

Supplier Diversity Snapshot

8 STATES IN REVIEW

NASPO[®]
National Association of
State Procurement Officials

Summary

Today, numerous states have implemented supplier diversity programs within, or departments alongside, their state and agency procurement departments. These programs involve leveraging procurement processes to increase competition, create more equitable opportunities, and facilitate a more engaged supplier community overall. An analysis of the selected state programs in this report shows that the majority:

- Provide administration, or verification and recognition, of business certifications
- Facilitate education, training, and outreach events for the supplier community
- Offer assistance with implementation and/or compliance for agencies and purchasers
- Establish diversity spending goals and/or set-asides
- Collect spend data via supplier reports to measure progress

While the private sector may have been earlier with efforts to address equity in procurement, state procurement offices provide effective resources and opportunities as well. State programs create new opportunities for economic growth by providing additional channels from which to procure goods and services. They also drive supplier competition, encourage innovation, and the promotion of new industry solutions.

The following examination of eight state procurement supplier diversity programs provides examples of actions currently underway. These entities were chosen for their population sizes, geographic locations, and availability of program details. Eight state procurement diversity programs are given in detail, including some analysis of commonalities, notable initiatives, and state agency spend. The information provided for each state comes from their programs' respective websites and reports, which are provided in the appendix.

Informed by the current practices of states, a list of states, a non-comprehensive list of practices is provided to help state governments set up and enhance their supplier diversity initiatives. In all, the information provided is intended to help state governments assess the current state of their supplier diversity efforts and provide ideas for growth and improvement of accessibility, effectiveness, and efficiency.



Why Supplier Diversity?

Supplier diversity initiatives first began to gain traction in the 1960s and 1970s among the nation's largest corporations, like General Motors. One of the first governmental efforts at growing supplier diversity was a **1978 amendment to the Small Business Act (1958)** which required Federal agencies to have an Office of Small and Disadvantaged Business Utilization and make contracting opportunities more accessible. Since then, much has been written about the benefits of supplier diversity initiatives from both the private and public sector perspectives. The commonly described benefits are:

- Helps widen the market of suppliers and provides multiple channels from which both governments and corporations can procure goods and servicesⁱ
- Drives competition on price and service levels between the state's existing and potential suppliers
- Encourages community-level economic development and creates economic opportunities for disadvantaged communities by directing state spend to local and emerging business enterprisesⁱⁱ
- Promotes innovation through the entrance of new products, services, and solutionsⁱⁱⁱ
- Demonstrates moral and ethical values and highlights the state's interest in and commitment to the economic growth of all communities^{iv}

ⁱ Griffin & Strong P.C. (2020). (rep.). *Culture, Collaboration and Capital: Leveraging procurement for economic equity*. City Innovate. Retrieved from https://cityalive.org/wp-content/uploads/2020/02/Improving-Procurement-Process_Living-Cites.pdf.

ⁱⁱ Griffin & Strong P.C. (2020). (rep.). *Culture, Collaboration and Capital: Leveraging procurement for economic equity*. City Innovate. Retrieved from https://cityalive.org/wp-content/uploads/2020/02/Improving-Procurement-Process_Living-Cites.pdf.

ⁱⁱⁱ Michigan State University. (2021, February 3). *The Importance of Diverse Suppliers Within the Supply Chain*. Michiganstateuniversityonline.com. Retrieved from <https://www.michiganstateuniversityonline.com/resources/supply-chain/the-importance-of-diverse-suppliers/>

^{iv} Bateman, A., Barrington, A., & Date, K. (2020, August 17). Why You Need a Supplier-Diversity Program. *Harvard Business Review*. <https://hbr.org/2020/08/why-you-need-a-supplier-diversity-program>



Challenges

There are common challenges and criticisms when considering the implementation of supplier diversity initiatives. A common argument is that programs may contain elements, such as set-asides or preferences, that are counter to full and open competition. Operating a program in a fair, consistent, and transparent manner often requires additional dedicated resources that offices may not have. Supplier diversity initiatives may increase the burden on the state for monitoring contract compliance and ensuring accountability. Without a robust process for verification of qualifications or certifications, opportunities for abuse can arise. There are also risks involved. The adoption of rules or statutes that give an advantage to targeted businesses without sufficient justification may bring legal scrutiny, especially if applied inconsistently.

Terminology and Definitions

To effectively assess and understand the various initiatives discussed, an explanation of common terms is necessary. The following terms are defined using language most commonly found in statutory definitions.

SUPPLIER DIVERSITY: Each state maintains its own definition as per its laws. For example, at least two states – Massachusetts and Pennsylvania – include service-disabled veterans as a diversity subcategory. The state of Washington includes Socially and Economically Disadvantaged Business Enterprises (SEDBEs) owned by non-minority men who are found socially and economically disadvantaged on a case-by-case basis.^v However, there are several similarities among them. From these surveyed states, diversity within procurement can be defined as a focus on directing some portion of state procurement spend to businesses owned or majority-controlled by women, people of color (POC, often referred to as “minority”), disabled, veterans, and citizens who identify as lesbian, gay, bisexual, and transgender (LGBT).

DISADVANTAGED BUSINESS: A small business that is owned or controlled by a majority of persons, not limited to members of minority groups, who have been deprived of the opportunity to develop and maintain a competitive position in the economy because of social or economic disadvantages due to circumstances beyond their control. For a more detailed definition of disadvantaged businesses and the federal rules that apply, see this [Fact Sheet](#).

DISPARITY STUDY: A comprehensive study examining participation levels of targeted enterprises in government contracts over a specified time period. The study considers marketplace conditions, contracting policies, program measures, and legal compliance, thereby identifying disparities in the participation levels of identified cohorts in contracting opportunities relative to the population of potential participants. The disparity study report often includes or informs recommendations to reduce the observed disparity in contracting.

^v Washington Office of Minority & Women’s Business Enterprises, FY 2020 - Annual Report (n.d.). Retrieved from https://omwbe.wa.gov/sites/default/files/public/documents/OMWBE_FY2020_AnnualReport.pdf.

