

Supplier Diversity in State and Local Agencies: Review of Current Perspectives, Policies, and Practices

Rebecca Kassa, Senior Researcher, Simplar Foundation

Brian Lines, Associate Professor, University of Kansas

Jake Smithwick, Associate Professor, University of North Carolina at Charlotte

Kenneth Sullivan, Professor, Arizona State University

This report was developed by a team of academics with subject matter expertise on behalf of the Simplar Foundation. The Simplar Foundation is a collaborative team of faculty and researchers who specialize in facility organizational assessment, performance measurement and analytics, process improvement, and advanced procurement delivery systems. The goal of the report is to provide valuable insights on current supplier diversity practices within state and local government. The research and findings presented in the report were made possible through the sponsorship of the National Association of State Procurement Officials (NASPO).

TABLE OF CONTENTS

Executive Summary	3
Research Approach	5
Research Questions	5
Commonly Listed Targeted Business Groups	5
Structural Elements of Different State DEI Programs	6
1. State Goals and Targets for Inclusive Procurement	6
2. Implementing Supplier Diversity at the Individual Solicitation Level	9
2.1 RFP Analysis	10
3. Tracking Compliance at an Individual Project Level	11
4. Set-Aside Programs	13
5. Tracking Compliance at the Programmatic Level	15
6. Maximizing Engagement and Involvement: Directory of Certified Businesses	17
7. Internal Training Initiatives for State/Agency Staff	18
8. Supplier/Contractor Training and Outreach	20
9. Staffing Structure of Supplier Diversity Programs	21
10. Certification of DEI Status for Suppliers	23
11. Data Transparency in Supplier Diversity Programs	24
Barriers of Supplier Diversity in Procurement	25
Future Outlook	26
Appendices	28
Appendix A: DEI Dictionary	28
Appendix B: RFP Analysis	29
References	33

EXECUTIVE SUMMARY

Diversity, Equity, and Inclusion, commonly known as DEI, includes efforts to create a more diverse, equitable, and inclusive society and governance models. Diversity covers the range of differences among individuals, including aspects such as gender, race, ethnicity, sexual orientation, and socio-economic status. Equity represents the principles of fairness and justice, serving as the core objective of DEI initiatives. Inclusion, on the other hand, entails promoting an environment where every individual feels accepted, respected, and valued.

Within the purview of procurement, DEI includes the intentional valuing and consideration within the administrative, organizational, and buying process that consider diversity around markers of race, gender, socioeconomic background, religion, sexual orientation, gender identity, age, disability, veteran status, nationality, and intellectual perspective.

Equitable procurement practices recognize the history of inequality promoted by laws, policies, and social practices that have advantaged some groups while simultaneously preventing members of other groups from accessing similar resources. Equity includes a system where unequal goods are redistributed to create systems, policies, laws, and social practices that share a greater likelihood of becoming more equal and procurement is an important aspect of equitable governance, both within a procurement organization itself and in this policies and practices as it procures good and services from the market.

According to Table 1, based on U.S. Census data from the reference year 2021, approximately 22% of employer businesses were women owned, 21% were minority-owned, and about 5.2% were veteran-owned. This statistic underscores the potential for cultivating a more diverse range of establishments across various sectors, offering a wider array of goods and services, and generating more employment opportunities.

TABLE 1

Demographic data (U.S. Census Bureau's 2022 Annual Business Survey (ABS) referencing year 2021, sorted by number of businesses)¹

Business Ownership	Number of Businesses	Estimated Receipts	Employees	Annual Payroll
Women-Owned	1.3 Million	\$2.1 Trillion	10.5 Million	\$499.9 Billion
Asian-Owned	642,950	\$1 Trillion	4.9 Million	\$222.5 Billion
Hispanic-Owned	406,086	\$572.9 Billion	3.0 Million	\$124.4 Billion
Veteran-Owned	304,823	\$922.2 Billion	3.3 Million	\$179.8 Billion
Black/African American-Owned	161,031	\$183.3 Billion	1.4 Million	\$53.6 Billion
American Indian/Alaska Native-Owned	48,582	\$54.4 Billion	307,933	\$12.9 Billion
Native Hawaiian/Pacific Islander-Owned	8,324	\$10.5 Billion	53,277	\$2.5 Billion

1. United States Census Bureau. Census Bureau Releases New Data on Minority-Owned, Veteran-Owned and Women-Owned Businesses, (2023), [United States Census Bureau Press Release on Annual Business Survey 2022 Data](#)

Supplier diversity programs in procurement can be part of addressing economic disparities, reducing minority unemployment, and creating positive impacts in wider society.² These initiatives advance public policies by creating equal opportunities for all businesses to compete for contracts. However, to effectively leverage supplier diversity, clients should establish a clear vision, implementation plan, and robust monitoring and evaluation mechanisms.³

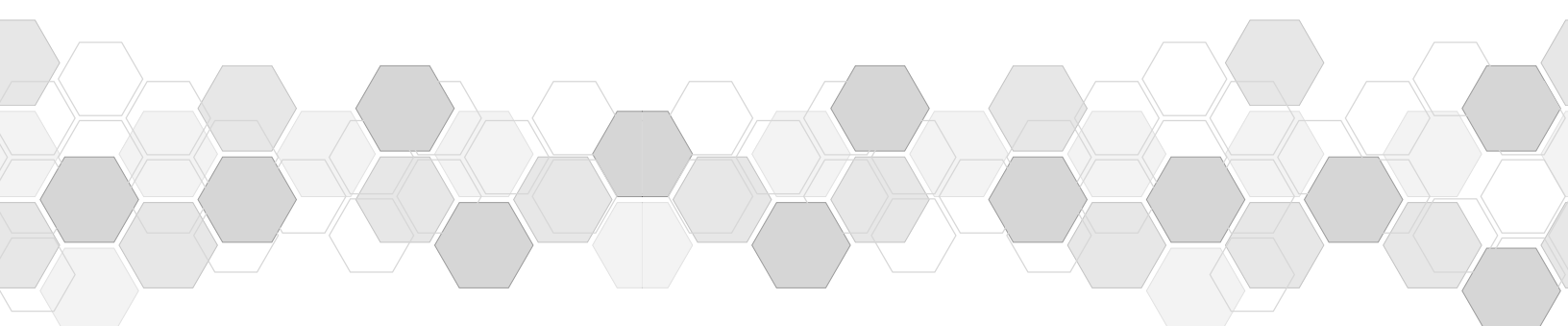
Inclusive public procurement includes policy, administration, organizational, and process efforts to create a purchasing and contracting environment where any individual or group can be and feel welcomed, respected, supported, and valued. Inclusion also incorporates diversity in procurement leadership and decision-making.

In recent years, there has been a notable shift as organizations increasingly acknowledge the significance of supplier diversity, economic inclusion, and minority entrepreneurship. These concepts have gained prominence due to their economic benefits, social responsibilities, and the imperative to address historical disparities. Public procurement programs have played a vital role in impacting minority entrepreneurship by expanding procurement markets and promoting business growth. According to a report published by NASPO, currently, numerous states have implemented supplier diversity programs within, or departments alongside, their state and agency procurement departments.⁴

Despite the growing attention to supplier diversity, achieving DEI in public procurement programs remains a challenge. Minority business enterprises contribute substantially to the economy, generating \$1.8 trillion in annual GDP and providing income to millions of workers. However, many of these businesses continue to grapple with the lingering effects of historical discrimination.⁵

This study specifically focused on current and changing procurement perspectives, policies, and practices around supplier diversity. The objective of the study is to analyze current supplier diversity programs and procedures established by different U.S. states and assess their effectiveness in supporting historically disadvantaged enterprises in procurement processes. By examining the development and implementation of these programs, the study aims to gain insights into how they contribute to leveling the playing field for underrepresented businesses and promoting inclusivity in procurement practices. Equity and inclusion are also tangentially covered.

