	\$94,162,346	\$56,243,489	\$150,405,835
Accommodations, food services	\$27,101,520	\$120,441,103	\$147,542,623
Other	\$77,836,288	\$397,234,161	\$475,070,449
Farming	\$732,319	\$16,734,962	\$17,467,281
Federal	\$5,802,906	\$108,197,862	\$114,000,768
State and local	\$6,976,497	\$257,036,329	\$264,012,826
Foreign trade	\$0	\$0	\$0
Total*	\$995,448,092	\$3,170,838,202	\$6,407,946,294

Maximum Employment

Industry	Indirect	Induced	Total*
Manufacturing	235	855	1,090
Wholesaling	104	884	988
Retailing	257	3,752	4,009
Real Estate	503	2,384	2,887
Professional Services	2,826	3,425	16,136
Administrative	415	606	1,021
Education	3	581	584
Health	0	2,236	2,236
Arts, entertainment, recreation	416	513	929
Accommodations, food services	417	1,888	2,305
Other	571	1,500	2,071
Farming	6	123	129
Federal	52	926	978
State and local	34	3,288	3,322
Foreign trade	0	0	0
Total*	5,839	22,961	38,685

Maximum Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$20,201,016	\$80,674,149	\$100,875,165
Wholesaling	\$7,765,255	\$66,043,791	\$73,809,046
Retailing	\$10,757,481	\$131,771,482	\$142,528,963
Real Estate	\$14,695,467	\$128,686,514	\$143,381,981
Professional Services	\$231,709,807	\$254,181,385	\$1,526,817,800
Administrative	\$18,344,525	\$23,724,137	\$42,068,662
Education	\$106,574	\$19,685,398	\$19,791,972
Health	\$10,914	\$144,232,615	\$144,243,529
Arts, entertainment, recreation	\$30,649,827	\$20,482,113	\$51,131,940
Accommodations, food services	\$9,776,317	\$43,477,881	\$53,254,198
Other	\$32,084,947	\$60,188,064	\$92,273,011
Farming	\$142,509	\$3,406,849	\$3,549,358
Federal	\$4,465,765	\$80,880,812	\$85,346,577
State and local	\$3,269,042	\$211,846,739	\$215,115,781
Foreign trade	\$0	\$0	\$0
Total*	\$383,979,446	\$1,269,281,929	\$2,694,187,983

Maximum Indirect Business Taxes

Industry	Indirect	Induced	Total*
Manufacturing	\$3,069,067	\$6,523,502	\$9,592,569
Wholesaling	\$2,863,414	\$24,290,957	\$27,154,371
Retailing	\$1,467,829	\$42,628,796	\$44,096,625
Real Estate	\$8,307,615	\$17,588,354	\$25,895,969
Professional Services	\$10,521,398	\$14,045,863	\$45,856,149
Administrative	\$456,760	\$680,259	\$1,137,019
Education	\$1,465	\$305,040	\$306,505
Health	\$180	\$2,042,507	\$2,042,687
Arts, entertainment, recreation	\$2,036,229	\$3,038,564	\$5,074,793
Accommodations, food services	\$1,712,076	\$7,297,383	\$9,009,459
Other	\$1,816,543	\$30,299,182	\$32,115,725
Farming	\$16,492	\$330,297	\$346,789
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$32,269,068	\$149,070,704	\$202,628,660

Minimum Impact

Minimum Output

Industry	Indirect	Induced	Total*
Manufacturing	\$31,518,548	\$156,828,328	\$188,346,876
Wholesaling	\$7,906,947	\$67,440,281	\$75,347,228
Retailing	\$10,666,698	\$123,155,738	\$133,822,436
Real Estate	\$29,823,536	\$158,599,303	\$188,422,839
Professional Services	\$212,979,774	\$232,869,024	\$1,328,508,798
Administrative	\$15,247,589	\$18,676,167	\$33,923,756
Education	\$89,960	\$14,466,758	\$14,556,718
Health	\$10,938	\$100,107,391	\$100,118,329
Arts, entertainment, recreation	\$37,076,694	\$22,146,034	\$59,222,728
Accommodations, food services	\$10,671,302	\$47,424,028	\$58,095,330
Other	\$30,648,260	\$156,412,079	\$187,060,339
Farming	\$288,350	\$6,589,439	\$6,877,789
Federal	\$2,284,912	\$42,603,215	\$44,888,127
State and local	\$2,747,017	\$101,208,781	\$103,955,798
Foreign trade	\$0	\$0	\$0
Total*	\$391,960,525	\$1,248,526,566	\$2,523,147,091

Minimum Employment

Industry	Indirect	Induced	Total*
Manufacturing	92	336	428
Wholesaling	41	348	389
Retailing	101	1,478	1,579
Real Estate	198	940	1,138
Professional Services	1,113	1,349	6,354
Administrative	163	238	401
Education	1	229	230
Health	0	881	881
Arts, entertainment, recreation	164	201	365
Accommodations, food services	165	744	909
Other	225	590	815
Farming	2	49	51
Federal	20	365	385
State and local	14	1,295	1,309
Foreign trade	0	0	0
Total*	2,299	9,043	15,234

Minimum Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$7,954,200	\$31,765,666	\$39,719,866
Wholesaling	\$3,057,592	\$26,004,930	\$29,062,522
Retailing	\$4,235,787	\$51,885,396	\$56,121,183
Real Estate	\$5,786,381	\$50,670,685	\$56,457,066
Professional Services	\$91,236,393	\$100,084,645	\$601,188,858
Administrative	\$7,223,209	\$9,341,448	\$16,564,657
Education	\$41,964	\$7,751,181	\$7,793,145
Health	\$4,296	\$56,792,003	\$56,796,299
Arts, entertainment, recreation	\$12,068,460	\$8,064,893	\$20,133,353
Accommodations, food services	\$3,849,452	\$17,119,539	\$20,968,991
Other	\$12,633,539	\$23,699,219	\$36,332,758
Farming	\$56,113	\$1,341,454	\$1,397,567
Federal	\$1,758,407	\$31,847,049	\$33,605,456
State and local	\$1,287,195	\$83,415,253	\$84,702,448
Foreign trade	\$0	\$0	\$0
Total*	\$151,192,988	\$499,783,361	\$1,060,844,169

Minimum Indirect Business Taxes

Industry	Indirect	Induced	Total*
Manufacturing	\$1,208,438	\$2,568,642	\$3,777,080
Wholesaling	\$1,127,479	\$9,564,633	\$10,692,112
Retailing	\$577,959	\$16,785,213	\$17,363,172
Real Estate	\$3,271,145	\$6,925,464	\$10,196,609
Professional Services	\$4,142,829	\$5,530,595	\$18,055,985
Administrative	\$179,851	\$267,854	\$447,705
Education	\$577	\$120,110	\$120,687
Health	\$71	\$804,244	\$804,315
Arts, entertainment, recreation	\$801,771	\$1,196,444	\$1,998,215
Accommodations, food services	\$674,135	\$2,873,365	\$3,547,500
Other	\$715,270	\$11,930,388	\$12,645,658
Farming	\$6,496	\$130,058	\$136,554
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$12,706,021	\$58,697,010	\$79,785,592

*Includes Direct Benefits not shown in the Table.