DIVERSITY CERTIFICATION PROGRAM: Among the most well-known certification programs, the common definition of “diversity” maintains that at least 51% of ownership is of a diverse background.^{vi}

Businesses typically register with the appropriate government agency and apply for an official status or certification. To ensure that a business meets the ownership requirement, a variety of government or third-party agencies may review business records or conduct surveys, interviews, and site visits.^{vii} These certification programs, typically conducted by third-party agencies, certify businesses as “diverse” and allow them certain privileges and access to designated state opportunities.

HUB: A historically underutilized business (HUB) is similar in concept to a disadvantaged business but geographically based. A HUBZone business operates and employs people in Historically Underutilized Business Zones (HUBZone) as designated by the federal **HUBZone Empowerment Act** and qualifies under the **HUBZone program** administered by the United States Small Business Administration.


LGBT-OWNED: A business that is at least 51% owned, operated, managed, and controlled by an LGBT person or persons who are either U.S. citizens or lawful permanent residents, exercises independence from any non-LGBT business enterprise, and has its principal place of business (headquarters) in the United States.^{viii}

MINORITY-OWNED: A business which is at least 51% owned by one or more minority persons—typically including, but not limited to Black, or persons of African descent, Hispanic, or Latino, Asian, and Native peoples of North and South American origin. In the case of a corporation, at least 51% of the stock is owned by one or more minority persons. The management and daily business operations of the business are controlled by one or more of the minority individuals who own it or their designated representative.

^{vi} U. S. Small Business Administration. (n.d.). 8(A) Business Development program. Contracting Assistance Programs. Retrieved from <https://www.sba.gov/federal-contracting/contracting-assistance-programs/8a-business-development-program>

^{vii} Bateman, A., Barrington, A., & Date, K. (2020, August 17). Why You Need a Supplier-Diversity Program. *Harvard Business Review*. <https://hbr.org/2020/08/why-you-need-a-supplier-diversity-program>

^{viii} National LGBT Chamber of Commerce. (2022, June 15). Certification Criteria; Process. NGLCC. Retrieved from <https://nglcc.org/lgbtbe-certification/certification-criteria-process/>



PREFERENCE: An advantage given to bidders/proposers in response to a solicitation for products or services, granted based on pre-established criteria set out in statute or administrative code. This often takes the form of a percentage price allowance or the determination of award in the instance of equal qualifying bids or proposals.

VETERAN OR DISABLED VETERAN-OWNED: A business that is at least 51% owned by a veteran or service-disabled veteran as determined by statutory definition and/or the Department of Veterans Affairs. (Service) Disabled Veteran-Owned (DVBE) specifically targets veterans who received a disability condition through their military service.

Additionally, in many states specified targeted businesses (LGBT-, inority-, veteran-owned, etc.) must be operated and controlled on a day-to-day as well as a long-term basis by the qualifying owner(s) or a designated representative. In other words, ownership is not enough; operational control is also required.

Current Practices of Selected States

As of the time of research conducted for this report (June 2022), approximately 35 states have procurement diversity initiatives either within the state purchasing division or organized under another administrative department.^{ix} As stated in the prior section, while most programs define diversity in general broad terms to refer to women, people of color, disabled persons, veterans, and LGBT persons, there are some differences in terminology or certification between states. Much like state governments in general, the structures, operations, and sources of authority for these programs differ from state to state. However, there are common objectives present in nearly every program, including outreach, targeted spending, and regular reporting. More information about these programs can be gathered through state websites and annual reports.

^{ix} NASPO. (2022). [Unpublished raw data on the prevalence of supplier diversity initiatives in state procurement from the Survey of State Procurement Practices].

California



ENTITY

California Office of the Small Business Advocate (CalOSBA)

INITIATIVE

Statewide Supplier Diversity Program (SSDP)

AUTHORIZED/INFORMED BY

AB-1574

SB-1045

Cal. Gov't Code § 7400 (2021)

GOALS

- 25% state spend with certified small businesses
- 3% state spend with DVBEs



California's Procurement Division includes a specialized branch that focuses specifically on diversity within the state government. It is supported by a history of legislation that enforces outreach and business support within underserved communities. Through the **Statewide Supplier Diversity Program (SSDP)**, California advocates for equitable inclusion in procurement and contracting opportunities for underserved populations. The SSDP is an educational hub for suppliers who wish to become certified and provides access to various resources throughout the state.

The SSDP also promotes additional resources from partners throughout the state. **Local Small Business Development Centers** provide essential tools and training to help small businesses succeed. Procurement Technical Assistance Centers (PTACs) also offer no-cost consulting services to small businesses who are seeking contracting opportunities with the state government and free assistance with California's System for Award Management (SAM) registration. Additionally, the state's **Small Business Technical Assistance Expansion Program** provides \$17 million in grant funding to programs and organizations providing technical assistance to small and underserved business groups. This grant gives priority to programs assisting women-, minority-, and veteran-owned businesses in low-wealth, rural, and disaster-impacted communities.

The **California Office of the Small Business Advocate (CalOSBA)**, supports small and diverse businesses through a network of partnering organizations and provides access to financial assistance, consulting services, technical trainings, webinars, and other educational opportunities. CalOSBA also administers the Disabled Veterans Business Enterprise program, which has set a goal of directing 3% of the state's overall annual contract dollars to DVBEs.^x

Another unique program within the state of California is the **Source Diverse Source Local** initiative that helps prepare diverse local firms to meet both state and private-sector needs. Designed to strengthen and diversify the in-state supply chain for California-based industries, women-, POC-, veteran-, LGBTQ-, and disabled-owned businesses are provided with training and mentorship to compete for subcontracting and state opportunities. Technical assistance is provided by the network of PTACs. Several large California-based corporations participate in this program including Google, United Airlines, UPS, Lockheed Martin, and Prologis. State partners include Caltrans, the Insurance Diversity Initiative, Small Business Majority, and numerous others.

In April 2022, the Department of General Services added a portal within its online marketplace for businesses to report supplier diversity demographics. The data gathered with this tool will be used by the state to determine outreach opportunities, support diverse contracting, and gain a better understanding of statewide supplier demographics.