This report includes perspectives of representatives across several states, alongside the viewpoints from representatives from cities, DBE & MBE suppliers, and DEI professionals from universities. All interviews were conducted remotely, with their comprehensive findings integrated into this report. Another goal of this study was to analyze how diversity factors are weighted in selection models. The research team reviewed 132 solicitations from state agencies across four categories: Construction, Facility Management, Information Technology, and Business Services. Although DEI was stated to be important, these factors rarely appeared as specific selection criteria in award determinations. A list of common DEI-related criteria are found in Appendix B.



² Sordi, A., Tate, W. L., & Huang, F. (2022). Going beyond supplier diversity to economic inclusion: Where are we now and where do we go from here? *Journal of Purchasing and Supply Management*, 28(2). <https://doi.org/10.1016/j.pursup.2022.100751>

³ Adobor, H., & McMullen, R. (2007). Supplier diversity and supply chain management: A strategic approach. *Business Horizons*, 50(3), 219-229. <https://doi.org/10.1016/j.bushor.2006.10.003>

⁴ NASPO. (2022) Supplier Diversity Snapshot: 8 States in Review. Retrieved from https://cdn.naspo.org/RI/SupplierDiversitySnapshot_8StatesinReview.pdf

⁵ The White House. (2022). A Proclamation on Minority Enterprise Development Week, 2022. [A Proclamation on Minority Enterprise Development Week, 2022](#)

RESEARCH APPROACH

The research approach included:

- Gathering available current state procurement policies regarding DEI with supplier selection, contract percent allocations, etc.
- Interviewing 10-25 state procurement professionals, focusing on:
 - Legislative pressures or new/pending legislation
 - Current changes to DEI or diversity/minority programs
 - Recommended practices around supplier diversity programs
- Examination of procurement practices considering DEI from CPE's database of recent solicitations:
 - Is DEI specifically considered when selecting an evaluation committee?
 - Are diversity factors clearly weighted in selection models?
 - Is the selection criteria related to DEI clearly described in solicitations?
 - What training is given to procurement professionals around DEI best practices?

RESEARCH QUESTIONS

1. What states are facing legislative pressure or pending legislation on this?
2. What strategies and supplier diversity programs are states using?
3. What states are updating their preference policies, and which of those updates are related to supplier diversity?

COMMONLY LISTED TARGETED BUSINESS GROUPS

As the landscape of DEI continues to evolve, its examination and implementation within state-level procurement practices become multi-dimensional. States across the nation have established supplier diversity programs aimed at advancing inclusivity and equal opportunities for various underrepresented groups. These programs typically target a spectrum of diverse categories, including but not limited to:

- Women-Owned Business Enterprise (WBE)
- Minority-Owned Business Enterprise (MBE)
- Minority or Women-Owned Business Enterprise (MWBE/WMBE)
- Veteran-Owned Business Enterprise (VOBE)
- Service-Disabled Veteran Owned Business Enterprise (SDVOBE)
- Disadvantaged Business Enterprise (DBE)
- Geographically Disadvantaged Business Enterprise (GDBE)
- Individuals with Disabilities Owned Business Enterprise (IWDBE)
- Historically Underutilized Business (HUB)
- Small Disadvantaged Business

- LGBTQ Businesses
- Sustainability Focused Businesses
 - Environmentally Friendly Businesses
 - Socially Responsible Businesses

While the study of DEI encompasses a wide range of dimensions at the state procurement level, this report specifically spotlights the strategies and impacts related to supplier diversity initiatives focused on the above listed groups within state procurement. The report presents a comprehensive examination of the strategies, frameworks, and initiatives adopted by U.S. states and state agencies to adopt an inclusive procurement environment. Appendix A provides a DEI Directory containing definitions for all the categories listed above, and Appendix B provides a summary of commonly used DEI evaluation criteria.



STRUCTURAL ELEMENTS OF DIFFERENT STATE DEI PROGRAMS

This section provides a comprehensive overview of the fundamental components of supplier diversity programs across various states. Through insights collected from interviews with state officials and other stakeholders, this section discusses the elements within the broader framework of DEI initiatives in state procurement.

Each of the elements are supported by *Recommended Practices* featuring exemplary approaches identified through interviews with stakeholders, offering practical recommendations for optimizing the effectiveness and impact of state DEI programs.

1. STATE GOALS AND TARGETS FOR INCLUSIVE PROCUREMENT

State goals and targets are specific objectives set by states to ensure DEI in their procurement processes. These goals are typically aimed at increasing the participation of small and disadvantaged businesses in government contracts and procurement opportunities. Most states conduct disparity studies to understand and address potential inequities in their procurement processes.

State goals and targets, set to promote DEI in procurement processes, typically aim to increase the participation of small and disadvantaged businesses in public contracts and procurement opportunities. Most states conduct disparity studies to understand and address potential inequities in their procurement processes.

Supplier diversity goals attempt to rectify disparities in contracting opportunities and promote the inclusion of diverse enterprises. State governments attempt to utilize measurable benchmarks and metrics to create a more equitable marketplace that stimulates economic growth and empowers underrepresented entrepreneurs. Common metrics employed include:

- Procurement expenditure or dollar value spent,
- The volume of contracts assigned to diverse businesses,
- The percentage of subcontracting opportunities awarded to diverse businesses, and
- The diversity within the workforce of contracted businesses, among others.

While some states determine primary supplier diversity goals for their centralized procurement processes and across all affiliated agencies, others adopt a decentralized approach, allowing individual state agencies to establish and pursue their own diversity targets. The decentralized approach recognizes that diversity objectives may vary based on factors such as agency size, industry focus, geographic location, and historical context.

EXAMPLES:

- The state of Minnesota has set a goal of reaching 12% of overall eligible procurement dollars to be spent directly with certified small businesses within the state.⁶
- The state of Tennessee has a decentralized program where agencies set individual goals that they need to meet to spend X% of dollars with small businesses and diverse businesses, including businesses owned by minorities, service-disabled veterans, women and persons with disabilities.⁷
- Massachusetts' Supplier Diversity Office has a goal of 14% women business spending, 8% minority business spending, 3.3% small business spending as well as a 3% goal for veteran and service-disabled veteran businesses.⁸
- Michigan state government has set a goal that 20% or more of expenditures each state fiscal year will be made to certified geographically disadvantaged business enterprises (GDBE) by the 2023–2024 state fiscal year. The state's SDVOB program also establishes a goal of awarding 5% of total state expenditure for goods, services, and construction to qualified service-disabled veteran-owned companies.⁹
- The state of Illinois has established goals that allocate 16% of its total contract spending to minority-owned businesses, 10% to women-owned businesses, and 4% to disabled-owned businesses. Additionally, the state has implemented an additional objective with a separate goal of allocating 20% of its state construction spending to enterprises owned by minorities, women, and individuals with disabilities.¹⁰
- Colorado has set a contracting goal of 3% for service-disabled veteran-owned small businesses (SDVOSB), with agencies permitted to provide a price preference of up to 5%.¹¹
- The state of New York requires agencies to try to award at least 30% of their contracts to disadvantaged businesses.¹²
- The state of California has a mandated 25% annual goal for contracting with small businesses and a 3% goal for disabled veteran businesses.¹³

