

NASPO'S 2024 EDUCATIONAL CASE STUDY: EVALUATING SUPPLIER DIVERSITY

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Officials Professional Development Team

NASPO produced this case study scenario internally with general knowledge and anonymized data. This educational scenario is not based on a single state or any group of states, and any resemblance to a true or real-life scenario is entirely coincidental.

OCTOBER 4, 2024

“Great meeting, Samantha. I can’t wait to see the plan. We’ve got to make sure the Program is unblemished—there’s no room for mistakes with this one!”

—Javier Alfaro,
Governor of Roosevelt

“No worries, Governor Alfaro! I’ll have the monitoring and evaluation plan ready to go in no time.”

—You, Samantha Mack

As you walk back to your office, just blocks from the state capitol building where you were meeting with Governor Alfaro, your thoughts are a mix of excitement and anticipation. Surely, 10-plus years of experience in supplier diversity and environmental, social, and governance (ESG) programs within the private sector have prepared you for this new role as the Director of Supplier Diversity for Roosevelt’s Central Procurement office, right?

Arriving back at your office, you open the door and immediately spot it on your desk — a file folder titled “Roosevelt’s Supplier Diversity Program.” You smile as you pour yourself a big cup of black coffee and pull off the sticky note on top of the file folder that reads:

Samantha,

We are so excited to have you as our new Director of Supplier Diversity. Welcome!

Inside is a brief overview and history of what we have been doing for our supplier diversity program. We look forward to working with you.

See you soon,

**Curt Mayfield
Program Manager, Supplier Diversity,
Roosevelt Central Procurement Office**

You take a giant gulp of coffee, grab a pen, and flip open the folder. . .

PART 1: SUPPLIER DIVERSITY IN ROOSEVELT

Current Status of Supplier Diversity in Roosevelt

Although the private industry has been employing supplier diversity initiatives for decades to achieve ESG goals in supply chains and make them more resilient, the Supplier Diversity Program within our office, Roosevelt's State Central Procurement Office, is relatively new. Established to foster economic growth, build strong partnerships with diverse businesses, and create a more resilient supply chain, our Program quickly became an essential part of Roosevelt's public procurement strategy.

Since our Program's inception in 2020, the small business community has embraced it, generally viewing it as a success. Our procurement officials see it as a way to cultivate a more resilient and inclusive supplier base and promote a competitive, transparent, and fair public procurement process for the state. Our Program has worked with a variety of diverse and small businesses, including women-owned, minority-owned, and LGBTQ-owned business all within our state.

Despite these positive perceptions, this Central Procurement Office has struggled to communicate the Program's success in a concrete, measurable way, leaving it vulnerable—especially in light of recent legal challenges to diversity programs across the country.

To address these vulnerabilities, Roosevelt's Commission for Equity and Inclusion contracted global management consulting firm Fulton & Company to conduct a disparity study for the state of Roosevelt. Published in June 2023, the Roosevelt Disparity Study¹ aimed to determine whether further action was needed to ensure that small and disadvantaged businesses have equal access to government contracting in Roosevelt.

¹ A disparity study in the context of state procurement is a comprehensive examination conducted to identify if disparities exist in the participation levels and contract awards to diverse businesses like those owned by minorities, women, veterans, and disabled individuals. The study typically involves a utilization analysis, which reviews the proportion of contract dollars received by these diverse businesses, and an availability analysis, which estimates what portion of contract dollars these businesses could be expected to receive based on their presence in the market. Refer to Appendix 1: Roosevelt's 2023 Disparity Study.

New Legislation

In response to the 2023 Disparity Study (see Appendix 1: Roosevelt's 2023 Disparity Study), the Roosevelt state legislature passed LAW RO. 362. 2024, codifying our Supplier Diversity Program that started in this Central Procurement Office in 2020. The new law, which went into effect October 1, 2024, mandates new requirements for our Supplier Diversity Program and establishes a 20% supplier diversity spend goal for our Central Procurement Office.