^x California Office of the Small Business Advocate. (2022). Small Business and Disabled Veteran Business Enterprise (SB/DVBE). Retrieved from <https://calosba.ca.gov/government-contracts/small-business-programs-and-disabled-veterans-business-enterprise/>

Florida

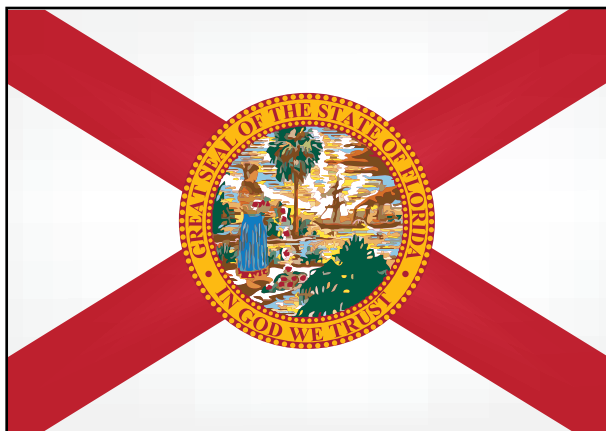
ENTITY

Florida's Office of Supplier Diversity (OSD)

AUTHORIZED/INFORMED BY

Fla. Stat. §287.09451 (2018)

Fla. Stat. §287.0947 (2018)



Florida's Office of Supplier Diversity (OSD) is a specialized team located within the Division of State Purchasing that advances contracting opportunities for women-, veteran-, and minority-owned businesses with no more than 200 full-time employees and a \$5 million net worth. State agencies are required to submit annual business participation plans that outline their activities and efforts to grow their use of targeted small businesses.

The OSD works directly with **Florida Advisory Council on Small and Minority Business Development** to ensure stakeholders are aware of current diversity issues within state procurement. Established by **Fla. Stat. § 287.0947 (2018)**, this Council assists the state's Secretary with duties related to minority business development. Other responsibilities include:

- The study of financial markets
- Research of minority business roles
- Development of the state's economic plan
- Assistance to the Governor for legislative issues relating to disadvantaged business development

A mentor-protégé program is also administered by Florida’s Office of Supplier Diversity. This program supports disadvantaged businesses by connecting them with established larger companies that have experience in contracting with the state.^{xi} These partnerships create an ongoing support system that helps small businesses win contracts and grows community knowledge of state procurement processes.

Florida provides easily accessible online resources that help suppliers understand the requirements for certification and doing business with the state. The state also hosts several outreach events like the Supplier Diversity Exchange, Veteran Florida Expo, Enterprise Florida Minority and Small Business Bootcamp. Entities such as the City of Gainesville, Florida State University, and the Gulf-Coast African American Chamber of Commerce also provide financial support to disadvantaged businesses through **Strategic Alliance Agreements** that are administered by the Office of Supplier Diversity.

Recent Reporting

For fiscal year 2020-2021, OSD recognized 6,731 certified firms, a growth of 14% over the previous year. Direct spending with certified businesses totaled more than \$554 million, plus an additional \$306 million in spend through subcontracting. Over \$860 million in total contract expenditures with certified businesses, a 44% increase over the previous year, comprised 6.8% of all state contract spend.^{xii}

^{xi} Office of Supplier Diversity. (2022). Vendor Resources. Florida Department of Management Services. Retrieved September 9, 2022, from https://www.dms.myflorida.com/agency_administration/office_of_supplier_diversity_osd/vendor_resources2

^{xii} Florida Department of Management Services, & Office of Supplier Diversity, Office of Supplier Diversity Annual Report: FY 2020-21 (2021). Retrieved from <https://www.dms.myflorida.com/content/download/156667/1039427/OfficeofSupplierDiversityAnnualReportFY2020-21.pdf>.

Illinois



ENTITY

Commission on Equity & Inclusion (CEI)

INITIATIVE

Illinois Business Enterprise Program (BEP)
Veterans Business Program

AUTHORIZED/INFORMED BY

Exec. Order No. 18-7

30 ILL. COMP. STAT. 574/40-10(2021)

30 ILL. COMP. STAT. 500/5-7(2021)

Procurement Code Article 20

GOALS

- 16% spend with minority-owned businesses
- 10% spend with women-owned businesses
- 4% spend with disabled-owned businesses
- 3% spend with veteran-owned businesses



Illinois has a relatively long history of supplier diversity initiatives dating back to legislation in the 1970s. Current efforts continue to be authorized via legislation mandating spending goals, agency participation, business outreach, and public reporting. These actions are informed by recurring disparity studies. A recent revision of supplier diversity efforts placed the **Illinois Business Enterprise Program (BEP)** and the **Veterans Business Program** under the authority of the new **Commission on Equity & Inclusion (CEI)**, an executive-level agency appointed by the Governor.

Suppliers apply for diverse certification from the BEP, which collects sales, tax, and employment data for review. Progress towards spending goals is tracked using business-to-government (B2G) software, where suppliers report contract spend to each contracting agency or department. The agencies submit reports to the BEP to be compiled and published by the CEI. For larger contracts, subcontracting with diverse businesses is not only tracked but also incentivized. Illinois **Procurement Code Article 20** (30 ILL. COMP. STAT. 500/20-15) allows for up to 20% of the technical points in a competitive sealed proposal to be awarded based on the offeror's commitment to diversity. The factors assessed include the offeror's own supplier diversity efforts, their history of subcontracting with or purchasing from diverse businesses, and the diversity of their governing board or leadership.

For FY2022, the CEI raised the overall goal from 20% to 30% of total state contracting spend with diverse businesses. This is broken down into specifically targeted amounts: 16% spend with minority-owned, 10% spend with women-owned, and 4% spend with disabled-owned businesses. Beyond these, a separate 3% set-aside has been established for veteran-owned businesses since 2010. These percentage goals relate to the total dollar amount of state contracts during each fiscal year, calculated by tallying independently each type of contract for each participating agency or state public institution. A separate goal of 20% was set for state construction spend with minority-, women-, and disabled-owned enterprises. Such goals are set based on the ratio of certified businesses to total businesses registered in Illinois offering commodities and services used by the state.