6. Minnesota Department of Administration: Diverse Spend. Retrieved from <https://mn.gov/admin/business/vendor-info/oep/spend/>

7. Tennessee Department of General Services: Governor's Office of Diversity Business Enterprise (Go-DBE) 2023 Annual Report (Page 15 & 16). Retrieved from https://www.tn.gov/content/dam/tn/generalservices/documents/cpo/godbe/events-and-publications/publications/annual-report/Go-DBE_Annual_Report_FY22-23_FINAL.pdf

8. Massachusetts Supplier Diversity Office (SDO) 2023 Annual Report: Discretionary Spending Benchmark Performance (Page 19 & 20). Retrieved from <https://www.mass.gov/doc/sdo-fy23-annual-report/download>

9. Michigan SDVOB Program Goals. Retrieved from <https://www.michigan.gov/dtmb/procurement/contractconnect/programs-and-policies/preferences/service-disabled-veteran-owned-business-preference>

10. Illinois General Assembly: Business Enterprise for Minorities, Women, and Persons with Disabilities Act. Retrieved from <https://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=550&ChapterID=7>

11. Colorado Procurement Guidance. Retrieved from https://dmva.colorado.gov/sites/dmva/files/SDVOSB%20Guidance%2006302014_0.pdf

12. New York State Office of General Services. Retrieved from <https://ogs.ny.gov/mwbe/minority-and-women-owned-business-enterprises-frequently-asked-questions>

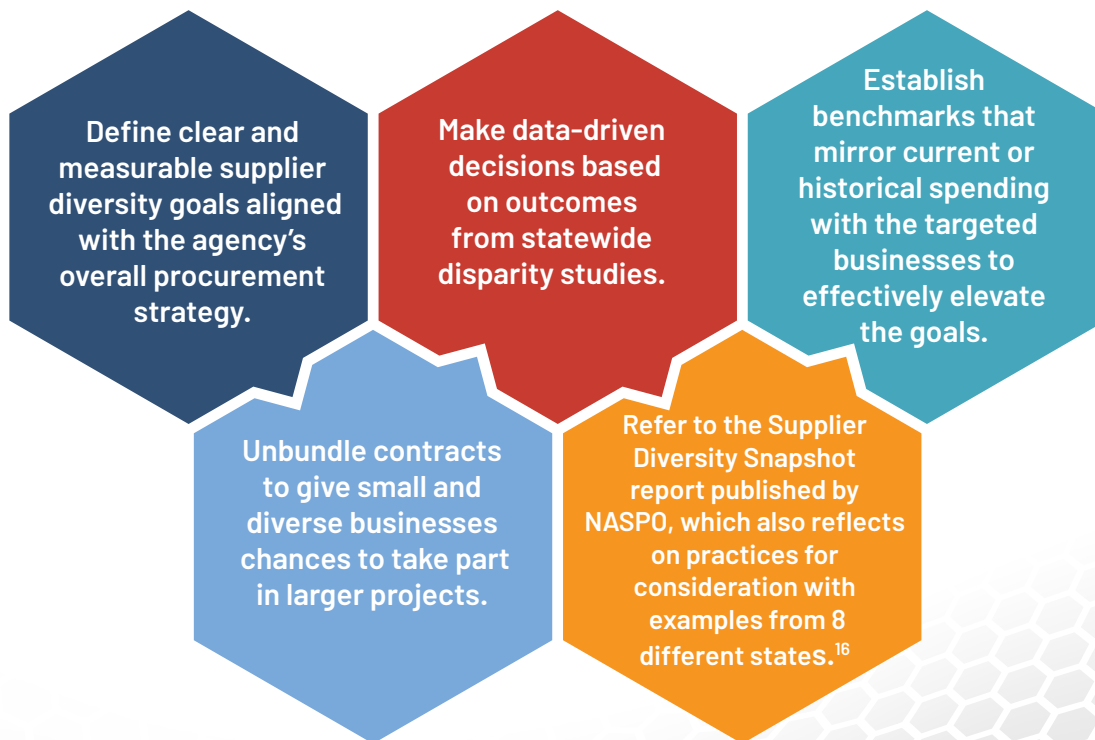
13. State of California Department of General Services: Small Business and Disabled Veteran Business Enterprise Contracting. Retrieved from <https://www.dgs.ca.gov/en/PD/Resources/SCM/TOC/12/12#:~:text=Pursuant%20to%20Executive%20Order%20S,than%203%25for%20DVBE%20participation>

To increase the participation of small and diverse businesses and hit their current goals, states and state agencies should initiate conversations regarding potential inclusion strategies at the outset of projects and solicitations. Among the strategies adopted by some states is the practice of **unbundling**, which involves breaking down services into smaller components to encourage competition.¹⁴ In instances where states procure significant volumes of goods and services, they often facilitate ways to establish multi-awards contracts. These contracts enable the participation of small and diverse businesses that might otherwise lack the resources to compete for the entire contract.

EXAMPLE:

The state of Washington unbundles contracts by partitioning some large projects by breaking procurement scopes of work into smaller sizes, allowing more businesses to compete to provide various component parts.¹⁵ During the interview it was mentioned that this is one of the effective ways to diversify who the state does contracting with.

RECOMMENDED PRACTICES:



¹⁴National Institute of Governmental Purchasing. (2024). NIGP Dictionary of Terms. Retrieved from <https://www.nigp.org/dictionary-of-terms?search=unbundling&page=1>

¹⁵ Supplier Diversity-Unbundling Washington Contracts for Goods/Services. Retrieved from <https://des.wa.gov/sites/default/files/2023-08/2023-06-13-SupplierDiversity-Presentation-SectionC-3Unbundling.pdf>

¹⁶ NASPO. (2022) Supplier Diversity Snapshot: 8 States in Review. Retrieved from https://cdn.naspo.org/RI/SupplierDiversitySnapshot_8StatesinReview.pdf

2. IMPLEMENTING SUPPLIER DIVERSITY AT THE INDIVIDUAL SOLICITATION LEVEL

Supplier diversity at the individual solicitation level is the act of states applying supplier diversity plans as part of a criteria in their solicitation documents. This mostly includes states mandating a percentage of the evaluation weight or scoring criteria for DEI initiatives in their solicitations. The requirement obliges proposing firms/prime contractors to outline how they intend to meet the supplier diversity plans within their proposals.

Solicitation documents that clearly articulate the state's commitment to supplier diversity create opportunities for a broader range of businesses, particularly those from underrepresented or historically marginalized groups. Most states and state agencies specify the types of diversity classifications (minority-owned, women-owned, veteran-owned, etc.) that they aim to engage with in the procurement process. Integrating specific requirements or preferences for diverse suppliers within the bid documents shows clear goals of the state for the inclusion of diverse subcontractors or suppliers in the proposal.

Common weights identified from the conducted interviews range from 5 to 25% of the evaluation. Prime contractor organizations and teams should acknowledge and address these requirements as a distinct element in their proposals.

Agency evaluation of DEI criteria within solicitations varies widely. Certain states or state agencies mandate straightforward forms that quantify the proportion of spend allocated to specific targeted business groups. Conversely, others require more comprehensive narrative responses outlining implementation strategies. These strategies would illustrate how prime contractors intend to incorporate diverse suppliers into their proposals and, if successful, what their inclusion plan entails.