The main takeaways from the new law (see *Appendix 2: 2024 Supplier Diversity Statute*) are that it:

1. Established your new position, the Director of Supplier Diversity
2. Defines what businesses qualify a diverse supplier, or as they are called, "Disadvantaged and Small Businesses" (DSBs) and how they are certified
3. Mandates a 20% spend goal for the Central Procurement Office contracts
4. Establishes preferences for DSBs
 - 5% evaluation preference for DSBs for contracts over \$150,000
 - Award preference to the highest-ranked DSB for contracts \$150,000 and under
5. Requires an annual program report that will be presented to the Roosevelt Legislature and the Commission for Equity and Inclusion, demonstrating the effectiveness of the program

Evaluation Criteria for Certification as a DSB

Thankfully for us, the Commission for Equity and Inclusion handles the verification process for each of the 3 supplier diversity categories. These categories are small business, veteran-owned, or geographically disadvantaged (see *Appendix 2: 2024 Supplier Diversity Statute*, and *Appendix 3: Geographically-Disadvantaged Businesses*). Once a supplier is granted

certification from the Commission for Equity and Inclusion, the supplier must then register on Roosevelt's Public Procurement Supplier Portal, we call it the Supplier Portal, if they want to be considered an eligible DSB supplier.

After registering on our Supplier Portal, certified diverse suppliers will receive updates about contracting opportunities, trainings, and special benefits for DSBs. Additionally, all procurement staff will have access to their business data, such as commodity codes, location, employee base, revenue, government sales reports, and more.

Our Supplier Portal system offers procurement personnel a wide variety of tools. We can customize data collection, analysis, and reporting tools. It even has the option for suppliers and users to upload documents. However, in the past, our staff have not utilized most of these features. Staff have often complained that the data they get is not standardized or complete.

Actually, come to think of it, I'm pretty sure we just use the email notification feature to let DSBs know about new contracting opportunities. Usually we just post information and resources on the department's website—not sure how people actually go there.

Spend Goals and Preferences

As outlined in *LAW RO. 362. 2024*, there are two ways to offer a preference to DSBs for contracts, and which chosen method depends on the dollar value of the contract (see *Appendix 2: 2024 Supplier Diversity Statute*).

If the contract is over \$150,000 USD, our procurement officials shall award a 5% preference to DSBs. This means that while evaluating a supplier's proposal for a contract over \$150,000, the central procurement team evaluating the proposal can increase the supplier's total evaluation score by 5%.

If the contract is \$150,000 and under, the procurement official can automatically award any contract to the highest-ranked “responsive and responsible”² DSB that responds to the solicitation (contracting opportunity).

Prior to the new law, our procurement officials followed a similar process for awarding a preference to diverse businesses, so this isn’t a major change. The major change is the mandated spending goal of 20% for all central procurement spend. Now, agency spend can be measured in the aggregate and reporting on the spend is mandatory.

Before the new law, spend goals were a good faith effort, and agencies voluntarily reported how much of their spend was awarded to DSBs. Since reporting was voluntary, for each agency used different reporting methods. For example:

- The Department of Human Services reported categorical spend for DSBs every quarter.
- The State Police reported all spend for DSBs once a year.
- The Department of Justice send reports based on individual awarding procurement officials every month.
- The Department of Education and Housing and Community Services published their data for the public.
- Some agencies never reported (honestly, I’m not sure how they were even recording it).

Recently, there has been some concern about the follow-through of diversity commitments from suppliers and the monitoring of DSB contracts to make sure they have updated information that meets the DSB criteria. For example, we were considering renewing a contract and only then learned that the supplier no longer qualified as a DSB because they hadn’t kept their information up to date in the Supplier Portal.

² A responsible bidder is a business or individual who is financially and technically capable to perform the requirements outlined in the Invitation for Bid (IFB) and subsequent contract. This implies the bidder has intact financial resources, adequate facilities, suitable personnel, and reputability to assure good faith performance. A responsive bidder, on the other hand, refers to an entity that has submitted a bid which strictly adheres, in all substantive and formal terms, to the specifications and terms outlined in the IFB. This means the bid fully complies with all the requirements of the solicitation, without taking exceptions to these requirements.

As you can see, the monitoring, collecting, and reporting efforts were not standardized. We ended up sharing the information we had and tried our best to use that data to support the program.

Outreach and Training

As you know, an essential part of increasing supplier diversity is providing resources and support to diverse suppliers and procurement personnel.

As part of Roosevelt's outreach efforts, our procurement officials have hosted events like supplier informational sessions to connect the procurement office with diverse suppliers. The goal is to raise awareness of contracting opportunities with the state government and provide suppliers with resources and training to navigate the procurement process successfully.

However, there has been little systematic record of these outreach efforts. They have been conducted ad hoc based on a staff member's initiative or specific request. As a result, little to no data has been gathered from our outreach and networking opportunities, technical assistance, training programs, and/or support in accessing capital or contracting opportunities.