TABLE TWO: EXPECTED IMPACT FROM CERTIFIED SMALL BUSINESSES

Output

Industry	Indirect	Induced	Total*
Manufacturing	\$50,261,637	\$250,089,189	\$300,350,818
Wholesaling	\$12,608,957	\$107,544,883	\$120,153,837
Retailing	\$17,009,846	\$196,392,551	\$213,402,396
Real Estate	\$47,558,646	\$252,913,278	\$300,471,920
Professional Services	\$339,632,079	\$371,348,847	\$2,118,530,866
Administrative	\$24,314,847	\$29,782,291	\$54,097,138
Education	\$143,455	\$23,069,680	\$23,213,135
Health	\$17,442	\$159,638,082	\$159,655,521
Arts, entertainment, recreation	\$59,125,028	\$35,315,577	\$94,440,604
Accommodations, food services	\$17,017,185	\$75,625,594	\$92,642,775
Other	\$48,873,810	\$249,425,385	\$298,299,197
Farming	\$459,825	\$10,507,969	\$10,967,794
Federal	\$3,643,675	\$67,937,998	\$71,581,672
State and local	\$4,380,580	\$161,394,442	\$165,775,022
Foreign trade	\$0	\$0	\$0
Total*	\$625,047,012	\$1,990,985,766	\$4,023,582,695

Employment

Industry	Indirect	Induced	Total*
Manufacturing	147	537	687
Wholesaling	65	555	620
Retailing	161	2,356	2,517
Real Estate	316	1,497	1,813
Professional Services	1,775	2,151	10,132
Administrative	261	381	641
Education	2	365	367
Health	0	1,404	1,404
Arts, entertainment, recreation	261	322	583
Accommodations, food services	262	1,186	1,447
Other	359	942	1,301
Farming	4	77	81
Federal	33	582	614
State and local	21	2,065	2,086
Foreign trade	0	0	0
Total*	3,667	14,417	24,293

Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$12,684,321	\$50,655,712	\$63,340,028
Wholesaling	\$4,875,844	\$41,469,238	\$46,345,083
Retailing	\$6,754,678	\$82,740,000	\$89,494,679
Real Estate	\$9,227,360	\$80,802,928	\$90,030,289
Professional Services	\$145,491,787	\$159,601,815	\$958,696,776
Administrative	\$11,518,624	\$14,896,510	\$26,415,133
Education	\$66,918	\$12,360,564	\$12,427,482
Health	\$6,852	\$90,564,407	\$90,571,260
Arts, entertainment, recreation	\$19,245,187	\$12,860,828	\$32,106,014
Accommodations, food services	\$6,138,600	\$27,299,988	\$33,438,587
Other	\$20,146,306	\$37,792,398	\$57,938,706
Farming	\$89,479	\$2,139,177	\$2,228,661
Federal	\$2,804,077	\$50,785,484	\$53,589,560
State and local	\$2,052,649	\$133,019,664	\$135,072,312
Foreign trade	\$0	\$0	\$0
Total*	\$241,102,682	\$796,988,713	\$1,691,694,570

Indirect Business Tax

Industry	Indirect	Induced	Total*
Manufacturing	\$1,927,082	\$4,096,142	\$6,023,216
Wholesaling	\$1,797,953	\$15,252,419	\$17,050,371
Retailing	\$921,658	\$26,766,842	\$27,688,498
Real Estate	\$5,216,394	\$11,043,819	\$16,260,214
Professional Services	\$6,606,439	\$8,819,477	\$28,793,312
Administrative	\$286,802	\$427,137	\$713,940
Education	\$920	\$191,535	\$192,455
Health	\$114	\$1,282,502	\$1,282,615
Arts, entertainment, recreation	\$1,278,559	\$1,907,930	\$3,186,490
Accommodations, food services	\$1,075,021	\$4,582,065	\$5,657,086
Other	\$1,140,615	\$19,025,014	\$20,165,628
Farming	\$10,355	\$207,396	\$217,750
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$20,261,912	\$93,602,278	\$127,231,575

*Includes Direct Benefits not shown in the Table.

TABLE THREE: MAXIMUM EXPECTED IMPACT FROM CERTIFIED SMALL BUSINESSES

Output

Industry	Indirect	Induced	Total*
Manufacturing	\$75,902,192	\$377,670,134	\$453,572,320
Wholesaling	\$19,041,314	\$162,408,017	\$181,449,325
Retailing	\$25,687,281	\$296,580,595	\$322,267,875
Real Estate	\$71,820,303	\$381,934,909	\$453,755,208
Professional Services	\$512,892,621	\$560,789,408	\$3,199,282,059
Administrative	\$36,718,868	\$44,975,481	\$81,694,348
Education	\$216,638	\$34,838,487	\$35,055,126
Health	\$26,339	\$241,076,137	\$241,102,476
Arts, entertainment, recreation	\$89,287,173	\$53,331,532	\$142,618,702
Accommodations, food services	\$25,698,363	\$114,205,370	\$139,903,734
Other	\$73,806,381	\$376,667,708	\$450,474,090
Farming	\$694,403	\$15,868,524	\$16,562,926
Federal	\$5,502,466	\$102,596,011	\$108,098,477
State and local	\$6,615,295	\$243,728,496	\$250,343,791
Foreign trade	\$0	\$0	\$0
Total*	\$943,909,637	\$3,006,670,809	\$6,076,180,457

Employment

Industry	Indirect	Induced	Total*
Manufacturing	224	812	1,038
Wholesaling	99	838	937
Retailing	244	3,558	3,801
Real Estate	477	2,261	2,738
Professional Services	2,680	3,248	15,301
Administrative	393	575	968
Education	3	551	554
Health	0	2,120	2,120
Arts, entertainment, recreation	394	486	880
Accommodations, food services	395	1,790	2,186
Other	542	1,422	1,965
Farming	6	116	122
Federal	49	878	928
State and local	32	3,118	3,150
Foreign trade	0	0	0
Total*	5,539	21,773	36,687

Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$19,155,129	\$76,497,313	\$95,652,431
Wholesaling	\$7,363,216	\$62,624,431	\$69,987,650
Retailing	\$10,200,522	\$124,949,130	\$135,149,654
Real Estate	\$13,934,622	\$122,023,882	\$135,958,503
Professional Services	\$219,713,233	\$241,021,365	\$1,447,768,093
Administrative	\$17,394,754	\$22,495,841	\$39,890,596
Education	\$101,056	\$18,666,203	\$18,767,259
Health	\$10,348	\$136,765,097	\$136,775,446
Arts, entertainment, recreation	\$29,062,959	\$19,421,671	\$48,484,631
Accommodations, food services	\$9,270,156	\$41,226,851	\$50,497,008
Other	\$30,423,779	\$57,071,880	\$87,495,660
Farming	\$135,129	\$3,230,462	\$3,365,593
Federal	\$4,234,554	\$76,693,278	\$80,927,832
State and local	\$3,099,791	\$200,878,559	\$203,978,349
Foreign trade	\$0	\$0	\$0
Total*	\$364,099,248	\$1,203,565,963	\$2,554,698,705

Indirect Business Tax

Industry	Indirect	Induced	Total*
Manufacturing	\$2,910,172	\$6,185,752	\$9,095,917
Wholesaling	\$2,715,163	\$23,033,314	\$25,748,478
Retailing	\$1,391,834	\$40,421,726	\$41,813,560
Real Estate	\$7,877,495	\$16,677,733	\$24,555,227
Professional Services	\$9,976,660	\$13,318,654	\$43,481,988
Administrative	\$433,113	\$645,039	\$1,078,151
Education	\$1,389	\$289,247	\$290,636
Health	\$171	\$1,936,758	\$1,936,931
Arts, entertainment, recreation	\$1,930,803	\$2,881,246	\$4,812,051
Accommodations, food services	\$1,623,435	\$6,919,567	\$8,543,003
Other	\$1,722,494	\$28,730,466	\$30,452,963
Farming	\$15,639	\$313,195	\$328,835
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$30,598,368	\$141,352,697	\$192,137,740

*Includes Direct Benefits not shown in the Table.