Procurement Code Article 20 (30 ILL. COMP. STAT. 500/20-15)

Factors to be considered in the award of points for the commitment to diversity component shall be set by rule by the applicable chief procurement officer and may include, but are not limited to:

(A) whether or how well the offeror, on the solicitation being evaluated, met the goal of contracting or subcontracting with businesses owned by women, minorities, or persons with disabilities;

(B) whether the offeror, on the solicitation being evaluated, assisted businesses owned by women, minorities, or persons with disabilities in obtaining lines of credit, insurance, necessary equipment, supplies, materials, or related assistance or services;

(C) the percentage of prior year revenues of the offeror that involve businesses owned by women, minorities, or persons with disabilities;

(D) whether the offeror has a written supplier diversity program, including, but not limited to, use of diverse vendors in the supply chain and a training or mentoring program with businesses owned by women, minorities, or persons with disabilities; and

(E) the percentage of members of the offeror's governing board, senior executives, and managers who are women, minorities, or persons with disabilities.

Recent Reporting

Per its **2021 Annual Report**, BEP increased the number of certified vendors by 42%, to a total of 3,265. Illinois spent \$885,489,466 with certified vendors, representing an increase of 22% compared to the spending in FY2020. This comprised 17.9% of total contract spend for the state, just shy of the 20% goal that had been set for the year.^{xiii}

^{xiii} Illinois Commission on Equity and Inclusion, Business Enterprise Program Fiscal Year 2021 Annual Expenditure Report (2021). Retrieved from <https://cei.illinois.gov/content/dam/soi/en/web/cei/documents/bep-annual-reports/bep-fy2021-report.pdf>.

Massachusetts



ENTITY

**Massachusetts Supplier
Diversity Office (SDO)**

INITIATIVE

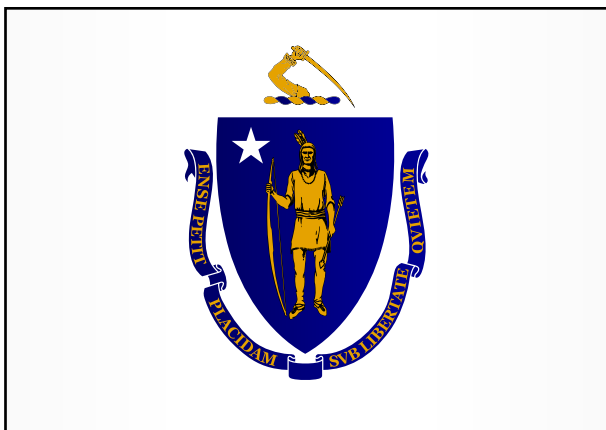
Supplier Diversity Program (SDP)

AUTHORIZED/INFORMED BY

Exec. Order No. 565
Exec. Order No. 523

GOALS

- 8% spend with minority-owned businesses
- 14% spend with women-owned businesses
- 3% spend with veteran-owned businesses



The **Massachusetts Supplier Diversity Office (SDO)** is an executive-level office, outside of the central procurement office, that works with women-, minority-, veteran-, service-disabled veteran-, LGBT, Portuguese-, disability-owned business enterprises. The office offers financial management, bidding training, and technical assistance for both suppliers and agencies. In FY2020, the SDO, in partnership with the Operational Services Division’s Training Unit, transitioned their pre-certification workshops to virtual/remote delivery, which led to a 66% increase in attendees compared to FY2019.^{xiv}

	CERTIFIED BY SUPPLIER DIVERSITY OFFICE	CERTIFIED BY APPROVED THIRD-PARTY ORGANIZATION
Minority Business Enterprises (MBE)	✓	✓
Women Business Enterprises (WBE)	✓	✓
Veteran Business Enterprises (VBE)	✓	✓
Portuguese Business Enterprises (PBE)	✓	
Disability-Owned Business Enterprises (DOBE)		✓
LGBT Business Enterprises (LGBTBE)		✓
Service Disabled Veteran Business Enterprise (SDVBE)		✓

^{xiv} Massachusetts SDO, Supplier Diversity Office Comprehensive Annual Report Fiscal Year 2020 (2021). Retrieved from <https://www.mass.gov/doc/sdo-fy20-annual-report/download>.

The SDO currently certifies certain diverse business categories in-house and recognizes certifications issued by approved third-party organizations. SDO also recognizes Federal Disadvantaged Business Enterprise certification and allows out-of-state businesses to apply for diversity certification

In 2021, SDO released the [Municipal Supplier Diversity Playbook](#) for local governments to implement their own diversity programs. They also maintain a robust [resource page](#) for department and agency implementation of supplier diversity requirements.

The state's Supplier Diversity Program (SDP) requires prime suppliers holding large contracts (\$150,000 and over) to procure from state-certified firms. SDP also requires competitive solicitations of Purchase of Service contracts for health and human services to consider suppliers' diversity commitments. Respondents must submit plans promising to spend an amount of their choosing with certified SDP businesses and include SDP spending from the prior fiscal year. These plans account for

Gary Lambert, CPO, Massachusetts: "All of this is tied together by the way we do our procurement process. For example, for any contract that has an estimated value of over \$150,000, the contractor is required to create a supplier diversity plan that is targeted with a commitment to spending money with our certified contractors. It doesn't have to be directly related to the specific contract they have with us. We did that intentionally to help facilitate business-to-business relationships with certified firms and contractors. Rather than say you must hire a certified business as a contractor for 5% of the value of this contract, what we ask for in the proposals is what percentage of the revenue from this contract will they spend with certified firms. So, for an IT contract, let's say that IT company needs to have carpets replaced in their corporate office in Boston. They can go out and find a certified firm and have them provide them with the carpeting and installation services for the company. That way certified businesses can begin to forge a relationship with another company and get advantages from that certification that helps them to continue to grow their businesses." —<https://pulse.naspo.org/post/a-day-in-the-life-gary-lambert/> (2019)

at least 25% of the evaluation score. Similar to the approach used in Illinois, this rewards business-to-business relationships that help grow the market for diverse suppliers.

Recent Reporting

The number of certified diverse businesses has been growing at an annual rate of approximately 8% since 2018.^{xv} SDP has spending benchmarks of 8% with minority-, 14% with women-, and 3% with veteran-owned businesses.^{xvi} As of fiscal year 2020, the state spent \$2.25 billion with state-certified firms, exceeding established benchmarks, with 8.8% of discretionary budget going to MBEs and 20.1% to WBEs.^{xvii}

^{xv} Massachusetts SDO, Supplier Diversity Office Comprehensive Annual Report Fiscal Year 2020 (2021). Retrieved from <https://www.mass.gov/doc/sdo-fy20-annual-report/download>.