Additionally, there has been some confusion in the central procurement office and agencies about what services are provided to DSBs, how far procurement personnel can go in assisting DSBs, and how to award preferences to DSBs. Everyone is trying their best, but like all government agencies, especially the states, Roosevelt is faced with staffing shortages and lean budgets.

PART 2: BACKGROUND PUBLIC PROCUREMENT IN ROOSEVELT

Procurement Process: Agencies and the Central Office



The Roosevelt Central Procurement Office (we often call it the Central Office) is our state's centralized procurement office overseeing the purchasing needs of most state agencies.

Our Central Office solicits, administers, and manages approximately 8,000 contracts annually on behalf of authorized contract users, such as state agencies and other qualifying organizations. The contract offerings include a wide range of commodities, services, and technology available at competitive, volume-discounted/reduced prices while maintaining statutory compliance. Our Central Office also educates suppliers and public procurement officials (sometimes called purchasers) on participating effectively in the state's procurement process.

When an agency under the jurisdiction of our Central Procurement Office (see Appendix 5: Agencies Under the Central Office) has a purchasing need of over \$50,000, the agency submits the request to the Central Office. Our Central Office then develops the solicitation and competes that solicitation according to the state's procurement laws and policies.

All solicitations of over \$50,000 are posted to the Central Office's website, which interfaces with the Roosevelt Supplier Portal, where suppliers submit their proposals for contracts.

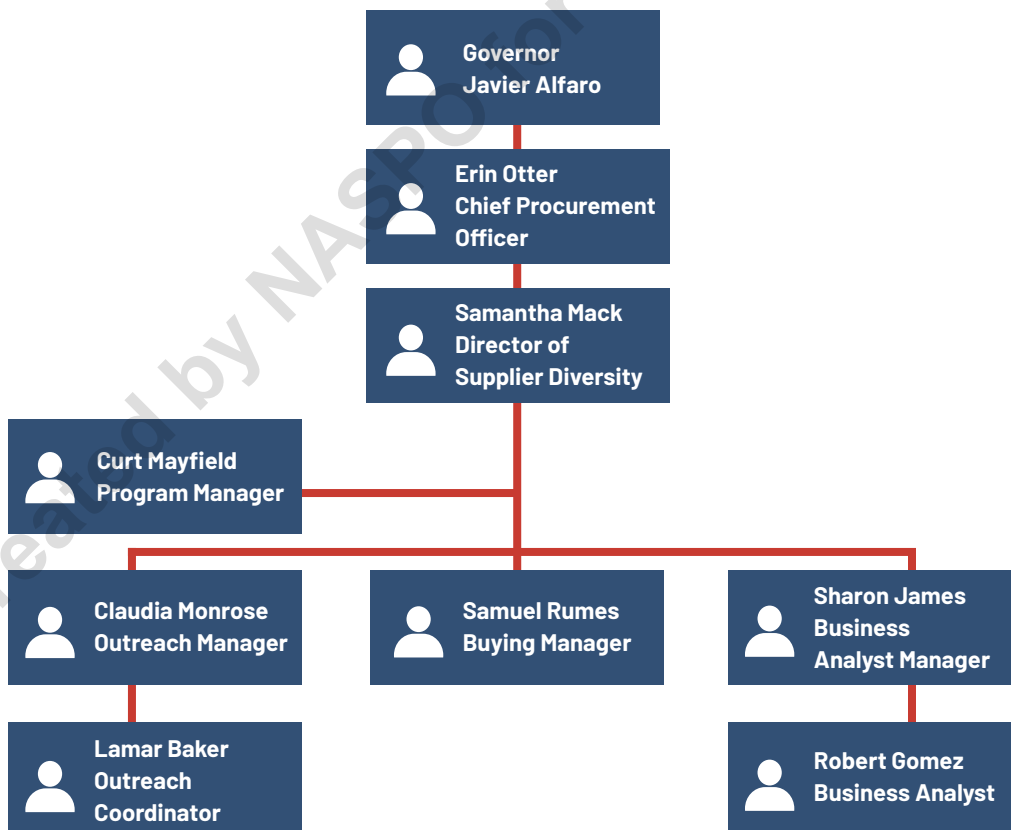
The Supplier Portal tracks all company data and serves as the main point of contact between the Central Office and suppliers.