TABLE FOUR: MINIMUM EXPECTED IMPACT FROM CERTIFIED SMALL BUSINESSES

Output

Industry	Indirect	Induced	Total*
Manufacturing	\$29,886,666	\$148,708,498	\$178,595,171
Wholesaling	\$7,497,562	\$63,948,539	\$71,446,099
Retailing	\$10,114,426	\$116,779,311	\$126,893,738
Real Estate	\$28,279,412	\$150,387,774	\$178,667,187
Professional Services	\$201,952,680	\$220,812,156	\$1,259,724,860
Administrative	\$14,458,141	\$17,709,202	\$32,167,343
Education	\$85,302	\$13,717,737	\$13,803,039
Health	\$10,371	\$94,924,298	\$94,934,672
Arts, entertainment, recreation	\$35,157,037	\$20,999,416	\$56,156,452
Accommodations, food services	\$10,118,792	\$44,968,634	\$55,087,423
Other	\$29,061,437	\$148,313,795	\$177,375,231
Farming	\$273,422	\$6,248,268	\$6,521,692
Federal	\$2,166,609	\$40,397,420	\$42,564,029
State and local	\$2,604,789	\$95,968,664	\$98,573,453
Foreign trade	\$0	\$0	\$0
Total*	\$371,666,646	\$1,183,883,712	\$2,392,510,389

Employment

Industry	Indirect	Induced	Total*
Manufacturing	88	319	408
Wholesaling	39	330	369
Retailing	96	1,401	1,497
Real Estate	188	891	1,078
Professional Services	1,055	1,279	6,025
Administrative	155	226	381
Education	1	217	218
Health	0	835	835
Arts, entertainment, recreation	155	191	347
Accommodations, food services	156	705	861
Other	213	560	773
Farming	2	46	48
Federal	19	346	365
State and local	13	1,228	1,240
Foreign trade	0	0	0
Total*	2,180	8,573	14,445

Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$7,542,364	\$30,120,987	\$37,663,365
Wholesaling	\$2,899,284	\$24,658,517	\$27,557,800
Retailing	\$4,016,479	\$49,199,015	\$53,215,494
Real Estate	\$5,486,790	\$48,047,193	\$53,533,983
Professional Services	\$86,512,604	\$94,902,733	\$570,062,142
Administrative	\$6,849,225	\$8,857,791	\$15,707,016
Education	\$39,791	\$7,349,861	\$7,389,653
Health	\$4,074	\$53,851,578	\$53,855,654
Arts, entertainment, recreation	\$11,443,611	\$7,647,330	\$19,090,940
Accommodations, food services	\$3,650,145	\$16,233,170	\$19,883,316
Other	\$11,979,436	\$22,472,187	\$34,451,624
Farming	\$53,208	\$1,272,001	\$1,325,211
Federal	\$1,667,365	\$30,198,158	\$31,865,524
State and local	\$1,220,550	\$79,096,402	\$80,316,953
Foreign trade	\$0	\$0	\$0
Total*	\$143,364,926	\$473,906,923	\$1,005,918,675

Indirect Business Tax

Industry	Indirect	Induced	Total*
Manufacturing	\$1,145,878	\$2,435,652	\$3,581,538
Wholesaling	\$1,069,103	\$9,069,421	\$10,138,523
Retailing	\$548,037	\$15,916,151	\$16,464,186
Real Estate	\$3,101,781	\$6,566,896	\$9,668,678
Professional Services	\$3,928,335	\$5,244,248	\$17,121,135
Administrative	\$170,539	\$253,986	\$424,525
Education	\$547	\$113,891	\$114,438
Health	\$68	\$762,605	\$762,672
Arts, entertainment, recreation	\$760,259	\$1,134,499	\$1,894,757
Accommodations, food services	\$639,231	\$2,724,596	\$3,363,827
Other	\$678,237	\$11,312,689	\$11,990,926
Farming	\$6,158	\$123,324	\$129,479
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$12,048,173	\$55,657,958	\$75,654,684

*Includes Direct Benefits not shown in the Table.

TABLE FIVE: EXPECTED IMPACT FROM DISABLED VETERAN BUSINESS ENTERPRISES

Output

Industry	Indirect	Induced	Total*
Manufacturing	\$2,744,569	\$13,656,242	\$16,400,816
Wholesaling	\$688,519	\$5,872,545	\$6,561,063
Retailing	\$928,832	\$10,724,117	\$11,652,950
Real Estate	\$2,596,966	\$13,810,462	\$16,407,426
Professional Services	\$18,545,784	\$20,277,696	\$115,683,489
Administrative	\$1,327,726	\$1,626,278	\$2,954,003
Education	\$7,833	\$1,259,733	\$1,267,566
Health	\$952	\$8,717,122	\$8,718,074
Arts, entertainment, recreation	\$3,228,553	\$1,928,424	\$5,156,979
Accommodations, food services	\$929,232	\$4,129,575	\$5,058,807
Other	\$2,668,778	\$13,620,006	\$16,288,784
Farming	\$25,109	\$573,792	\$598,903
Federal	\$198,964	\$3,709,790	\$3,908,754
State and local	\$239,205	\$8,813,027	\$9,052,231
Foreign trade	\$0	\$0	\$0
Total*	\$34,131,022	\$108,718,809	\$219,709,845

Employment

Industry	Indirect	Induced	Total*
Manufacturing	7	28	36
Wholesaling	4	30	34
Retailing	9	128	138
Real Estate	17	82	99
Professional Services	97	117	553
Administrative	14	21	35
Education	0	20	20
Health	0	77	77
Arts, entertainment, recreation	14	17	32
Accommodations, food services	14	65	79
Other	20	52	71
Farming	0	4	4
Federal	2	32	34
State and local	1	113	114
Foreign trade	0	0	0
Total*	199	785	1,325

Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$692,638	\$2,766,083	\$3,458,712
Wholesaling	\$266,248	\$2,264,449	\$2,530,697
Retailing	\$368,843	\$4,518,062	\$4,886,905
Real Estate	\$503,865	\$4,412,285	\$4,916,151
Professional Services	\$7,944,653	\$8,715,140	\$52,350,140
Administrative	\$628,980	\$813,431	\$1,442,413
Education	\$3,654	\$674,955	\$678,609
Health	\$374	\$4,945,316	\$4,945,692
Arts, entertainment, recreation	\$1,050,894	\$702,271	\$1,753,166
Accommodations, food services	\$335,201	\$1,490,730	\$1,825,932
Other	\$1,100,102	\$2,063,674	\$3,163,772
Farming	\$4,885	\$116,811	\$121,697
Federal	\$153,118	\$2,773,169	\$2,926,286
State and local	\$112,086	\$7,263,608	\$7,375,694
Foreign trade	\$0	\$0	\$0
Total*	\$13,165,541	\$43,519,984	\$92,375,866

Indirect Business Tax

Industry	Indirect	Induced	Total*
Manufacturing	\$105,225	\$223,662	\$328,894
Wholesaling	\$98,178	\$832,866	\$931,044
Retailing	\$50,327	\$1,461,617	\$1,511,944
Real Estate	\$284,844	\$603,054	\$887,897
Professional Services	\$360,745	\$481,593	\$1,572,273
Administrative	\$15,661	\$23,324	\$38,985
Education	\$50	\$10,459	\$10,509
Health	\$6	\$70,032	\$70,039
Arts, entertainment, recreation	\$69,816	\$104,184	\$173,999
Accommodations, food services	\$58,702	\$250,206	\$308,908
Other	\$62,283	\$1,038,871	\$1,101,153
Farming	\$564	\$11,325	\$11,891
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$1,106,401	\$5,111,193	\$6,947,536

*Includes Direct Benefits not shown in the Table.