Integrating a weighted component into the solicitation evaluation process imposes real consequences for firms, motivating them to actively pursue DEI objectives. However, sometimes scoring criteria allocated for small and diverse business involvement in solicitations are minimal compared to other criteria with higher weights. Consequently, contractors and primes may prioritize aspects with greater scores, neglecting the importance of supplier diversity goals.

During the interviews, it became apparent that without a weighting scheme, DEI goals may be treated merely as aspirational, leading non-targeted business groups to claim a lack of effort due to challenges in finding small and diverse businesses. Consequently, they may propose DEI initiatives as mere 'good faith efforts,' lacking genuine commitment without a tangible incentive.

EXAMPLES:

- The state of Tennessee has a dedicated section on RFPs pertaining to diversity-related questions. These questions are assigned varying weights and scores depending on the nature of the project.
- The state of Louisiana allocates 10% of evaluation points on RFPs for certified Small Entrepreneurship bids and encourages state agencies to add 12% extra points on RFPs for their Veteran Initiative. Additionally, the state mentions that prime contractors using certified Small Entrepreneurships as subcontractors are also eligible for additional percentage points on their bids.¹⁷
- Seattle City Light places significant emphasis on the involvement of WMBEs by mandating their inclusion as a prerequisite within its RFP documentation. Particularly, WMBE participation comprises a notable 10% portion of the evaluation criteria, emphasizing the role these enterprises play in the selection process.

¹⁷ State of Louisiana office of State Procurement: Hudson and Veteran Initiatives. Retrieved from <https://doa.louisiana.gov/media/tcplcoql/hudson-veteran-initiative.pdf>

- The state of Illinois allocates up to 20% of the technical points in competitive sealed proposals towards evaluating an offeror's dedication to diversity. The assessment includes various factors, such as the offeror's initiatives in supplier diversity, their track record of subcontracting with or procuring from diverse businesses, and the diversity represented within their governing board or leadership.¹⁸
- The Supplier Diversity Program (SDP) in Massachusetts mandates that prime suppliers awarded large contracts (valued at \$150,000 and above) formulate a supplier diversity plan. This plan should outline a specific commitment to allocate a portion of their contract revenue to businesses certified by the state's SDP. These plans contribute at least 25% to the overall evaluation score.¹⁹
- The state of Minnesota grants authorization to the state purchasing office to implement a preference for certified diverse and disadvantaged businesses, allowing for a preference of up to 12% of the bid price.²⁰

2.1. RFP ANALYSIS

One goal of this study was to analyze if, and how, diversity factors are weighted in selection models, including the specific selection criteria related to DEI. The research team collected 132 solicitations representative of commonly procured services from state agencies across four categories: Construction (including alternative delivery methods), Facility Management, Information Technology, and other Business Services. A review of each solicitation was conducted to understand current practices around DEI evaluation criteria and weights. Detailed findings for each of these areas are provided in *Appendix B*.

The results showed that although DEI was stated to be important to the owner, these factors rarely showed up as specific selection criteria (used to make a final award determination). Furthermore, even when DEI criteria were included, they were often assigned minimal weight compared to other factors such as cost, technical expertise, and past performance. This indicates an inconsistency between the stated importance of DEI and its practical application in the selection process.

Additionally, the study revealed variations across different categories, with some sectors showing more commitment to DEI in their selection criteria than others. Construction and professional services projects often have higher DEI evaluation weights, emphasizing the engagement of diverse subcontractors and inclusive practices. In contrast, IT and goods procurements tend to have slightly lower weights but still require comprehensive diversity plans and partnerships.

The absence of consistent DEI criteria in the solicitation documents suggests that state agencies may benefit from more standardized guidelines or frameworks to effectively incorporate DEI into their procurement processes. This could help ensure that DEI considerations are not only acknowledged but also actively influence decision-making. When appropriate and required, DEI criteria can be integral to the procurement process. It is recommended to assign specific weights to reflect their importance.

18. State of Illinois Commitment to Diversity. Retrieved from <https://cpo-general.illinois.gov/sell-2-illinois.html>

19. Massachusetts Supplier Diversity Program. Retrieved from <https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.mass.gov/doc/sdp-policy-guidelines/download&ved=2ahUKEwjmt2Ty42HAxVUK4kEHWqXD6kQFnoECBIQAQ&usq=A0vVaw0YQUioEQpOu9MfJrbjKKJn>

20. Minnesota Department of Administration: Diverse Spend. Retrieved from <https://mn.gov/admin/business/vendor-info/oep/spend/>

RECOMMENDED PRACTICES:



3. TRACKING COMPLIANCE AT AN INDIVIDUAL PROJECT LEVEL

Once the contract is signed, state procurement agencies actively track and monitor progress to ensure that contractors fulfill their commitments to supplier diversity goals outlined in the contracts. They monitor adherence to diversity goals, review reports, measure performance metrics, review utilization, and engage with contractors to ensure compliance.

At times, small businesses may assert that they meet the necessary requirements solely to secure a contract, only to subsequently fail at delivering satisfactory results. This situation is often exacerbated by contractors who include small or diverse businesses in their proposals merely to fulfill small business requirements. Consequently, suppliers may find themselves frustrated when subcontractors fail to fulfill their obligations. It is imperative to rigorously assess qualifications as a key criterion in the certification process.

Different states employ a variety of methods to track compliance, reflecting their unique regulatory environments and resource capabilities, such as:

- Some states assign dedicated contract compliance officers or teams responsible for overseeing contract execution.
- Other states closely monitor the dollar amount spent from their data dashboard allocated to diverse businesses, ensuring timely payment upon completion of work.

- Some states use various contract management software solutions for supplier diversity, procurement, and grant management. They evaluate contractors' adherence to their commitments towards supporting diverse businesses.
- Prime contractors sometimes fail to meet their commitments to supporting diverse businesses. These contractors may make promises without following through, assuming they will not be held accountable. This risk/issue is particularly prominent if the state lacks the necessary staff to monitor, verify, and enforce compliance with supplier diversity goals at the project level.
- In instances where these commitments aren't met, states should investigate the reasons behind the shortfall.
- States should establish clear definitions outlining the failure of contractors to adhere to their commitments and good faith efforts. Clearly documented meanings facilitate understanding for both prime contractors and small businesses regarding the obligations they undertake.
- Failures on multiple contracts can jeopardize a firm's future chances on future proposals.

EXAMPLE:

- The state of Illinois' Commitment to Diversity (C2D) program²¹ includes a compliance tracking mechanism. This mechanism evaluates suppliers seeking to do business with the state through a request for proposal (RFP). Specifically, it assesses what actions suppliers are taking to support diverse suppliers or diverse individuals within their communities. This Commitment to Diversity is an additional component in the RFP process, alongside pricing and technical ability. It accounts for at least 20% of the total points awarded in the RFP evaluation. The program continuously monitors these efforts and makes necessary adjustments based on the contractors' performance in promoting supplier diversity.