^{xvi} Massachusetts SDO, The Commonwealth of Massachusetts Diverse and Small Business Program Policies for Goods and Services Procurements (2021). Retrieved from <https://www.mass.gov/doc/the-commonwealth-of-massachusetts-diverse-and-small-business-program-policies-for-goods-and-services-procurements/download>.

^{xvii} Massachusetts SDO, Supplier Diversity Office Comprehensive Annual Report Fiscal Year 2020 (2021). Retrieved from <https://www.mass.gov/doc/sdo-fy20-annual-report/download>.

Minnesota



ENTITY

Office of Equity in Procurement (OEP)

INITIATIVE

Small Business Procurement Program

AUTHORIZED/INFORMED BY

MINN. STAT. §16C.16(2021)

MINN. STAT. §1230.1400-1910

GOALS

- 15% of state spend (prime and subcontracting) with diverse suppliers
- 10% of state spend directly with certified suppliers



The Minnesota Department of Administration is home to the **Office of Equity in Procurement (OEP)**, which is established by **Chapter 16C** of the Minnesota Statutes. The OEP supports equity across state contracting opportunities and provides assistance to women-, disability-, and veteran-owned suppliers who seek business opportunities with the state. Businesses located within economically disadvantaged areas also receive support from this office.

In 2017, Minnesota conducted a Joint Disparity Study with seven other state and local agencies. This study was aimed at determining whether disparities existed within the following:^{xviii}

- The percentage of dollars that minority- and women-owned businesses received on prime contracts and subcontracts during the study time period (referred to as a “utilization analysis”)
- The percentage of dollars that those firms might be expected to receive based on their availability to perform those prime and subcontracts (referred to as an “availability analysis”)

The **Joint Disparity Study Report** found significant evidence of unequal business opportunities for women- and minority-owned businesses within multiple categories. It recommended expanding the use of supplier diversity initiatives to include more state agencies and procurement categories.

The **Minnesota Administrative Rules, Chapter 1230**, currently outlines the eligibility criteria for the **Small Business Procurement Program**, which allows for different groups to receive business preferences and participation eligibility for certain state-funded programs. According to the state, Targeted Group small businesses must be at least 51% owned and operated by women, racial minorities, or persons with a substantial physical disability. Targeted Groups are designated by the Commissioner of Administration, and businesses are certified by the state purchasing office. Chapter 1230 also authorizes the state purchasing office to set aside certain contracts specifically for targeted diverse and disadvantaged businesses and to apply a preference for these businesses of up to 6% of bid price.

The Economically Disadvantaged Small Business Procurement program focuses on businesses that reside within certain areas of the state. These areas are designated by the federal government, and commonly include labor surplus areas and low-income counties throughout the state. Certified businesses who fall within this category are eligible for a 6% sales preference on state contracting opportunities. Similarly, the Veteran-Owned Small Business Procurement Program also allows a 6% preference for certified businesses. Additionally, this program requires contractors to meet veteran-preference goals for both construction and consulting services. Eligibility for these services is administered through the Minnesota Department of Veterans Affairs. Certified businesses in any of these diversity programs are also eligible for Equity Select procurement which allows the state to make direct purchases from certified businesses of up to \$25,000.

OEP offers several resources to encourage the participation and use of diverse businesses, including a weekly opportunities report, a procurement equity newsletter, and a **Directory of Certified Targeted Group, Economically Disadvantaged, and Veteran-Owned Vendors**. They also conduct mandatory training for agency purchasers on ways to include diverse businesses in the state’s supply chain.

^{xviii} Minnesota Department of Administration, & Keen Independent Research, 2017 Minnesota Joint Disparity Study Phase 1 Report (2017). Retrieved from https://mn.gov/admin-stat/documents/Keen_Independent_2017_Minnesota_Joint_Disparity_Study_Phase_1_Report.pdf.

Pennsylvania



ENTITY

**Bureau of Diversity, Inclusion,
and Small Business
Opportunities (BDISBO)**

AUTHORIZED/INFORMED BY

Exec. Order No. 2015-11

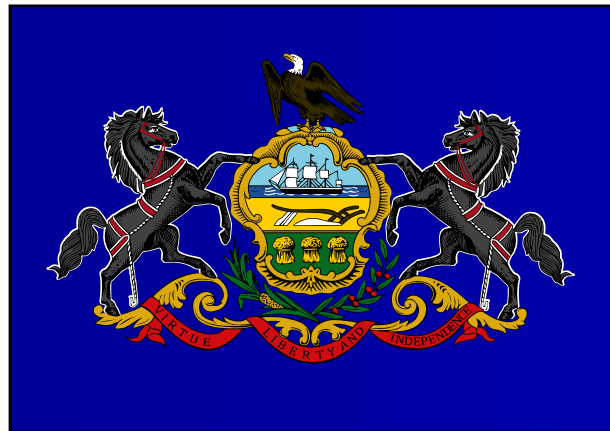
62 PA. CON. STAT. § 21

62 PA. CON. STAT. § 22

51 PA. CON. STAT. § 9601

GOALS

- 26.3% spend with Small Diverse Businesses
- 4.6% spend with Veteran Business Enterprises



The **Pennsylvania Bureau of Diversity, Inclusion, and Small Business Opportunities** (BDISBO) was established in 2015 by executive order, which expanded the existing Bureau of Small Business Opportunities under the Department of General Services. However, formal diversity efforts in the state date back to the enactment of **Chapter 21** of the Procurement Code in 1998. BDISBO operates programs for certified small businesses, diverse business enterprises (DBE), and veteran business enterprises (VBE). Under its DBE program, BDISBO recognizes minority-, women-, LGBT-, disability-, and service-disabled veteran-owned small business enterprises. To obtain Small Diverse Business (SDB) verification, a business must maintain small business self-certification plus provide proof of active certification as one of the SDB-recognized categories from one of six approved third-party entities. BDISBO also recognizes certified businesses from other states.