If the purchase is a micro-purchase, under \$50,000, the award does not have to be formally competed, and the agency can purchase from one of the approved or contracted suppliers.

Once the supplier is selected and the contract is developed, the agency and the Central Office work together to administer the contract. Often, each agency has at least one “purchaser” who works with our Central Office to evaluate supplier performance, extensions, renewal, etc., when needed.

Structure of the Central Procurement Office

Our Supplier Diversity team consists of seven employees. At the moment, the Central Procurement Office has about 24 employees that we work with to support supplier diversity efforts. They report to the Chief Procurement Officer for the state, Erin Otter.



Okay—you close the folder, take a big breath, and reach for your laptop. You’ve got 24 hours before you meet with your boss, the Chief Procurement Officer of Roosevelt, to present your strategic plans for how to show the legislature that this Supplier Diversity Program is (or can be) effective and how you will expand the impact of the program to reach spend goals. It is time for you to get your team together. You know you need to figure out:

- *Effectiveness: Monitoring and Evaluation Strategic Plan*
 - o *How will you determine the current state of the program?*
 - o *What KPIs should we be tracking, and how will we get the data?*
 - o *Who else should be part of the monitoring process, and how will the information be shared?*
 - o *How should we conduct a ROI analysis (or something similar) and demonstrate the benefits to the state and the suppliers?*
- *Expanding Impact: Strategic Plan*
 - o *How can we meet and/or exceed our 20% spend goal?*
 - o *How will we increase and measure stakeholder engagement, and who should we target?*
 - o *How are we going to make the process better for all stakeholders (internal and external)?*
 - o *What should be the plan for the next 5 years?*

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APPENDIX

1. Roosevelt's 2023 Disparity Study
2. 2024 Supplier Diversity Statute
3. Geographically-Disadvantaged Businesses
4. Registered Diverse Suppliers
5. Agencies Under the Central Office
6. State and Agency Spend Data

APPENDIX 1: 2023 DISPARITY STUDY

The below excerpts are from the 2023 Disparity Study conducted by Fulton & Company. Published in June 2023, the Roosevelt Disparity Study was commissioned by the Commission for Equity and Inclusion and aimed to determine whether further action was needed to ensure that small and disadvantaged businesses have equal access to government contracting in Roosevelt.

In this context, non-diverse, as used in the below table, refers to businesses that do not qualify as a small, veteran-owned, or geographically disadvantaged business. Additionally, a business is either a small, veteran-owned, or geographically disadvantaged business, and together they create the term "DSB."

Estimated Roosevelt Annual Contract Spend

Business Type ³	Total Annual Spend per Business Type	% of Total Spend per Business Type	# of Contracts per Business Type
Non-Diverse	\$29,128,773,405	85.2%	4,442
Small	\$2,085,510,772	6.1%	1,681
Veteran	\$1,059,849,737	3.1%	759
Geographically Disadvantaged	\$1,914,567,266	5.6%	739
TOTAL	\$34,188,701,180	100%	7,621

**This is estimated data for all contracted goods and services through the Central Procurement Office in 2022.*

³Businesses are only accounted for in one type of business group. For example, for data purposes, a DSB is only recorded as either a small business, veteran, or geographically disadvantaged business.

Estimated Contracted Suppliers

Business Type ⁴	Estimated Available Suppliers ⁵	# of Utilized Available Suppliers	% of Utilization
Small	746,007	1,478	0.00198
Veteran	48,759	751	0.01540
Geographically Disadvantaged	188,243	733	0.00389

**This is estimated data for all suppliers contracted for goods and services through the Central Procurement Office in 2022. Small, Veteran, and Geographically Disadvantaged Suppliers are geographically located in Roosevelt.*

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⁴ Businesses are only accounted for in one type of business group. For example, for data purposes, a DSB is only recorded as either a small business, veteran, or geographically disadvantaged business.

⁵Estimations are pulled from the 2023 Disparity Study based on the number of available suppliers in Roosevelt.

APPENDIX 2: 2024 SUPPLIER DIVERSITY STATUTE

LAW RO. 362. 2024. Preference Procurements from Disadvantaged and Small Businesses (DSBs)

1. PURPOSE: The Legislature finds evidence of a systematic pattern of past and continuing disparity in the use of historically disadvantaged and small businesses (DSBs) in the state procurement system. It is determined to be of compelling state interest to rectify such disparity. Based upon statistical data from the Disparity Study, the legislature hereby establishes the Roosevelt Supplier Diversity Program within the state Central Procurement Office to ensure disadvantaged and small business participation in the economic life of the state and facilitate the growth and stability of Roosevelt's economy by fostering utilization by state interests of the business offerings available for state procurement and public contracts from Roosevelt's DSBs.