TABLE SIX: MAXIMUM EXPECTED IMPACT FROM DISABLED VETERAN BUSINESS ENTERPRISES

Output

Industry	Indirect	Induced	Total*
Manufacturing	\$4,144,336	\$20,621,182	\$24,765,528
Wholesaling	\$1,039,676	\$8,867,649	\$9,907,325
Retailing	\$1,402,553	\$16,193,613	\$17,596,166
Real Estate	\$3,921,464	\$20,854,050	\$24,775,514
Professional Services	\$28,004,475	\$30,619,695	\$174,684,168
Administrative	\$2,004,889	\$2,455,708	\$4,460,597
Education	\$11,829	\$1,902,219	\$1,914,047
Health	\$1,438	\$13,163,012	\$13,164,451
Arts, entertainment, recreation	\$4,875,173	\$2,911,957	\$7,787,133
Accommodations, food services	\$1,403,157	\$6,235,733	\$7,638,892
Other	\$4,029,907	\$20,566,453	\$24,596,363
Farming	\$37,916	\$866,438	\$904,353
Federal	\$300,440	\$5,601,851	\$5,902,291
State and local	\$361,202	\$13,307,833	\$13,669,035
Foreign trade	\$0	\$0	\$0
Total*	\$51,538,455	\$164,167,393	\$331,765,863

Employment

Industry	Indirect	Induced	Total*
Manufacturing	11	43	56
Wholesaling	5	46	51
Retailing	13	194	207
Real Estate	26	123	149
Professional Services	146	177	835
Administrative	22	31	53
Education	0	30	30
Health	0	116	116
Arts, entertainment, recreation	22	27	48
Accommodations, food services	22	98	119
Other	29	78	107
Farming	0	7	7
Federal	3	48	51
State and local	2	170	172
Foreign trade	0	0	0
Total*	301	1,188	2,002

Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$1,045,887	\$4,176,836	\$5,222,716
Wholesaling	\$402,039	\$3,419,360	\$3,821,399
Retailing	\$556,959	\$6,822,352	\$7,379,314
Real Estate	\$760,845	\$6,662,632	\$7,423,477
Professional Services	\$11,996,574	\$13,160,020	\$79,049,668
Administrative	\$949,771	\$1,228,296	\$2,178,068
Education	\$5,518	\$1,019,195	\$1,024,712
Health	\$566	\$7,467,518	\$7,468,083
Arts, entertainment, recreation	\$1,586,868	\$1,060,442	\$2,647,313
Accommodations, food services	\$506,161	\$2,251,030	\$2,757,190
Other	\$1,661,168	\$3,116,184	\$4,777,355
Farming	\$7,380	\$176,387	\$183,767
Federal	\$231,211	\$4,187,534	\$4,418,744
State and local	\$169,251	\$10,968,180	\$11,137,433
Foreign trade	\$0	\$0	\$0
Total*	\$19,880,198	\$65,715,966	\$139,489,239

Indirect Business Tax

Industry	Indirect	Induced	Total*
Manufacturing	\$158,895	\$337,750	\$496,639
Wholesaling	\$148,251	\$1,257,643	\$1,405,894
Retailing	\$75,995	\$2,207,070	\$2,283,062
Real Estate	\$430,120	\$910,621	\$1,340,740
Professional Services	\$544,738	\$727,209	\$2,374,162
Administrative	\$23,647	\$35,220	\$58,869
Education	\$76	\$15,793	\$15,869
Health	\$9	\$105,749	\$105,759
Arts, entertainment, recreation	\$105,426	\$157,318	\$262,744
Accommodations, food services	\$88,641	\$377,816	\$466,458
Other	\$94,049	\$1,568,716	\$1,662,764
Farming	\$853	\$17,102	\$17,955
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$1,670,700	\$7,718,007	\$10,490,915

*Includes Direct Benefits not shown in the Table.

TABLE SEVEN: MINIMUM EXPECTED IMPACT FROM DISABLED VETERAN BUSINESS ENTERPRISES

Output

Industry	Indirect	Induced	Total*
Manufacturing	\$1,631,882	\$8,119,830	\$9,751,719
Wholesaling	\$409,385	\$3,491,742	\$3,901,127
Retailing	\$552,272	\$6,376,427	\$6,928,697
Real Estate	\$1,544,124	\$8,211,529	\$9,755,653
Professional Services	\$11,027,094	\$12,056,868	\$68,783,961
Administrative	\$789,448	\$966,965	\$1,756,415
Education	\$4,658	\$749,021	\$753,678
Health	\$567	\$5,183,093	\$5,183,657
Arts, entertainment, recreation	\$1,919,657	\$1,146,618	\$3,066,276
Accommodations, food services	\$552,510	\$2,455,394	\$3,007,903
Other	\$1,586,823	\$8,098,284	\$9,685,107
Farming	\$14,928	\$341,171	\$356,098
Federal	\$118,303	\$2,205,795	\$2,324,096
State and local	\$142,228	\$5,240,117	\$5,382,345
Foreign trade	\$0	\$0	\$0
Total*	\$20,293,879	\$64,642,854	\$130,636,732

Employment

Industry	Indirect	Induced	Total*
Manufacturing	4	17	20
Wholesaling	2	18	20
Retailing	5	77	82
Real Estate	10	49	59
Professional Services	58	70	329
Administrative	8	12	21
Education	0	12	12
Health	0	46	46
Arts, entertainment, recreation	9	10	19
Accommodations, food services	9	39	47
Other	12	30	42
Farming	0	3	3
Federal	1	19	20
State and local	1	67	68
Foreign trade	0	0	0
Total*	118	467	787

Labor Income

Industry	Indirect	Induced	Total*
Manufacturing	\$411,836	\$1,644,679	\$2,056,510
Wholesaling	\$158,308	\$1,346,413	\$1,504,722
Retailing	\$219,308	\$2,686,381	\$2,905,692
Real Estate	\$299,591	\$2,623,492	\$2,923,083
Professional Services	\$4,723,789	\$5,181,912	\$31,126,744
Administrative	\$373,984	\$483,657	\$857,641
Education	\$2,173	\$401,320	\$403,493
Health	\$222	\$2,940,425	\$2,940,647
Arts, entertainment, recreation	\$624,849	\$417,563	\$1,042,413
Accommodations, food services	\$199,307	\$886,369	\$1,085,677
Other	\$654,103	\$1,227,032	\$1,881,141
Farming	\$2,905	\$69,453	\$72,360
Federal	\$91,042	\$1,648,891	\$1,739,933
State and local	\$66,645	\$4,318,851	\$4,385,496
Foreign trade	\$0	\$0	\$0
Total*	\$7,828,062	\$25,876,438	\$54,925,552

Indirect Business Tax

Industry	Indirect	Induced	Total*
Manufacturing	\$62,560	\$132,990	\$195,562
Wholesaling	\$58,376	\$495,212	\$553,588
Retailing	\$29,922	\$869,062	\$898,983
Real Estate	\$169,364	\$358,568	\$527,932
Professional Services	\$214,494	\$286,347	\$934,855
Administrative	\$9,312	\$13,868	\$23,180
Education	\$30	\$6,219	\$6,248
Health	\$3	\$41,639	\$41,643
Arts, entertainment, recreation	\$41,512	\$61,945	\$103,459
Accommodations, food services	\$34,904	\$148,769	\$183,673
Other	\$37,033	\$617,699	\$654,735
Farming	\$338	\$6,734	\$7,069
Federal	\$0	\$0	\$0
State and local	\$0	\$0	\$0
Foreign trade	\$0	\$0	\$0
Total*	\$657,848	\$3,039,052	\$4,130,927

*Includes Direct Benefits not shown in the Table.

TABLE EIGHT: TOTAL IMPACT PER HOUSEHOLD AND PER RESIDENT OF CALIFORNIA

	Expected	Maximum	Minimum
Total Net Incremental Benefit	\$4,243,292,561	\$6,407,946,294	\$2,523,147,091
Number of Housing Units in California*	13,530,719	13,530,719	13,530,719
Benefit per Household	\$313.60	\$473.59	\$186.48
Population of California**	38,148,493	38,148,493	38,148,493
Benefit per Resident of State	\$111.23	\$167.97	\$66.14

*Source: Department of Finance, City/County Population Estimates, 1/1/2009.