Following the commonwealth's first-ever **comprehensive disparity study**, completed in 2018, BDIS-BO adopted a new goal-setting approach to supplier diversity. Targeted business participation goals, based on the market and geographic availability of SDBs, are set for all procurements—including IFBs or low bid procurements – valued at \$250,000 or above for supplies and services and \$400,000 or above for construction and design professional services. Goals are stated in each solicitation and offerors are required to meet those goals, or make a good faith effort, to do business with the commonwealth.

Pennsylvania also uses a Small Business Reserve program where a number of solicitations are designated as opportunities only for certified small businesses, including SDBs and VBEs. Executive agencies are directed to identify and target 15% of their total agency spend for Small Business Reserve procurements. BDISBO provides agency liaisons to assist with technical training and to oversee SDB, VBE, and the Small Business Reserve programs. Real-time compliance monitoring mechanisms to prevent fraud and detect misuse ensure that prime contractors are meeting their commitments and SDBs and VBEs are performing satisfactory work. Additionally, BDISBO manages a mentor-protégé program that pairs up firms in the SDB program for two years. In this program, businesses that are new to state contracting can work with firms that have more experience in this field. Other outreach efforts to the business community include industry-specific forums, workshops, and trainings.

Recent Reporting

According to its **Annual Report**, the total number of verified SDBs grew 5.8% during FY 2020-21, while the total number of VBEs increased 48%. In 2015, SDBs received nearly \$230 million, or approximately 5% of total spend by the Commonwealth. By 2021, that grew to more than \$495 million and nearly 12% of total spend. \$265 million went to women-owned businesses, the largest portion of certified diverse spend. VBEs received nearly \$17 million, or 0.4% of total spend. Currently, the state has set aspirational goals of 26.3% spend with SDBs and 4.6% with VBEs.^{xix}

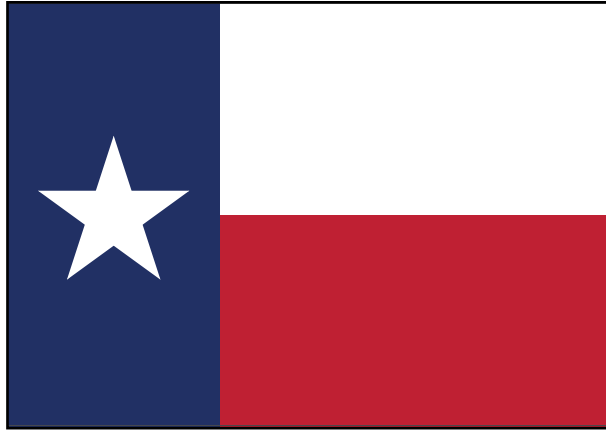
^{xix} Bureau of Diversity, Inclusion, and Small Business Opportunities, Fiscal Year 2020-2021 Small Business Opportunities Annual Report (2021). Retrieved from <https://www.dgs.pa.gov/Small%20Diverse%20Business%20Program/Documents/BDISBO%202020-21%20Annual%20Report.pdf>

Texas

INITIATIVE
Texas Historically Underutilized
Business (HUB) Program

AUTHORIZED/INFORMED BY
TX Govt Code § 2161 (2021)
34 TX Admin Code § 20.281-20.298





The [Texas Comptroller's Statewide Procurement Division](#) hosts the [Texas Historically Underutilized Business \(HUB\) Program](#) in accordance with [Texas Government Code Chapter 2161](#) and [Texas Administrative Code, Title 34, Chapter 20](#). Texas recognizes historically underutilized businesses as those at least 51% owned and operated by economically disadvantaged Texas residents from 4 minority groups (Asian/Pacific, Black/African, Hispanic, and Native American), women, or service-disabled veterans.

HUB conducts its own certification and maintains a directory of businesses. The certification process and criteria are outlined on its [website](#). This program aims to maximize the participation of underutilized businesses through training opportunities and outreach events with organizations throughout the state. These events often occur through partnerships with third-party organizations, such as the US India Chamber of Commerce Dallas-Fort Worth and the Women's Business Enterprise Alliance.

Texas's HUB program supports a mandatory mentor-protégé program for state agencies with biennial appropriation of at least \$10 million. The program aims to address the needs of growing HUB businesses to compete for state opportunities by pairing them with experienced prime contractors. State agencies serve as sponsors for the mentor-protégé agreements. The mentor-protégé relationship allows mentors to use their protégés to fulfill HUB subcontracting requirements for state contracts with expected values of \$100,000 or more.^{xx}

Business reporting is another essential element of the HUB program within the state of Texas. HUB goals are set by purchasing category (building construction, professional services, commodities, etc.) rather than by targeted business group. The quantitative data provided within semi-annual reports, allows agencies to set benchmarks that meet or exceed yearly HUB utilization goals. These reports also provide valuable information on agency awards, rankings, and overall expenditures within different procurement categories.

Recent Reporting

According to the [2022 Semi-Annual Report](#), the Statewide HUB Program included 15,429 registered Texas-certified HUB suppliers, with 3,069 HUB businesses receiving receiving \$1,616,211,160 or 11.5% of all statewide expenditures.

^{xx} Texas Comptroller of Public Accounts. (n.d.). HUB Mentor-Protégé Program. Retrieved August 2, 2022, from <https://comptroller.texas.gov/purchasing/vendor/hub/mentor.php>

Washington



ENTITY

**Office of Minority & Women's
Business Enterprises (OMWBE)**

**Department of Enterprise
Services - Business Diversity**

INITIATIVE

**Procurement Inclusion and
Equity (PIE) Program**

AUTHORIZED/INFORMED BY

WASH. REV. CODE § 39.19



The **Washington Office of Minority & Women's Business Enterprises (OMWBE)** is the state's agency that assists minority-, women-, LGBT-, veteran-, and socially/economically disadvantaged-owned business enterprises to participate in public procurement. The office manages both state and federal certification programs for programs for minority-, women-, veteran-, and socioeconomically disadvantaged-owned businesses. Unlike most other states, the office offers a Minority Women Business Enterprise (MWBE) certification for minority women and a Combination Business Enterprise (CBE) certification for businesses owned by both women and minorities. The OMWBE maintains a publicly available **Certified Firm Directory** that shows real-time status and contact information for all state-certified diverse suppliers. OMWBE's **Tools for Equity in Public Spending** includes videos, lessons, and templates to increase accessibility for suppliers and purchasers to incorporate and expand diversity practices.