- a. Given the magnitude of the state's procurement and public contracting activity, state government is uniquely situated to create an environment where small and disadvantaged businesses have an opportunity to thrive and ultimately enhance the stability of Roosevelt's economy. The Legislature establishes a 20 percent (20%) spend goal for the Central Procurement Office in contracting with DSBs, and the provisions of this Chapter are intended to encourage business opportunities for DSBs.
- b. On or before December 31, 2025, and on or before December 31 of each year thereafter, the Director of the Supplier Diversity Program shall submit a report regarding the state's progress in satisfying the 20 percent goal established in this section. The report should be submitted to the Commission on Equity and Inclusion and the Legislature detailing the progress and justification of the Program.

2. CRITERIA:

- a. To qualify as a "disadvantaged or small business," the business must be a registered supplier and meet at least one of the 3 criteria:
 - i. "Small Business"
 1. Defined as:
 - a. less than 500 employees;
 - b. annual revenue less than \$24 million; and
 - c. incorporated in the state of Roosevelt.
 - ii. "Veteran-Owned or Service-Disabled Veteran-Owned"
 1. Defined as:
 - a. incorporated in state of Roosevelt; and
 - b. must be at least 51% owned by a veteran.

iii. "Geographically Disadvantaged Business"

1. Defined as satisfying one or more of the following:
 - a. The Geographically-Disadvantaged Business Enterprise is certified as a HUBZone Small Business Concern by the United States Small Business Administration.
 - b. The principal place of business of the Geographically-Disadvantaged Business Enterprise is located within a population census tract that is a low-income community designated as a Qualified Opportunity Zone by the United States Secretary of the Treasury pursuant to 26 USC 1400Z-1.
 - c. A majority of the employees of the Geographically-Disadvantaged Business Enterprise either work at a location within a Qualified Opportunity Zone or maintain a principal residence within a Qualified Opportunity Zone.

3. IMPLEMENTATION:

- a. For contracted goods, services, and construction, procurement officials shall award up to a 5 percent (5%) preference to a DSB for contracts over \$150,000.
- b. Procurement officials may award competitively procured contracts valued at \$150,000 or less to the highest-ranked responsive and responsible DSBs unless there was no responsive offer from a responsible DSB.

3. ELIGIBILITY:

- a. When a state agency intends to award a contract to a business in furtherance of the 5 percent preference, the state agency shall, during the solicitation phase, require the DSB to submit to the agency documentation that meets the DSB criteria as established by the Commission for Equity and Inclusion.
- b. Such criteria, as established by the Commission for Equity and Inclusion, shall:
 - i. Prove historic market disadvantage
 - ii. Shall be updated every four (4) years
 - iii. Require each participating DSB to submit criteria documentation every four (4) years
- c. In no way whatsoever shall the sex, race, birth, age, physical condition, religious beliefs, political ideas, or affiliations of a business's owners or officers be considered as a factor in determining whether a business receives certified status.
- d. The business seeking certification has the burden of demonstrating, by a preponderance of evidence, that it meets the criteria as established.

4. EXEMPTIONS: Procurements involving expenditures of federal dollars are exempt to the extent that their inclusion in the program is in violation of federal law or grant provisions.

5. SCOPE: To the extent practicable, each procurement unit shall structure its procurement procedures to achieve the result that a minimum of 20 percent of the unit's total dollar value of procurements for goods, supplies, services, maintenance, construction, construction-related services, architectural services, and engineering services are expended directly at the prime contract level.

6. EXPENDITURES:

- a. Each procurement unit shall, based upon the approved budget and other applicable factors, annually prepare a fiscal year procurement expenditure forecast. The forecast shall project expected expenditures under procurements to be awarded or currently under contract, and the unit shall develop a plan allocating a minimum of 20 percent of the total expected expenditures under these contracts directly to certified small businesses.
- b. Expenditures in a current fiscal year under a multiyear contract awarded in a prior fiscal year shall be included in the procurement unit's forecast and counted toward total procurement dollars and diverse small business reserve dollars, as applicable.
- c. Only those payments resulting from a procurement designated as a small business reserve procurement may be applied towards the procurement unit's overall small business reserve payment achievement.
- d. Expenditures to certified small businesses awarded under small business reserve procurements may be included to attain the small business reserve amount notwithstanding the procurement method used.