**Source: Department of Finance, California County Populations Estimates & Percent Change, 7/1/2008.

TABLE NINE: EXPECTED ALLOCATION OF INCREMENTAL LABOR INCOME THROUGH THE ECONOMY*

	Expected	Maximum	Minimum
Incremental Labor Income	\$1,784,070,464	\$2,694,187,983	\$1,060,844,169
Food	\$222,147,590	\$335,472,943	\$132,093,424
Food at home	\$124,698,103	\$188,311,020	\$74,147,999
Food away from home	\$97,449,488	\$147,161,922	\$57,945,425
Alcoholic beverages	\$20,700,257	\$31,260,192	\$12,308,789
Housing	\$622,590,502	\$940,195,963	\$370,204,830
Shelter	\$399,884,284	\$603,879,417	\$237,779,235
Utilities, fuels, and public services	\$96,239,128	\$145,334,115	\$57,225,720
Household operations	\$34,759,053	\$52,490,877	\$20,668,432
Housekeeping supplies	\$21,445,094	\$32,384,996	\$12,751,684
Household furnishings and equipment	\$70,262,943	\$106,106,558	\$41,779,759
Apparel and services	\$65,980,131	\$99,638,932	\$39,233,112
Transportation	\$315,190,127	\$475,979,772	\$187,418,387
Vehicle purchases (net outlay)	\$131,277,495	\$198,246,793	\$78,060,238
Gasoline and motor oil	\$73,925,057	\$111,636,847	\$43,957,325
Other vehicle expenses	\$85,066,575	\$128,462,047	\$50,582,296
Public transportation	\$24,952,034	\$37,680,951	\$14,836,981
Health care	\$88,542,480	\$133,711,135	\$52,649,139
Health insurance	\$44,597,106	\$67,347,670	\$26,518,336
Medical services	\$24,765,825	\$37,399,750	\$14,726,258
Drugs	\$15,176,051	\$22,917,892	\$9,023,985
Medical supplies	\$4,003,498	\$6,045,824	\$2,380,560
Entertainment	\$92,173,560	\$139,194,557	\$54,808,252
Fees and admissions	\$25,727,906	\$38,852,622	\$15,298,330
Audio and visual equipment and services	\$31,065,904	\$46,913,721	\$18,472,411
Pets, toys, hobbies, and playground equipment	\$14,927,772	\$22,542,957	\$8,876,353
Other entertainment supplies, equipment, and services	\$20,420,944	\$30,838,390	\$12,142,704
Personal care products and services	\$21,134,746	\$31,916,328	\$12,567,145
Reading	\$4,469,021	\$6,748,827	\$2,657,370
Education	\$29,421,056	\$44,429,778	\$17,494,351
Miscellaneous	\$41,276,375	\$62,332,916	\$24,543,763
Cash contributions	\$72,931,942	\$110,137,107	\$43,366,799
Personal insurance and pensions	\$187,512,677	\$283,169,533	\$111,498,808
Life and other personal insurance	\$9,434,600	\$14,247,524	\$5,610,003
Pensions and social security	\$178,078,077	\$268,922,010	\$105,888,805

*Source: U.S. Bureau of Labor Statistics, Consumer Expenditures in 2006. Statistical Abstracts of the United States. Used for consumers in the West.

TABLE TEN: HOW INCREMENTAL TAX DOLLARS COULD IMPACT STATE AGENCY BUDGETS

	Actual 2007-08 General Fund \$s	Expected Tax Dollars*	Maximum Tax Dollars*	Minimum Tax Dollars*
Incremental Indirect Business Taxes		\$134,179,121	\$202,628,660	\$79,785,592
Arts Council	\$1,115,000	12034.0%	18173.0%	7155.7%
California Conservations Corps	\$37,383,000	358.9%	542.0%	213.4%
Children's Med. Services & Primary Rural Health	\$179,444,000	74.8%	112.9%	44.5%
Coastal Commission	\$11,210,000	1197.0%	1807.6%	711.7%
Department of Aging	\$49,071,000	273.4%	412.9%	162.6%
Department of Child Support Services	\$400,168,000	33.5%	50.6%	19.9%
Department of Conservation	\$11,583,000	1158.4%	1749.4%	688.8%
Department of Developmental Services	\$2,788,254,000	4.8%	7.3%	2.9%
Department of Fish & Game	\$85,135,000	157.6%	238.0%	93.7%
Department of Food & Agriculture	\$98,014,000	136.9%	206.7%	81.4%
Department of Forestry & Fire Protection	\$1,025,972,000	13.1%	19.7%	7.8%
Department of General Services	\$10,179,000	1318.2%	1990.7%	783.8%
Dept. of Housing & Community Development	\$9,998,000	1342.1%	2026.7%	798.0%
Department of Parks & Recreation	\$141,940,000	94.5%	142.8%	56.2%
Department of Public Health	\$349,937,000	38.3%	57.9%	22.8%
Department of Rehabilitation	\$56,436,000	237.8%	359.0%	141.4%
Department of Transportation	\$1,350,971,000	9.9%	15.0%	5.9%
Department of Veterans Affairs	\$178,398,000	75.2%	113.6%	44.7%
Department of Water Resources	\$161,324,000	83.2%	125.6%	49.5%
Emergency Medical Services Authority	\$11,516,000	1165.2%	1759.5%	692.8%
Employment Development Department	\$27,864,000	481.6%	727.2%	286.3%
Environmental Protection	\$83,170,000	161.3%	243.6%	95.9%
Science Center	\$17,460,000	768.5%	1160.5%	457.0%
State Library	\$46,836,000	286.5%	432.6%	170.4%

*If percent exceeds 100.0%, it indicates the taxes could pay more than the General Revenue budget request.

Source: California Department of Finance: Budget Summary, 2009-10.

Appendix A: About the DVBE and Small Business Certification Programs

The Disabled Veteran Business Enterprise (DVBE) and Small Business (SB) Certification Programs were established to increase business opportunities for the DVBE and SB communities with the State of California; thereby stimulating the State's overall economy. The programs are designed to help DVBEs and SBs participate in a more level playing field with certain advantages when competing against other non-DVBEs and non-SBs for State contracts and purchases. Certified firms can also take advantage of other [DVBE](#) and [SB](#) benefits.

Every year, each State agency must submit to the legislature an [annual report](#) that tracks contract award activity involving DVBEs and SBs. The report must demonstrate that the various participation goals have been met or exceeded. If the minimum goals are not met, the agency must provide a sound justification and the remedial action they will take to attain or exceed the goal(s) the following year.

The Department of General Services (DGS), Procurement Division (PD), Office of Small Business and DVBE Services (OSDS) is the State's certifying agency that administers the DVBE and Small Business Certification Programs. While small business and DVBE certification is the OSDS's primary role, they also assist SBs and DVBEs in a variety of ways including conducting outreach events, providing resource guidance, and supporting the businesses through advocacy.

Comparison Between the DVBE & SB Certifications

The primary difference between the DVBE and SB certifications are the eligibility requirements. An SB's eligibility is primarily based on size standards (average gross annual receipts and number of employees) and a DVBE's eligibility focuses on the firm's disabled veteran owner(s). Some of the common items between the two certifications that are considered in the certification process are the business' structure, the principal office location, the type of business, and the owners and their domicile.

Another difference is how the certification, once obtained, is applied in the State contracting arena. DVBE certification entitles the certified business to participate in the State's [DVBE Participation Program](#), which establishes a **goal** of at least 3% of total overall annual State contracting dollars to be awarded to DVBEs. Comparatively, [SBs participation](#) goal is set at 25%. SB certification also entitles the certified business to a [five percent \(5%\) bid preference](#) on applicable State contracts. The 5% bid preference is only used for computational purposes to determine a contract award. SBs also have [prompt payment benefits](#) and DVBEs do not.