Following the recommendations of a [2019 disparity study](#), the Department of Enterprise Services (DES) developed business diversity initiatives, including a [Procurement Inclusion and Equity program \(PIE\)](#), within its Contracts and Procurement Division to add an equity lens to its state procurement process. The program includes a direct buy policy that raises the limit for direct buy spending from \$30,000 to \$40,000 for purchases from certified businesses. It also requires the use of at least 2 supplier diversity strategies in every statewide master contract solicitation. These strategies include:

- unbundling awards
- creating multi-awards
- giving priority points to small and veteran-owned businesses
- requiring vendors to have inclusion plans

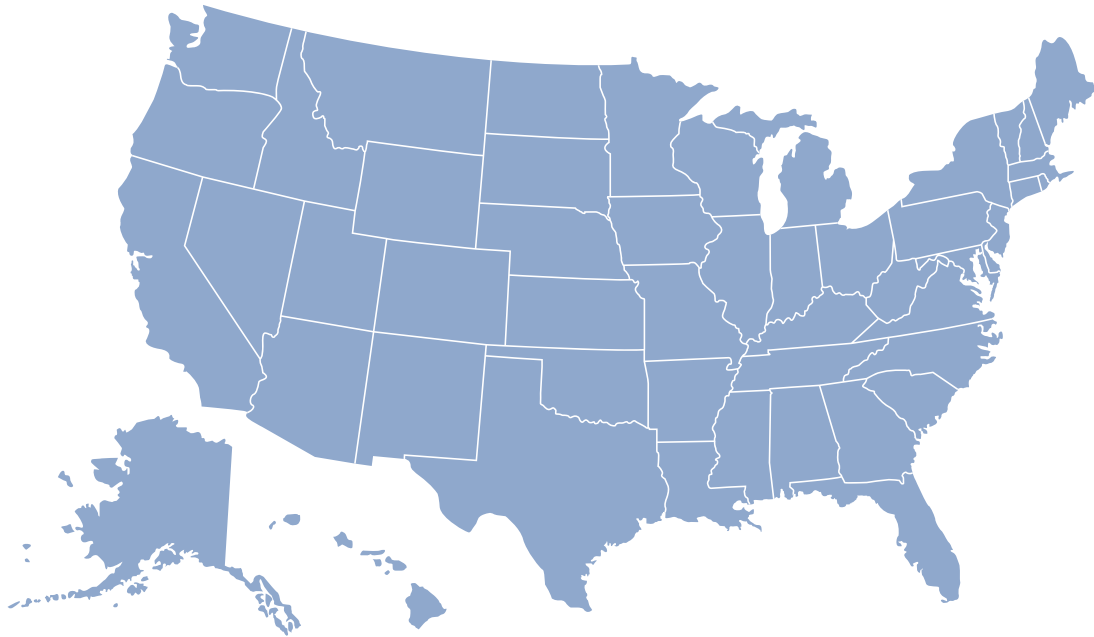
Washington is currently preparing for the launch of its Business Diversity Management System, an electronic data collection and monitoring system for tracking targeted business participation at prime supplier, contractor, and subcontractor levels. OMWBE believes this will help increase the use of minority and women-owned businesses for state purchasing needs.^{xxi}

Recent Reporting

As of FY 2020, the OMWBE recognizes 2,265 state-certified firms. Contracts with certified businesses comprised 4.59% of total state agency spend and 1.43% of all educational institution spend. This percentage further breaks down into 3.03% for minority-, and 1.57% for women-owned businesses.^{xxii}

^{xxi} Washington Office of Minority & Women's Business Enterprises, FY 2020 - Annual Report (n.d.). Retrieved from https://omwbe.wa.gov/sites/default/files/public/documents/OMWBE_FY2020_AnnualReport.pdf.

^{xxii} Washington Office of Minority & Women's Business Enterprises, FY 2020 - Annual Report (n.d.). Retrieved from https://omwbe.wa.gov/sites/default/files/public/documents/OMWBE_FY2020_AnnualReport.pdf.



The Use of Preferences

Preference statutes are another tool that some states use in supplier diversity efforts. A review of [NASPO's state preferences data](#) shows that approximately 38% of states have a preference or set-aside for one or more of the diverse supplier cohorts discussed in this report. The vast majority of these preferences apply to veteran-owned or disabled veteran-owned businesses. Approximately 16% of states have a preference pertaining to disadvantaged or minority-owned businesses. Half of these preferences apply a percentage ranging from 2% to 15% to proposed costs for bids or to evaluation points for proposals. The others are largely applied in tie-bid situations, where all other factors are equal between the diverse business and its competitors. However, the use of preferences may be controversial and is not without risk. In *Western States Paving Co., Inc. v. Washington State Department of Transportation et al.*, the U.S. 9th Circuit Court of Appeals ruled that statutes granting preferences based on race, sex, or national origin are unconstitutional unless a state can prove that it has previously discriminated against the specific minority or gender being granted the preference.^{xxiii} This increased the importance of spending evaluations and disparity studies as the basis for a statutory preference.

^{xxiii} NASPO. (2019). *State & Local Government Procurement: A Practical Guide* (Third). J. Ross Publishing.

Potential Strategies for Increasing Diverse Supplier Engagement:

FOCUS ON ACCESSIBILITY:

- Explore ways to make purchasing websites more appealing, accessible, and easy to navigate. Minimize the use of jargon on state purchasing websites and documents to increase accessibility to diverse suppliers.
- Consider offering sample documents and examples to help bridge the knowledge gap between first-time and experienced suppliers.
- Pre-qualification requirements for certification or registration should not be too burdensome.^{xxiv} This could include tailoring insurance requirements for targeted businesses.
- Highlight data and information about programs and opportunities. Doing so will convey that enhancing diversity is a part of core values and permeates the procurement process.

