

January 15, 2021

CHANCELLORS
ACADEMIC COUNCIL CHAIR GAUVAIN
LABORATORY DIRECTOR WITHERELL
ANR VICE PRESIDENT HUMISTON

Re: Systemwide Review of Proposed Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management

Dear Colleagues:

Enclosed for systemwide review are proposed revisions to Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management.

UC Systemwide Procurement, in consultation with UC campus Supply Chain Management and Procurement staff, has developed an update to BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management. This update will add UC's new Small Business First Program into BUS-43. Small Business First requires that all applicable purchases for UC campuses (excluding UC Health and Design & Construction) with the annual value of \$10,000-\$250,000 be awarded to small businesses wherever practicable. The new policy outlines key exemptions from the program along with all necessary definitions and policy requirements to support compliance.

UC's new Small Business First Program will change the way the University does business and bring procurement practices further in line with our overall mission and values. This has become increasingly imperative as the global pandemic and economic environment is having a disproportional negative impact on small business.

Small businesses are the engine of our State's economy given that 99.8% of California businesses are small and employ 48.8% of California's private workforce.¹ For every \$100 spent at a small business, approximately \$68 stays in California.² Contracting with and procuring from small and diverse businesses, creates and sustains jobs that strengthen our economy.

UC is the third largest employer in the State, supports 1 in 46 of all California jobs and contributes \$32.8B annually to gross state product. UC can be a leader in the state's economic recovery as we grapple with a global pandemic, economic downturn, and increasing environmental impacts to our local/global communities. We can leverage our purchasing power to offer equitable opportunities and access to small and diverse businesses which have historically faced systematic barriers to doing business with UC, and have been especially impacted by COVID-19.

It is critical that UC works quickly to make meaningful change in our procurement practices as the rate of small business closures nationwide, especially minority-owned small business closures, has skyrocketed. UC Santa Cruz research reports that from February to mid-April, 440,000 of the 1 million African American owned businesses in the nation have closed for good – a 41% reduction in just two and a half

¹ [Small Business Profile, U.S. Small Business Administration, 2018](#)

² [SB/DVBE First Policy, California Department of General Services, 2020](#)

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months. Likewise, 32% of LatinX businesses and 26% of Asian owned businesses have permanently closed.³ As of September 2020, the number of Small Businesses that remain closed in San Francisco was approximately 49%, which is almost double the national median.⁴ Statewide, as of November 25th 2020, the number of small businesses open decreased by 30.7% compared to January 2020.⁵

Furthermore, UC's spend with small businesses has steadily declined over time with current systemwide performance at 8.73% in FY19-20, down from over 10% two years prior.

We believe it imperative that UC immediately extends a lifeline to our small business community. The implementation of UC's Small Business First Program is a key step in providing this support, and thus was introduced to the Board of Regents at their meeting on September 17, 2020. Further recognizing its importance, President Drake has issued an interim policy approval to facilitate application of the Small Business First Program as quickly as possible.

SUMMARY OF DEVELOPMENT PROCESS AND ACTIONS

Development Process

- May-June, 2020:
 - Reviewed set-aside program best practices (including LA Metro SB Prime program and State of CA SB/DVBE First program)
 - Held internal stakeholder discussions (UC campus procurement, Small Business Officers, Procurement Leadership Council, Procurement Policy and Legal Documents teams, etc.)
 - Consulted with UC Small Business Advisory Council
 - Provided analysis and recommendations based on review of current processes and gap analysis
 - Developed program and policy strategy and framework
- July-December, 2020
 - Developed DRAFT policy update, implementation guidance, and resource material (including waiver form) based on feedback from internal stakeholders and Small Business Advisory Council
 - Previewed program with Regents at September Board of Regents meeting
 - Developed program brand and marketing strategy
 - Developed communication/training plan and associated material
 - Presented webinar on new policy to local procurement teams
 - Received formal interim policy approval from President Drake

Sections Changed

Policy revisions were made to the following sections:

- II. DEFINITIONS
- III. POLICY TEXT
 - Part 1: Purchase Transactions, subparts B-D
 - Part 3: Supplier Diversity and Federal Planning and Reporting)
- V. PROCEDURES (Part 3: Supplier Diversity and Federal Planning and Reporting)
- VI. RELATED INFORMATION (Additional Resources for Small and Diverse Businesses)

³ [Fairlie/National Bureau of Economic Research, June 2020](#)

⁴ [World Economic Forum, October 2020](#)

⁵ [Opportunity Insights, 2020](#)

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Primarily policy was updated to include new section outlining policy of UC's Small Business First Program. All other changes were minor updates to bring rest of policy in alignment with this new program.

Key Policy Issues Addressed

- Implementation Timing – this program is being established rapidly in response to COVID-19 impacts on small businesses. However, this rapid approach (program effective date September 1st, 2020) was concerning for many campus procurement operations due to the required process changes, training and communication needed to implement this program. In response, the policy has been clarified to include a requirement that full compliance be achieved no later than March 1st, 2021. This clarification on when full compliance with the program is required gave all sites a long lead time for implementation.
- Potential Barriers to Program Compliance by UC Departments such as research – this program will cover all purchases valued annually at \$10,000-\$250,000. Purchases made with a value below \$100,000 typically do not require much direct involvement by campus central procurement operations, meaning these requisitions for purchase typically come in to Procurement after supplier selection, quotation solicitation, etc. This creates difficulties for procurement offices to enforce this policy prior to the buying department already engaging suppliers. This policy change impacts hundreds of UC employees and changes the overall purchasing process for transactions valued at \$250,000 or less.
 - These program impacts are being mitigated via a strong training and communication plan to coincide with the long lead time for full policy compliance. A robust implementation toolkit is being developed for the program which campuses can directly leverage. Guidance for waivers and policy exceptions have also been developed.

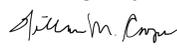
Systemwide Review

Systemwide review is a public review distributed to the Chancellors, the Chair of the Academic Council, the Director of the Lawrence Berkeley National Laboratory, and the Vice President of Agriculture and Natural Resources requesting that they inform the general University community, especially affected employees, about policy proposals. Systemwide review also includes a mandatory, 90-day full Senate review.

Employees should be afforded the opportunity to review and comment on the draft policy. Attached is a Model Communication which may be used to inform non-exclusively represented employees about these proposals. The Labor Relations Office at the Office of the President is responsible for informing the bargaining units representing union membership about policy proposals.

We would appreciate receiving your comments no later than **April 15, 2021**. Please send your comments or questions to Stephane Lopez at Stephanie.Lopez@ucop.edu.

Sincerely,
DocuSigned by:



William M. Cooper

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Associate Vice President & Chief Procurement Officer

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Enclosures:

- 1) Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management (clean copy)
- 2) Presidential Policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management (redline copy)
- 3) Model Communication

cc: President Drake

Provost and Executive Vice President Brown

Executive Vice Chancellors/Provosts

Executive Vice President and Chief Operating Officer Nava

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Vice President and Vice Provost Gullatt

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