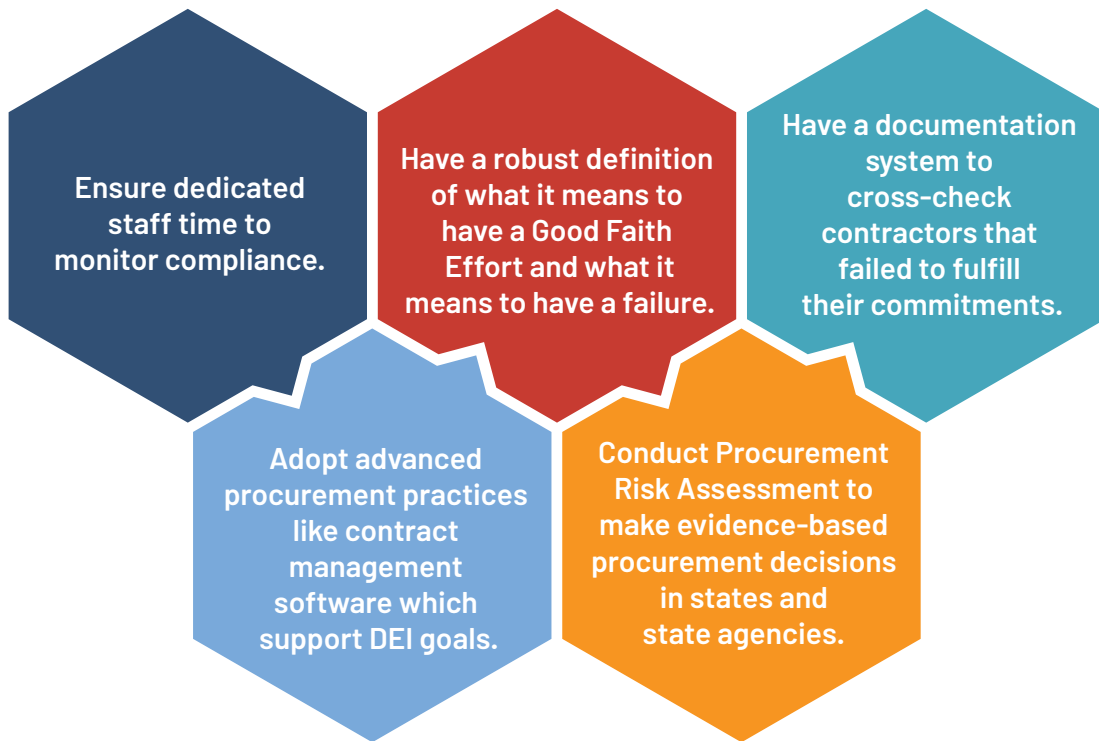
States periodically conduct a risk assessment to assess compliance with policies following contract award. During this evaluation, adherence to DEI principles should be incorporated as a key component.

- The state of Washington is a good example for this as it conducts procurement through a risk assessment framework, collaborating with its agencies to evaluate compliance with policies post-contract award.²²

²¹. State of Illinois Commitment to Diversity. Retrieved from <https://cpo-general.illinois.gov/sell-2-illinois.html>

²². Washington Department of Enterprise Services: Procurement Risk Assessment. Retrieved from <https://des.wa.gov/purchase/how-use-statewide-contracts/procurement-risk-assessment>

RECOMMENDED PRACTICES:



4. SET-ASIDE PROGRAMS

Set-aside programs in state procurement are initiatives or policies designed to reserve a portion of public contracts or procurement opportunities for specific groups of businesses. These programs aim to promote inclusivity, support small and diverse businesses, and provide them with a fair chance to participate in public contracting.

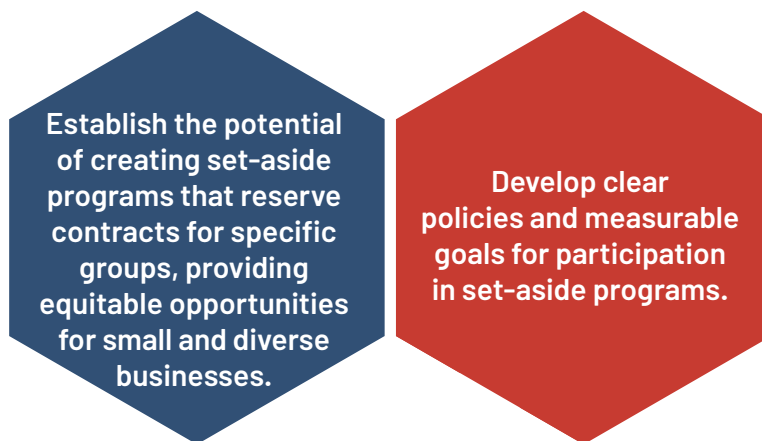
Set-aside programs typically require that a designated proportion of public contracts be reserved solely for certified small and disadvantaged businesses, irrespective of competition from other suppliers. Unlike preferences, which merely provide certified businesses with a competitive edge or favorable treatment during procurement, these programs ensure that contracts are guaranteed to certified diverse businesses.

Some states establish programs that allocate a percentage of contracts specifically for businesses owned by women, veterans, economically or socially disadvantaged individuals, or individuals from racial or ethnic minority groups.

EXAMPLES:

- The state of Illinois has implemented a 10% set aside for contracts designated for small businesses, calculated based on the total dollar amount of state contracts.²³
- Connecticut's state set-aside program requires state agencies and political subdivisions to set aside 25% of the total value of all contracts they let for construction, goods, and services each year for exclusive bidding by certified small contractors and 6.25% of the total value for MBEs.²⁴
- New Jersey's small business set-aside program requires that each state department make a good faith effort to award a total of 25% of the dollar value of state contracts for goods and services to eligible small businesses.²⁵
- The Arizona Procurement Code requires all state governmental units to endeavor to set aside 1% of new purchases or contracts for products, materials, and services from certified nonprofit agencies that serve individuals with disabilities and Arizona Correctional Industries.²⁶
- The state of Colorado has set asides for all persons with severe disabilities.²⁷

RECOMMENDED PRACTICES:



²³. State of Illinois Chief Procurement Office: Small Business Set-Aside Program. Retrieved from <https://cpo-general.illinois.gov/sell-2-illinois.html>

²⁴. Connecticut OLR Research Report: Application of State Set-Aside Program to Municipalities. Retrieved from <https://www.cga.ct.gov/2016/rpt/2016-R-0005.htm>

²⁵. New Jersey Division of Purchase and Property: Small Business Set Aside Program. Retrieved from <https://www.nj.gov/treasury/purchase/small-business.shtml>

²⁶. Arizona Department of Administration Procurement: What is the Set-Aside Program. Retrieved from <https://spo.az.gov/programs/set-aside>

²⁷. State of Colorado Regulations: Procurement Rules: Part 8 - Set Asides in State Procurement for All Persons with Severe Disabilities (Page 23). Retrieved from <https://www.sos.state.co.us/CCR/GenerateRulePdf.do?ruleVersionId=10905>

5. TRACKING COMPLIANCE AT THE PROGRAMMATIC LEVEL

Tracking compliance at the programmatic level involves systematic monitoring and oversight of adherence to diversity goals and objectives within the broader framework of state procurement programs. This involves implementing mechanisms such as reporting requirements, audits, and enforcement measures to ensure that procurement practices align with established diversity and inclusion standards at a programmatic or organizational level. Essentially, it involves monitoring and ensuring that diversity initiatives are being effectively implemented and followed across the state procurement process.

The interview outcomes shed light on the frameworks set in place by the states to track and uphold diversity and inclusion standards fostering transparency, accountability, and equitable opportunities for all stakeholders involved.