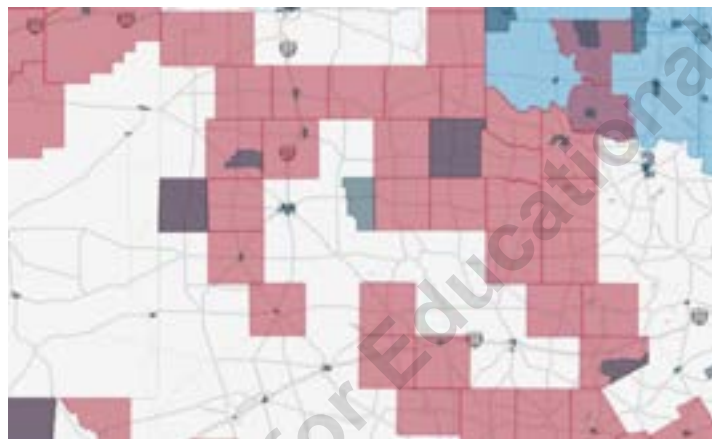
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APPENDIX 3: GEOGRAPHICALLY-DISADVANTAGED BUSINESSES

“HUB Zones” and “Opportunity Zones” in Roosevelt

Roosevelt is a state in the American Southwest with a population of 4.72 million. Its most recent annual approved budget was \$62 billion. The heavy concentration of jobs and educational opportunities in metro areas has created a population divide between rural and urban communities. The state’s population demographics indicate that 70% of residents live in urban areas and 30% in rural areas.

The “HubZone” and “Opportunity Zone” programs are administered by the federal government. However, Roosevelt uses their designation to determine which businesses can apply as DSBs under the supplier diversity law. These programs seek to promote small businesses and economic growth in historically underutilized areas.



Roosevelt’s Hub and Opportunity Zones in 2024	
	County
	Tribal Land

APPENDIX 4: REGISTERED DIVERSE SUPPLIERS

Registered Diverse Suppliers October 4, 2024

Business Type	# Registered
Small	2,581
Geographically Disadvantaged	2,067
Veteran-Owned	953
Total	5,601

**These numbers are pulled from the Roosevelt Supplier Portal that all certified DSBs must register in to submit bids for contracts. All agencies and the Central Procurement Office have access to the database.*

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APPENDIX 5: AGENCIES UNDER THE CENTRAL OFFICE

1. Audits Division
2. Building Codes Division
3. Bureau of Labor and Industries
4. Business Services Division
5. Conservation and Development
6. Department of Administrative Services
7. Department of Agriculture
8. Department of Aviation
9. Department of Consumer Services
10. Department of Corrections
11. Department of Early Learning and Care
12. Department of Education
13. Department of Emergency Management
14. Department of Energy
15. Department of Environmental Quality
16. Department of Fish and Wildlife
17. Department of Forestry
18. Department of Geology and Mineral Industries
19. Department of Human Services
20. Department of Justice
21. Department of Land
22. Department of Public Safety Standards and Training
23. Department of Revenue
24. Department of State Lands
25. Department of Transportation
26. Division of Financial Regulation
27. Driver and Motor Vehicle Services
28. Elections Division
29. Employment Department
30. Health Department
31. Housing and Community Services
32. Judicial Department
33. Legislative Fiscal Office
34. Liquor and Cannabis Commission
35. Military Department
36. Parks and Recreation
37. Public Health Division
38. Office of the Chief Operating Officer
39. Office of Economic Analysis
40. Office of Legislative Counsel
41. Office of Small Business Assistance
42. Office of Administrative Hearings
43. State Archives
44. State Bar
45. State Fire Marshal
46. State Lottery
47. State Police
48. Tourism Department
49. Veterans' Affairs
50. Water Resources Department

APPENDIX 6: STATE AND AGENCY SPEND DATA

Spend data for the 10 largest agencies

- Department of Education (\$7.1 Billion)
- Department of Human Services (\$4.3 Billion)
- Department of Health (\$4.2 Billion)
- Department of Corrections (\$2 Billion)
- Judicial Department (\$770 Million)
- Housing and Community Services (\$677 Million)
- Department of State Police (\$436 Million)
- Department of Justice (\$154 Million)
- State Fire Marshal (\$85.5 Million)
- Department of Agriculture (\$78 Million)

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