Providing all eligibility and compliance requirements are met, it is possible for a business to be certified as both small business and DVBE. Businesses that have this **dual certification** are able to experience the benefits of both certifications.

Microbusiness Certification

Microbusiness (MB) certification is a subset classification of small business (SB) certification. Therefore, all MBs are also SBs. There is no separate formal MB certification. It is a designation they receive based on the size of their business, which is determined by gross annual receipts averaged over a three-year period and the average number of employees over four quarters.

See [Microbusiness Definition](#).

Depending on business fluctuations throughout the MB's certification period, it is possible that the MB's designation could be turned "on" or "off". If the MB is under both the dollar and employee count thresholds, they retain their MB designation. If they exceed either the dollar or employee count threshold, they are no longer MB but retain their small business status.

About the DVBE & SB Certification Process

To be certified, a firm must meet specific [DVBE](#) or [SB](#) eligibility requirements. They must [apply for formal certification](#) with the Office of Small Business and DVBE Services (OSDS), which consists of an application and specific required support documents. The OSDS will then review the applicant's application package to determine if the applicant meets all eligibility requirements and that all application requirements have been fulfilled. Within about 30 working days, the applicant is then notified of their certification status.

Other Certifications, Certifying Agencies, and Business Assistance

There are many certification and business assistance programs aimed at improving the advantages of smaller business enterprises, including start-up, financial, and networking assistance. Certifying agencies range from the federal government to local government and other businesses and organizations. Some of the more popular certification programs available today include the Federal Small Business Administration's ([SBA](#)) "8a Program" and the Office of Business and Economic Opportunity, which is administered by the California Department of Transportation (CALTRANS).

For more information regarding business assistance and opportunities, visit our [Related Websites](#).

Small Business Certification Reciprocity

The OSDS also administers the [Certification Reciprocity Program](#) which helps further promote small business participation throughout the State by building partnerships with local government agencies in accepting the State's small business certification. Thereby, establishing the convenience of going through one certification process and experiencing the certification benefits of multiple agencies.

Need Help? Contact Us

Email osdchelp@dgs.ca.gov or call (916) 375-4940.

Appendix B: About the DVBE Participation Program

The Disabled Veteran Business Enterprise (DVBE) Participation Program was established to acknowledge disabled veterans for their service and to further DVBE participation in State contracting, promote competition and encourage greater economic opportunity.

The State established a DVBE participation goal of at least three percent. The goal applies to the total contract dollars expended each year by an awarding department. Each State agency establishes their own method for attaining the goal and they have the discretion to include the program goal within individual contracts. Every year, State agencies must also report to the governor and the legislature their total DVBE contracting participation. If the minimum three percent goal is not met, the State agency must provide their reasons for not meeting the goal and an implementation plan for future DVBE participation improvement. They may also be required to stand before a legislative panel to further clarify their results and efforts.

Added DVBE Incentive, Effective 10/09/07

The Department of General Services (DGS) established a DVBE incentive pursuant to Senate Bill 115 chaptered October 3, 2005 and the Military and Veterans Code section 999.5(a). The new regulations apply to all competitive solicitations for public works, services, goods, and information technology goods and services posted or released after October 09, 2007. The DVBE incentive is required in solicitations that include DVBE program requirements and may be offered in other competitive solicitations.

The DVBE incentive offers State agencies a tool to increase their DVBE participation while still allowing the flexibility to exempt a contract from the participation requirement should the department deem it necessary. Each State agency should incorporate the use of the DVBE incentive into their plan or strategy to ensure achievement of at least three percent DVBE participation on their total contract dollars.

- [DVBE Incentive \(SB 115\)](#)

The "Good Faith Effort"

For each applicable contract, prime contractors must achieve the minimum DVBE participation goal or demonstrate they made a "Good Faith Effort" to achieve participation. The law intends DVBE participation, however should a bid be submitted with less than minimum participation, to be program responsive the prime contractor must make and document their efforts to attain participation.

The five legally defined "Good Faith Effort" steps are:

1. Contact was made with the awarding department to identify DVBEs.
2. Contact was made with other State and federal agencies and with local DVBE organizations to identify DVBEs.
3. Advertising was published in trade papers and papers focusing on DVBEs, unless time limits imposed by the awarding department do not permit that advertising.
4. Invitations to bid were submitted to potential DVBE contractors.
5. Available DVBEs were considered.

Added DVBE Participation Requirements, Effective 1/1/04

- DVBEs must perform a commercially useful function related to the contract's specifications.
- A DVBE that rents equipment to an awarding department is considered an equipment broker, unless one or more disabled veterans own 51% of the equipment with evidence to support the fact. This includes submitting to the Office of Small Business and DVBE Services (OSDS), a copy of the complete personal federal income tax return for each of the disabled veteran owners.
- DVBE brokers awarded a contract under the 3% goal provisions must disclose their broker status prior to contract performance.
- Equipment rented from DVBE equipment brokers cannot be credited towards the 3% participation goal.
- State agencies must not use a DVBE if the agency knows that the DVBE does not maintain certification requirements.

See [DVBE Program Changes](#) and [AB 669 Impact on Small Businesses & DVBEs & SB 1008 Impact on DVBEs](#).

Authority

[Public](#) [Contract](#) [Code](#) [Section](#) [10115](#)

Need Help? Contact Us

Email osdchelp@dgs.ca.gov or call (916) 375-4940.

Appendix C: DVBE Certification Benefits and Eligibility Requirements

DVBE Certification Benefits

Upon meeting eligibility requirements, certified DVBEs are entitled to the following:

- State-certified DVBEs are eligible for the State's [DVBE Participation Program](#). The program sets the goal to use DVBEs in at least 3% of the State's overall annual contract dollars.
- State agencies may use a streamlined process known as the "SB/DVBE Option" by contracting directly with a California-certified DVBE for goods, services, and information technology valued between \$5,001 and \$99,999 after obtaining price quotes from at least two California-certified DVBEs. For public works projects, the contract value can be up to \$147,000.
- Certified DVBEs increase their visibility and expand their business networking opportunities by being automatically listed in the State's online list of certified firms.

Related Links

[About the DVBE & SB Certification Programs](#)

[Certification Application](#)

[DVBE Legislation](#)

[DVBE Participation Program](#)

[SB Certification Benefits & Eligibility Requirements](#)

[SB/DVBE Services Home](#)

DVBE Certification Eligibility Requirements

For DVBE certification purposes, a "disabled veteran" is:

- A veteran of the U.S. military, naval, or air service;
- The veteran must have a service-connected disability of at least 10% or more; and
- The veteran must be domiciled in California.

To be certified as a DVBE, your firm must meet the following requirements:

- Your business must be at least 51% owned by one or more disabled veterans;
- Your daily business operations must be managed and controlled by one or more disabled veterans
 - The disabled veteran who manages and controls the business is not required to be an owner of the applicant business; and
- Your home office must be located in the U.S. (the home office cannot be a branch or subsidiary of a foreign corporation, foreign firm, or other foreign based business).

New **Eligibility** **Requirements,** **Effective** **1/1/04**
(See [DVBE Legislation](#) 2003-2004 Session)

- The disabled veteran must be domiciled in California.
- All existing and all new DVBE applicants must submit to the Office of Small Business and DVBE Certification (OSDC) complete copies of the DVBE's federal income tax returns for the previous three years. DVBEs who have been in business for less than three years shall submit the federal tax returns for each year they've been in business.

- A DVBE applicant that is not a sole proprietorship **and** rents equipment to the State must provide the federal income tax returns for each of their disabled veteran owners or your firm will be deemed to be an equipment broker.
- DVBE limited liability companies must be wholly owned by one or more disabled veterans.