EXAMPLES:



- The Massachusetts Supplier Diversity Office has introduced “The Supplier Diversity Hub”²⁸ to monitor and enhance the effectiveness of their supplier diversity program.
- Through the Hub, various stakeholders—including diverse and small businesses, state agencies, buyers, prime bidders, contractors, and resource providers—are brought together to streamline operations and facilitate collaboration.
- This system enables state agencies to assess their performance against established benchmarks and track spending in real-time.
- The Hub allows for the tracking of both direct and indirect spending, a capability previously unavailable. It facilitates reporting and tracking of prime contractors’ subcontracting commitments to minority, women, and veteran-owned businesses, ensuring compliance and transparency.
- Additionally, the Hub serves as a platform for business opportunity exchange, facilitating partnerships between prime bidders and diverse businesses.
- Through features like payment management and spend reporting, the Hub centralizes resources and fosters a more inclusive procurement ecosystem, ultimately contributing to the success of Massachusetts’ supplier diversity initiatives.

²⁸. Massachusetts Supplier Diversity Office: The Supplier Diversity Hub. Retrieved from <https://www.mass.gov/info-details/the-supplier-diversity-hub>



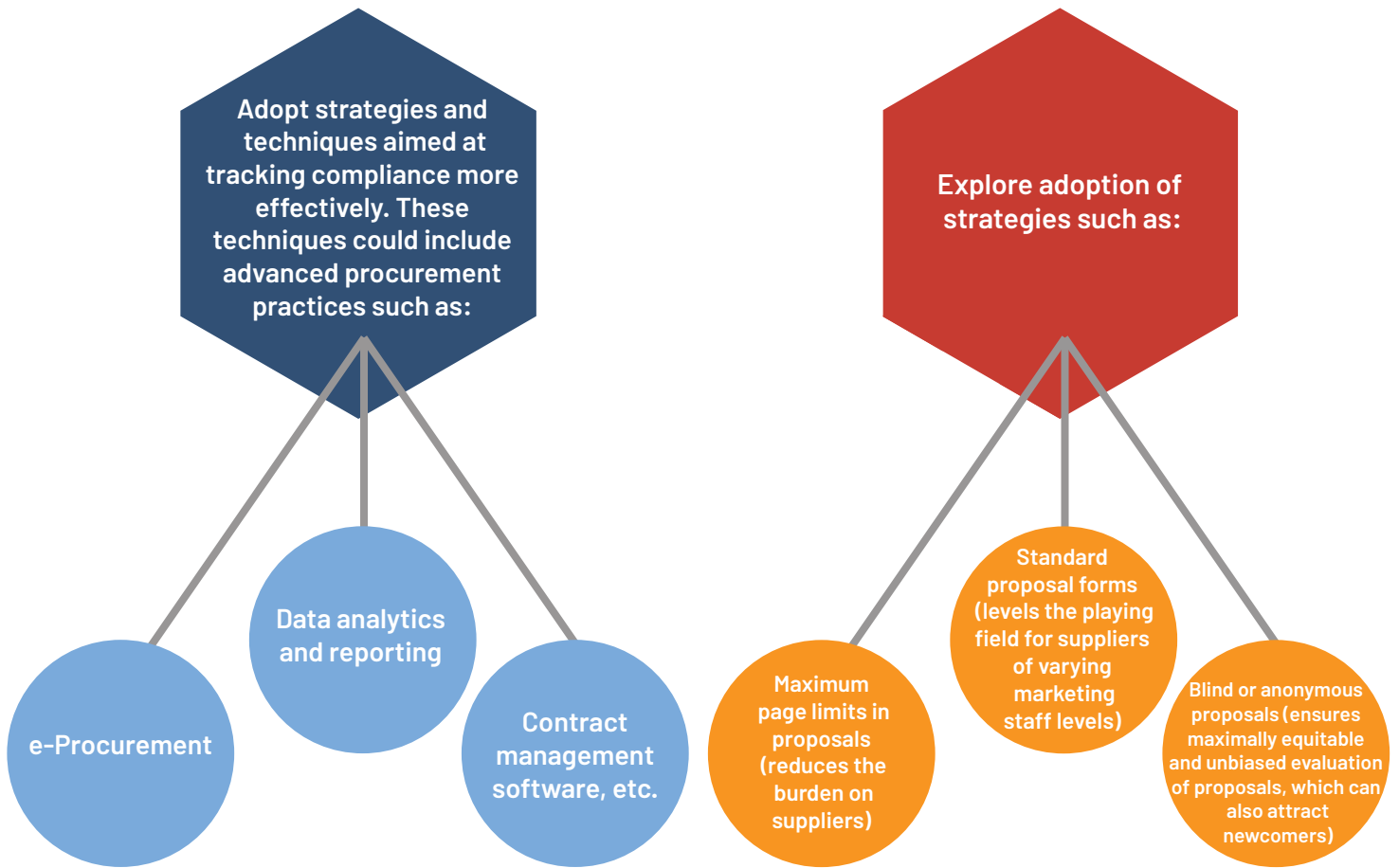
- Oregon's Path to Procurement Equity program has a project manager that tracks the progress and outcome of all projects that are concurrently taking place.
- The program tracks the effectiveness of its outreach events in real-time by using an application that all suppliers can download on their phones.
- The staff also regularly refers back to outcomes of the disparity study previously conducted by the state of Oregon to ensure all the areas are being addressed and where more work is needed.



- Minnesota's Office of Equity in Procurement has several key metrics tracked year-round for programmatic compliance including:
 - Agency outreach efforts monitored and tracked to engage agencies in meeting compliance goals.
 - Supplier outreach measured through events, training sessions, and counseling participation.
 - Counseling efforts quantified by the number of sessions and suppliers counseled.
 - Enterprise-wide goals established, with specific targets for each agency to meet.
 - Tracking of awarded contracts using metrics such as number of contracts, dollar amount, unique suppliers awarded, and data on demographics (women, minorities, veterans) of awarded suppliers.

The practices and recommendations shared by the other states interviewed for this study closely mirror those of Massachusetts and Minnesota, indicating that the examples provided for these two states are broadly representative of all.

RECOMMENDED PRACTICES:



6. MAXIMIZING ENGAGEMENT AND INVOLVEMENT: DIRECTORY OF CERTIFIED BUSINESSES

The engagement and involvement of diverse businesses in state procurement refer to the active inclusion and participation of small and minority-owned enterprises, women-owned businesses, veteran-owned businesses, and other underrepresented groups in public contracting processes. This is done through the introduction of innovative methods to ensure the active engagement of the diverse supplier base.

To facilitate stronger connections between industries and specific business groups rather than relying solely on traditional supplier classes, some states and cities develop and maintain comprehensive directories. These directories would specifically highlight and catalog a diverse array of suppliers from targeted business groups. Such directories serve as valuable resources, offering detailed profiles and information about the expertise, capabilities, qualifications, and certifications of suppliers within these specialized business groups.

The directories are resources that enable industry stakeholders to actively seek out and select suppliers that align with their specific needs and objectives. Moreover, the directories promote inclusivity and diversity within procurement processes, promoting opportunities for businesses from underrepresented or historically marginalized groups to participate and thrive in the marketplace.