EMPHASIZE EDUCATION, TRAINING, AND COMMUNICATION:

- Direct outreach to, and sustained engagement with, the supplier community can encourage more businesses to become certified or compete for state opportunities.
- Use technology, including websites, mobile applications, and email newsletters to regularly inform agencies and suppliers of opportunities, resources, and upcoming events.
- Work with local **Procurement Technical Assistance Centers (PTACs)** to prepare small and diverse businesses to become future suppliers.
- Host or participate in conferences and networking events to spread awareness of opportunities and programs.

PROMOTE TRANSPARENCY:

- Ways to accomplish this may include establishing oversight committees led by stakeholders, and/or developing databases and directories of diverse suppliers and monitoring systems. California and several other states use **online data dashboards** to track contracting diversity spend, allowing for both internal agency use and public viewing.
- Regular program reports delivered to executive officials or legislatures should be posted on public websites for universal access.

ENCOURAGE DIVERSITY IN SUBCONTRACTING:

- Encourage tier one suppliers to invest in diversity for their own suppliers. Massachusetts and Illinois provide examples for evaluating proposed diversity plans and commitments from suppliers.
- Leveraging the use of connections to other organizations (trade groups, chambers of commerce, etc.) is also crucial, whether they be state-level, local, or non-governmental. These organizations can help recruit businesses and advertise opportunities where diverse suppliers can benefit and build relationships.

^{xxiv} Prilepok, M., Stewart, S., Yearwood, K., & Zegeye, A. (2022, May 17). Expand diversity among your suppliers—and add value to your organization. McKinsey & Company. Retrieved from <https://www.mckinsey.com/business-functions/operations/our-insights/expand-diversity-among-your-suppliers-and-add-value-to-your-organization>

UNBUNDLE CONTRACTS:

- Consider partitioning some large projects by breaking procurement scopes of work or geographic service regions into smaller sizes, allowing more businesses to compete to provide various component parts.
- Statewide and high-volume procurements for goods and services provide opportunities to create multi-award contracts that allow small and diverse businesses to participate that otherwise lacked the capacity to compete for the entire award.
- Purchasers using unbundled contracts can benefit by having access to a small business that is local to their region of the state, which also benefits the supplier and the community.

CONDUCT DISPARITY STUDIES AND SPENDING EVALUATIONS:

- Identifying disparities in participation of and awards to diverse businesses is a key first step in establishing a supplier diversity initiative. Disparity study reports often include recommendations to reduce any observed disparity in contracting. These studies provide legal justification for government action and can protect the state from litigation.
- States should be proactive in identifying their procurement needs by breaking down spend data, reviewing their procurement practices and policies, and monitoring their outreach results.^{xxv}

SET BENCHMARKS AND TARGETED SPENDING GOALS:

- Benchmarks should accurately reflect current or past spending with the specified businesses in both amount and as a percentage of contract spend.
- Spending goals should be informed by the prevalence of potentially qualifying diverse businesses compared to the overall population of potential suppliers. These goals are often also informed by an advisory committee representing stakeholder groups.
- Progress measurement towards goals includes documenting any costs from operating supplier diversity programs and initiatives as well as the tangible economic benefits.

^{xxv} *Supplier Diversity Best Practices*. (2018, February 2). Office of Minority and Women's Business Enterprises.
<https://omwbe.wa.gov/state-supplier-diversity-reporting/supplier-diversity-best-practices>

Conclusion

State supplier diversity programs operate within or in cooperation with their state and agency procurement departments, supporting the inclusion of targeted business enterprises. Typically, for businesses, these programs verify or recognize certifications, conduct outreach concerning state opportunities, and provide education, training, and technical assistance. For state purchasers, these programs offer assistance with compliance, inform goalsetting and benchmarks, and aggregate data to measure progress.

The main differences between programs lie in any additional services provided. Highlights include the mentor-protégé programs offered in Pennsylvania and Texas, California's Source Diverse Source Local initiative, Minnesota's Equity Select purchasing, and Florida's Strategic Alliance Agreements.

Although there are differences within supplier diversity initiatives throughout the states, the guiding principles remain the same. State agencies can adopt effective initiatives through practices like wealth and wage disparity studies, targeted outreach to diverse suppliers, and promoting equitable access to government spending within public procurement. These inclusion-focused initiatives support community and middle-class growth, improve the taxpayer base, strengthen local supply chains, and help small businesses flourish.

Special thanks to Penn State University, Simon Bodek, and Lauren Bechtel for contributing to this project.

Selected NASPO and External Resources

Chapter 4: Strategies and Plans of [**NASPO's State & Local Government Procurement: A Practical Guide**](#) offers more information on the strategic uses and risks of socioeconomic procurement programs.

For more information on the use of preference statutes visit the [**NASPO State Preferences Repository**](#).

Read the [**United States General Services Administration's Supplier Diversity and Equity Action Plan**](#) to learn about how the Federal government is growing its supplier base.

For more information on Federal programs for disadvantaged businesses and qualifying criteria, visit the [**Small Business Administration**](#).

For information about diverse business communities, visit the [**Women's Business Enterprise National Council**](#) and the [**National Minority Supplier Development Council**](#).

For an in-depth examination of supplier diversity efforts in some major cities, read [**Culture, Collaboration and Capital: Leveraging Procurement for Economic Equity**](#) by City Innovate.

Appendix

SELECTED STATE PROCUREMENT STUDIES, REPORTS, AND RESOURCES

California:

[California OSBA Annual Report](#)

Florida:

[Office of Supplier Diversity Business Participation Plans](#)

[Supplier Diversity Digest Newsletter](#)

Illinois:

[Business Enterprise Program Certification Application Checklist](#)

[Business Enterprise Program Annual Report FY2021](#)

Massachusetts:

[Supplier Diversity Office Comprehensive Annual Report](#)

[Supplier Diversity Program Purchasing and Reporting Forms](#)

Minnesota:

[Veteran-Owned, Targeted Group, and Economically Disadvantaged Businesses Resource Sheet](#)

Pennsylvania:

[Commonwealth of Pennsylvania Disparity Study](#)

Texas:

[Annual HUB Report](#)

[HUB Mentor Protégé Program](#)

Washington:

[Washington OMWBE Annual Report](#)

[State of Washington Disparity Study](#)