Certification Application

To apply, access our online [Disabled Veteran Business Enterprise Certification Application](#) (STD. 812), or to receive your hard-copy form by mail, e-mail osdchelp@dgs.ca.gov or call (916) 375-4940.

Authority

- [Military and Veterans Code](#), Division 4, Chapter 6, Article 6, Section 999-999.13
- [California Code of Regulations](#), Title 2, Section 1896.60-1896.95

Need Help? Contact Us

Email osdchelp@dgs.ca.gov or call (916) 375-4940.

Appendix D: DVBE Legislation

2003-2004 Session

- AB 669 (Cohn) [HTML](#) [PDF](#)
 - A small business, microbusiness, or DVBE prime or subcontractor must perform a "commercially useful function" (CUF) related to the awarded contract's specifications.
 - Increased penalties for fraudulent misrepresentation of a DVBE performing a CUF and/or for misrepresenting the DVBE's participation for obtaining or retaining a contract.
 - The disabled veteran must be domiciled in California.
- SB 1008 (Machado) [HTML](#) [PDF](#)
 - Limited liability companies must be wholly owned by one or more disabled veterans.
 - A DVBE that rents equipment to an awarding department is considered an equipment broker, unless one or more disabled veterans own 51% of the equipment with evidence to support the fact. This includes submitting to the Office of Small Business and DVBE Certification (OSDC), a copy of the complete personal federal income tax return for each of the disabled veteran owners.
 - Awarding department shall not rely on a DVBE's certification status if the agency knows that the DVBE does not maintain certification requirements.
 - State funds used for equipment rented from equipment brokers cannot be credited towards the 3% goal.
 - A DVBE broker awarded a contract under the 3% goal provisions must disclose their broker status to the awarding agency prior to contract performance.
 - Disabled veterans must provide federal tax returns for DVBE certification consideration.
 - Penalties for fraud will be imposed.

Related Links

[Back to Legislation & Executive Orders Homepage](#)

[California Code of Regulations, Title 2, Section 1896.60 \(CCR\)](#)

[Proposed DVBE Regulations - 2005 \(Draft\)](#)

[California Laws](#)

[DGS Legislation](#)

[DVBE Certification Benefits & Eligibility Requirements](#)

[DVBE Participation Program](#)

[Legislative Bill Information](#)

[PD Legislation](#)

[Related Legislation](#)

[Small Business Legislation](#)

[SB/DVBE Services Home](#)

2001-2002 Session

- AB 737 (Oropeza) [HTML](#) [PDF](#)
 - Allows State agencies to use informal competitive bidding process for contracts between \$5000 and \$99,999, when contract is awarded to a DVBE, after obtaining a price quote from at least two DVBEs. (Also known as the "SB/DVBE Option".)
- AB 941 (Florez) [HTML](#) [PDF](#)
 - Requires State agencies/departments to appoint a DVBE advocate. The appointed individual shall serve as both SB & DVBE advocate.
- SB 1045 (Polanco) [HTML](#) [PDF](#)
 - Requires State agencies to submit annual DVBE contract & procurement activity report to Governor & Legislature.

1999-2000 Session

- AB 409 (Dickerson) [HTML](#) [PDF](#)
 - Allows a certified DVBE to retain its status for up to three years after the death or permanent disability of the disabled veteran, if the DVBE is inherited or controlled by the disabled veteran's spouse or child, or by both. This would only apply to contracts entered into prior to the disabled veteran's death or permanent disability.
 - Dept. of Veterans Affairs to appoint advocate to oversee and report on the DVBE program.

- Similar provisions to be added to Military and Veterans Code that are in Public Contract Code relating to three percent DVBE participation goal.
- AB 1633 (Committee on Veterans Affairs) [HTML](#) [PDF](#)
 - Requires any school district using funds allocated pursuant to the School Facilities Act of 1998 for school construction or modernization to have an annual 3% DVBE participation goal of the overall dollar amount expended each year by the school district.

Appendix E: Small Business Certification Benefits and Eligibility Requirements

Small Business and Microbusiness Certification Benefits

Upon meeting eligibility requirements, certified small businesses (SBs) and microbusinesses (MBs) are entitled to the following:

- A [5% bid preference](#) on applicable State solicitations.
- Under the Prompt Payment Act, the State must pay a certified SB/MB higher interest penalties for late payment of an undisputed invoice. Prompt payment penalties for construction firms are addressed separately under [Public Contract Code, Section 10261.5](#). (See [Prompt Payment Program](#).)
- State agencies may use a streamlined process known as the "**SB/DVBE Option**" by contracting directly with a California-certified small business for goods, services, and information technology valued between \$5,001 and \$99,999 after obtaining price quotes from at least two California-certified small businesses. For public works projects, the contract value can be up to \$147,000.
- The Department of General Services, Procurement Division charges State and local agencies an administrative fee when contracting with a California Multiple Award Schedules (CMAS) vendor. As an incentive, the fee is waived if the CMAS vendor is a certified small business.
- As an incentive, a non-small business prime contractor who uses certified small business subcontractors for at least 25% of its net bid price is eligible for a bid preference of five percent (5%) of the lowest responsible bid when competing against another non-small business.

Related Links

[About the DVBE & SB Certification Programs](#)

[Certification Application](#)

[DVBE Certification Benefits & Eligibility Requirements](#)

[Manufacturer Definition](#)

[Microbusiness Definition](#)

[Prompt Payment Rubber Stamp](#)

[SB Legislation](#)

[SB/DVBE Services Home](#)

When applying bidder preferences in which non-small business bidders may be eligible, certified small business and microbusiness bidders have precedence over non-small business bidders. (Small business bids cannot be displaced by non-small business bids when applying any applicable lawful preferences).

- As a certified small business you are eligible for the State's Small Business Participation Program. The program sets a goal for the use of small businesses in at least 25% of the State's overall annual contract dollars.
- Certified small businesses increase their visibility and expand their business networking opportunities by being automatically listed in the online [Certified Firm and Application Status Search](#).

[Top of Page](#)

Small Business Certification Eligibility Requirements

- Must be independently owned and operated;
- Cannot be dominant in its field of operation;
- Must have its principal office located in California;
- Must have its owners (or officers in the case of a corporation) domiciled in California; and
- Together with its affiliates, be either:
 - A business with 100 or fewer employees, and an average annual gross receipts of \$12 million or less over the previous three tax years, or
 - A manufacturer with 100 or fewer employees.

[Top of Page](#)

Manufacturer Definition

For small business certification purposes, a *manufacturer* is a business that is both of the following:

1. Primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.
2. Classified between [Codes 2000 to 3999, inclusive, of the Standard Industrial Classification \(SIC\) Manual](#) published by the United States Office of Management and Budget, 1987 edition.

[Top of Page](#)

Certification Application

To apply, access our online [Small Business Certification Application](#) (STD. 813), or to receive your hard-copy form by mail, e-mail osdchelp@dgs.ca.gov or call (800) 559-5529 or (916) 375-4940.

Authority

[California Government Code](#), Section 14835
[California Code of Regulations](#), Title 2, Section 1896-1896.40

Need Help? Contact Us

Email osdchelp@dgs.ca.gov or call (916) 375-4940.

Appendix F: Small Business Legislation

2003-2004 Session

- AB 323 (Parra) [HTML](#) [PDF](#)
 - Allows Nonprofit Veteran Service Agency (SB/NVSA) to be certified as a small business and entitles the entity to all small business benefits providing certain eligibility requirements are met.
- AB 2379 (Horton) [HTML](#) [PDF](#)
 - Ineligibility to transact business with State for Small Business program abuse increased from three to 24 months to six to 36 months.
- AB 669 (Cohn) [HTML](#) [PDF](#)
 - A small business, microbusiness, or DVBE prime or subcontractor must perform a "commercially useful function" related to an awarded contract's specifications.
 - Penalties for fraudulent misrepresentation of a small business performing a CUF and/or for misrepresenting the small business' participation for obtaining or retaining a contract.