EXAMPLES:

- *Seattle City Light's* online business directory²⁹ serves as a platform to encourage the participation of small businesses in contract solicitations issued by the City. The directory comprises 97 distinct job categories³⁰ or scope areas, covering a wide range of industries and services. Small businesses interested in contracting opportunities with Seattle City Light can register on the directory through a provided link.³¹ Additionally, the directory provides detailed subcategory listings to further refine search results, enhancing the accessibility and usability of the platform.
- The *California* eProcurement Portal provides a Supplier Search feature that allows businesses to explore contracting opportunities and identify relevant solicitations. Interested businesses can register on the portal and search for opportunities through the Supplier Search page, accessible via a public link.³²

RECOMMENDED PRACTICES:



7. INTERNAL TRAINING INITIATIVES FOR STATE/AGENCY STAFF

Internal trainings are trainings offered by states to their procurement professionals, internal agencies, business units, project teams, and other staff on supplier diversity and DEI principles. These trainings are designed to communicate the significance of supplier diversity goals and DEI principles in procurement processes. States provide these trainings to ensure that their staff is equipped with the knowledge and skills necessary to uphold transparency, fairness, and inclusivity in public contracting.

The internal trainings ensure that all staff and procurement professionals, even those that are not directly working on DEI, understand the significance of supplier diversity goals and implement transparent and fair procurement processes. By investing in ongoing education and professional development, states demonstrate their dedication to supporting principles of equity and inclusivity in public contracting.

²⁹ City of Seattle: Search Online Business Directory. Retrieved from <https://web6.seattle.gov/fas/registration/>

³⁰ City of Seattle: Consultant Roster Categories. Retrieved from <https://web6.seattle.gov/fas/registration/subcategorylist.aspx>

³¹ City of Seattle: City of Seattle Business Directory. Retrieved from <https://web6.seattle.gov/FAS/OBD/Logon/Logon.aspx?ReturnUrl=%2fFAS%2fOBD%2fNewRegistration.aspx>

³² Cal eProcurement: The State of California Certifications. Retrieved from <https://caleprocure.ca.gov/pages/PublicSearch/supplier-search.aspx?psNewWin=tru>

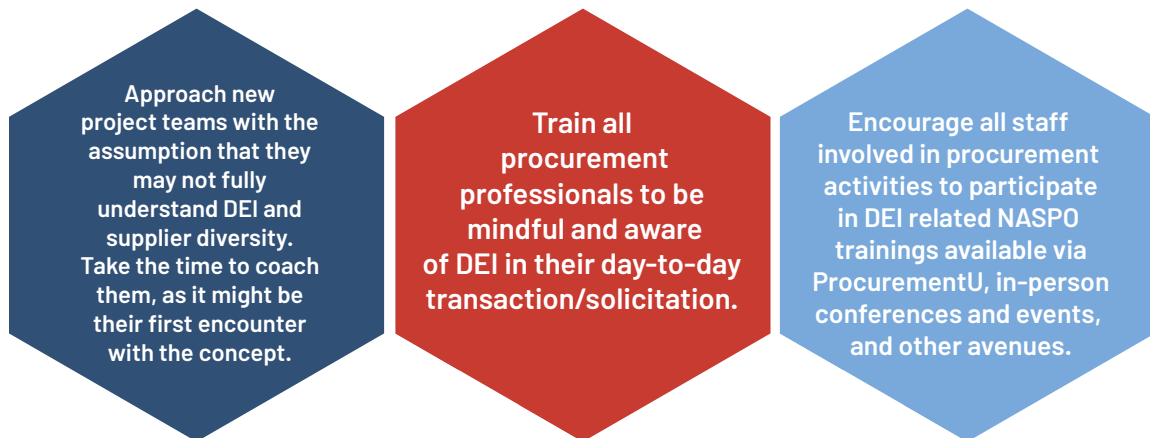
EXAMPLES:

- Minnesota's Office of Equity in Procurement (OEP) provides internal training sessions for procurement personnel regarding the challenges faced by suppliers, especially small and disadvantaged businesses, in navigating public procurement processes.
- The Massachusetts Supplier Diversity Office (SDO) offers several trainings for the state's procurement office staff on how to onboard diverse businesses that win a contract.
- According to Washington's Supplier Diversity Policy, agency personnel who are responsible for all types of procurements should complete mandatory supplier diversity training.

NASPO offers several training programs and webinars designed to equip state procurement officials with the necessary skills and knowledge to effectively navigate the DEI landscape within their procurement processes. Below are just a few examples of the diverse range of training opportunities offered by NASPO:

- [Cronin Awards 2022: Tennessee's DIT-II Supplier Diversity Dashboard](#)
- [Cronin Awards 2023: Michigan's Lifecycle Supplier Outreach: Better Relationships, Better Outcomes](#)
- [ProcurementU Courses](#)

RECOMMENDED PRACTICES:



8. SUPPLIER/CONTRACTOR TRAINING AND OUTREACH

States invest in comprehensive training and outreach programs to empower diverse businesses and contractors with the knowledge and resources necessary to effectively navigate the procurement landscape. These outreach programs and educational initiatives inform diverse suppliers about the procurement process and create a more competitive marketplace. Some of the programs involve workshops, trainings, seminars, and technical assistance. Topics covered in these outreach efforts include *the importance of supplier diversity, capacity development, and how to navigate any related requirements or preferences within the solicitation process.*

States also offer trainings or support to assist contractors in meeting supplier diversity goals. These initiatives mostly contain guidance on identifying diverse suppliers, strengthening relationships, and navigating the certification process.

Other state outreach efforts involve partnering with community organizations, advocacy groups, and chambers of commerce that represent diverse suppliers. This facilitates connections between the agency and diverse supplier communities. Networking events, trade shows, and forums prepared by states encourage prime contractors to collaborate with diverse suppliers, helping states attain their supplier diversity goals in their projects.

EXAMPLES:

- Seattle City Light employs various avenues to promote its DEI program and engage with suppliers and decision makers. Among these is the Reverse Supplier Tradeshow, an annual gathering that facilitates interaction between procurement professionals and key decision-makers. Additionally, they participate in the Regional Contracting Forum, an annual expo where state agencies convene to collaborate. The agency actively partners with community entities such as Table100 and the Chamber of Commerce. To support businesses interested in working with them, Seattle City Light collaborates with a third-party technical assistance provider, offering guidance to interested parties. The agency prepares practical trainings to help WMBE proposals stand out from the competition.³³
- Washington’s Office of Minority and Women’s Business Enterprises (OMWBE) provides publicly accessible training resources, comprising videos, lessons, and templates to increase participation of small suppliers.³⁴
- Massachusetts Supplier Diversity Office (SDO) offers a centralized web page dedicated to diverse and small businesses, serving as a hub for accessing training and development programs, capacity-building resources, and financial and technical assistance opportunities. Additionally, the SDO produces an advertising campaign via television, online media, radio, and newspapers.³⁵
- Tennessee’s Governor’s Office of Diversity Business Enterprise (Go-DBE) annually offers at least 80 outreach events including trainings, conferences, presentations, panel discussion, and meetings to expand economic opportunities to diversity businesses. Additionally, every year, Go-DBE releases an upcoming procurements report, “The Forecast of Acquisitions Plans for State Departments and Agencies,” which depicts likely procurement opportunities over the next year.³⁶

³³ Seattle City Light: Women and Minority Owned Businesses. Retrieved from <https://www.seattle.gov/purchasing-and-contracting/social-equity/wmbe>

³⁴ Washington State Office of Minority Women’s Business Enterprises: Small Business Assistance. Retrieved from <https://omwbe.wa.gov/small-business-assistance>