2001-2002 Session

- AB 1084 (Wesson) [HTML](#) [PDF](#)
 - Microbusiness definition.
 - Up to 5% bid preference for non-small business prime contractors who use certified small businesses to meet contract's small business participation goal.
 - Requires 5% small business bid preference be applied to bids awarded on cost and points.
 - Requires State agencies to annually report contract participation by microbusiness as well as by race, ethnicity, and gender on specific contracts.
- AB 2567 (Committee on Business and Professions) [HTML](#) [PDF](#)

Related Links

[Back to Legislation & Executive Orders Homepage](#)

[California Laws](#)

[California Code of Regulations \(CCR\), Title 2, Section 1896](#)

[DGS Legislation](#)

[DVBE Legislation](#)

[Legislative Bill Information](#)

[PD Legislation](#)

[Related Legislation](#)

[SB Certification Benefits & Eligibility Requirements](#)

[SB/DVBE Services Home](#)

- Informal bidding process for construction contracts when awarding to a small business (also known as the "SB/DVBE Option")--contract threshold changed from \$200,000 to \$100,000 (plus CPI) (per State Contract Act).

1999-2000 Session

- AB 1936 (Papan) [HTML](#) [PDF](#)
 - State has 45-day processing time for prompt payment.
- AB 2890 (Consumer Protection Committee) [HTML](#) [PDF](#)
 - Dollar threshold for informal bidding process with small business (also known as the "SB/DVBE Option") changed to \$5001 to \$99,999.

1997-1998 Session

- AB 170 (Papan) [HTML](#) [PDF](#)
 - Prohibits State agencies and vendors from waiving or changing existing prompt payment penalty fees due to the State agency's failure to pay on time.
 - Supplier does not have to submit a separate claim for late payment penalties.
- AB 835 (Wright) [HTML](#) [PDF](#)
 - Allows State agencies to use informal competitive bidding process for contracts of \$2500 up to \$49,999, when contract is awarded to a small business, after obtaining a price quote from at least two small businesses. (Also known as the "SB/DVBE Option".)
 - Requires State agencies to include small business 5% bid preference in all information technology solicitations.
 - Modifies annual small business contract activity report to Legislature to include number of employees.
- AB 2275 (Kuykendall) [HTML](#) [PDF](#)
 - State agencies must pay properly submitted, undisputed invoices within 45 days or automatically calculate and pay penalties.
- AB 2405 (Leach) [HTML](#) [PDF](#)
 - Establishes small business advocate in DGS and each State agency.
- AB 2505 (Olberg) [HTML](#) [PDF](#)
 - Establishes new small business definition and allows for updating as necessary, by regulations, to reflect the changing business environment.

Appendix G: Microbusiness Definition

In 2001, AB 1084 established the definition of a microbusiness as a subset category of a small business. It's the State's intent that microbusinesses are afforded the same entitlements and business participation benefits as a small business.

A microbusiness is:

- A small business that, together with affiliates, has an average annual gross receipts of two million seven hundred fifty thousand dollars (\$2,750,000) or less over the previous three years, or
- Is a small business [manufacturer](#) with 25 or fewer employees.

(For more on benefit and eligibility information, see [SB Certification Benefits and Eligibility Requirements](#).)

Authority

[Government Code, Section 14837](#)

Need Help? Contact Us

Email osdchelp@dgs.ca.gov or call (916) 375-4940.

Related Links

[Microbusiness Certification](#)

[SB/DVBE Services Home](#)

Appendix H: DVBE and Small Business Regulations

[California Laws](#)

[California Code of Regulations \(CCR\)](#)

[California State Legislature](#)

[DGS Legislation](#)

[DVBE Incentive Regulations](#)

[Legislative Bill Information](#)

[PD Legislation](#)

The DVBE and Small Business certification program is governed by regulations located within the California Code of Regulations, Title 2, Section 1896 et seq.

[SB/DVBE Services Home](#)

[California Code of Regulations \(CCR\)](#)

[Current Small Business Regulations](#)

The Department of General Services (DGS) proposes modifications to the Small Business regulations. Below are the proposed regulations, the notice which includes the written public comment period, the reasons for the proposed modifications, and the background which includes the escalation analysis.

[Proposed Small Business Regulations](#)

[Notice of Proposed Rulemaking, Extension of Public Comment Period](#)

[Notice of Proposed Rulemaking](#)

[Initial Statement of Reasons](#)

[Escalation Analysis](#)

DVBE and Small Business Legislation & Executive Orders

[California State Legislature](#) [DGS Legislation](#) [PD Legislation](#)

[Legislative Bill Information](#) [California Laws](#)

Governor's Executive Orders

- Small Business [S-02-06](#)
- DVBE [D-43-01](#)

Need Help? Contact Us

- [Office of Small Business and DVBE Services](#)

Disclaimer

- This [disclaimer](#) covers all Small Business and DVBE Services' web pages.

Appendix I: DGS Small Business Advisory Council

The purpose of the DGS Small Business Advisory Council is to provide a forum for representatives of the California Small Business community to provide input on policies and practices that impact Small Business participation in the State procurement and contracting process. The Council assists the DGS to develop solutions to the State's procurement and contracting concerns, to help communicate information regarding DGS projects and programs of interest to the Small Business community and to provide a forum for interactive discussions.

Leadership

The Advisory Council is co-chaired by Jim Butler, Deputy Director, DGS Procurement Division and Randall Martinez, a Small Business member of the Council. The Chairs are assisted by their alternates. Mr. Butler's alternate is Eric Mandell, Manager, DGS Procurement Division, External Operations Branch.

Membership

The DGS seeks to be inclusive in the membership of the Council. We desire a broad representation from the Small Business community through members who represent large segments of California industry, diverse ethnic associations and a broad geographic coverage. The DGS will continue to add Small Business Advisory Council members who meet the eligibility requirements as established in the Charter. We encourage eligible Small Business-persons to apply. [Application for Membership](#)

The Revitalized Small Business Advisory Council

In 2004, the DGS decided to revitalize the Small Business Advisory Council. A Charter was adopted that contains guidelines for operation of the Council and criteria for membership. The Council membership was reconstituted in accordance with the new requirement that members represent segments of the small business community through established trade associations or community organizations. For more information see the [Charter](#) and the [SBC Roster](#).

First Meeting of the New Council

The first meeting of the new Council was held on March 14, 2005. Committees were established and Committee Chairs identified. The Council conducted a brainstorming session to identify small business issues. Due to continuing budget constraints, the DGS is unable to fund travel expenses for members to participate. Notwithstanding that, the Council decided to meet quarterly. The Council established three subcommittees that will meet prior to regular Council meetings (usually by teleconference). The subcommittees will report on their activities to the full Council at the quarterly meetings. The State's Small Business Advocates are invited guests to the Council meeting and participate on committees along with other staff members of the DGS.

[Small Business Advisory Council Meetings](#)

Meetings of the full Council and of the committees are open to the public and are subject to the Bagley-Keene Open Meeting Act ([Government Code Sections 11120-11132](#)). Information about future meetings will be posted on this Web site.

Council Committee Meetings

Each committee will have a Web page where it will post information about committee meetings. To view information about the various committees, click on the links below:

- [Construction](#)
- [Process Committee](#)
- [Outreach & Education](#)

Contact Information

For information about the DGS Small Business Advisory Council, or to apply for membership, contact Eric Mandell, Small Business Advisory Council Coordinator, by telephone at (916) 375-4608 or by email to Eric.Mandell@dgs.ca.gov

Americans With Disabilities Act (ADA) Information

Council and committee meetings comply with the requirements of the Americans with Disabilities Act. [ADA Compliance Policy](#).

Need Help? Contact Us: call (916) 375-4940.