³⁵ Massachusetts Supplier Diversity Office: The Supplier Diversity Hub. Retrieved from <https://www.mass.gov/info-details/the-supplier-diversity-hub>

³⁶ Tennessee Department of General Services Governor’s Office of Diversity Business Enterprise (Go-DBE) Resources. Retrieved from <https://www.tn.gov/generalservices/procurement/central-procurement-office-cpo-go-dbe/resources.html>

- Oregon's Path to Procurement Equity program has an outreach team that comes from diverse communities, perspectives and academic backgrounds. The program also partners with organizations that are doing outreach to diverse suppliers in an effective way to do outreach. Additionally, it partners with small business development centers which are housed in various community colleges in the state of Oregon.³⁷

RECOMMENDED PRACTICES:



9. STAFFING STRUCTURE OF SUPPLIER DIVERSITY PROGRAMS

The staffing structure in a state procurement supplier diversity program is the organizational arrangement of personnel responsible for implementing and managing diversity initiatives within the procurement process. This structure typically includes various roles and positions dedicated to overseeing and facilitating the inclusion of small and diverse businesses in state procurement opportunities.

The staffing structure for supplier diversity within state procurement agencies can vary significantly among states, primarily based on the agency's size, budget, specific goals, and the degree of emphasis placed on supplier diversity initiatives. For example:

- Some state procurement agencies have dedicated Supplier Diversity Officers or Managers. These individuals are responsible for developing, implementing, and overseeing supplier diversity programs. They often collaborate with various departments to integrate diversity goals into procurement practices.
- Some agencies have specific procurement teams or units that include staff members focused on supplier diversity. These teams might have individuals responsible for liaising with diverse business communities, managing diversity databases, and implementing diversity strategies within procurement processes.
- In some agencies, on the other hand, diverse teams collaborate across departments to integrate diversity and inclusion into procurement practices. These teams might include representatives from procurement, legal, finance, and other relevant departments.


³⁷. Oregon Department of Administrative Services: Procurement Equity Outreach. Retrieved from <https://www.oregon.gov/das/procurement/pages/equity-outreach.aspx>

Whether states establish dedicated departments or designate specific roles exclusively focused on supplier diversity or opt to integrate these responsibilities within existing positions within the procurement framework, the staffs' involvement remains pivotal in seamlessly integrating supplier diversity objectives into procurement procedures. This ensures that diverse enterprises are afforded equitable access to contracting opportunities.

EXAMPLES:

- Oregon's Path to Procurement Equity program has a team of 13 individuals that are integrated within the state's main procurement office. Oregon made the decision to have its program integrated within the procurement services to ensure everyone is united and working towards the same goals.
- Minnesota's Office of Equity in Procurement has a staff of 7 people that is embedded within procurement services. The degree of cooperation and collaboration just by nature of sitting next to your partner and a level of familiarity between the staff helps them work together more effectively.
- Massachusetts' Supplier Diversity Office has a separate staff from procurement processes with 33 members plus a few fellows or interns at a time. A separate agency can eliminate conflicts of interest during active bidding processes. This allows them to freely discuss bids and provide closer assistance to small and diverse businesses in their preparation for bidding opportunities. As an independent entity, they can promote diversity, equity, and inclusion (DEI) in state contracting without compromising their support efforts.

RECOMMENDED PRACTICES:



Dedicate staff for supplier diversity efforts, whether through a specialized team, a designated officer, or integrated roles within existing procurement departments, to effectively promote diversity and inclusion in public contracting.

10. CERTIFICATION OF DEI STATUS FOR SUPPLIERS

State-administered certification program refers to the formalized process of evaluating and verifying the eligibility of businesses, particularly those owned by minorities, women, veterans, LGBTQ individuals, or other disadvantaged groups, to participate in state procurement opportunities. Successful certification provides businesses with official recognition and often grants them access to potentially obtain public procurement contracts.

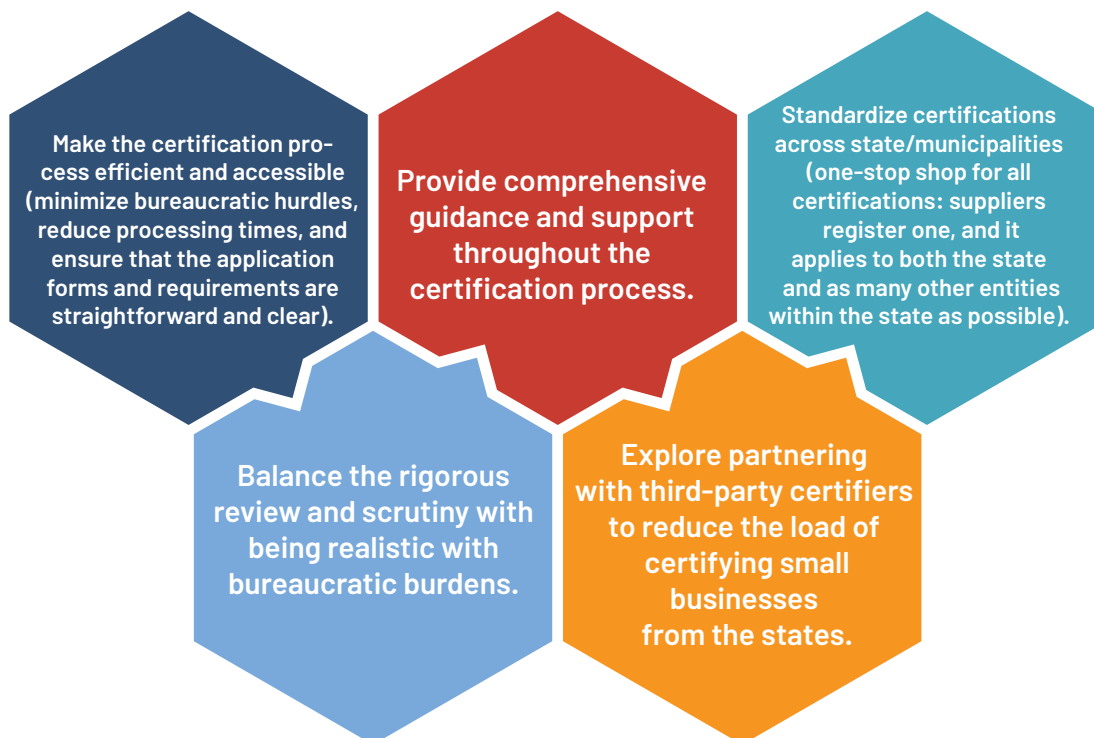
The certification process typically involves an application procedure wherein a variety of suppliers are required to provide documentation outlining their eligibility as per the state's predetermined criteria. After assessing the documents, this program determines whether businesses meet specific criteria set by the state regarding ownership, size, and diversity status.

Several states partner with third-party certifiers to streamline the certification process for small businesses. By collaborating with these external organizations, states can reduce the administrative burden associated with certifying small and diverse businesses, ensuring that the certification process is efficient and reliable. Third-party certifiers specialize in verifying the qualifications and credentials of businesses, which helps expedite the approval process.

Different states have different certification programs, eligibility criteria, benefits, and level of impact on enhancing supplier diversity within their procurement processes. Here are two that were identified from the conducted interviews:

- The Massachusetts Supplier Diversity Office (SDO) has significantly enhanced its certification program in recent years, transitioning from a cumbersome 32-page paper application process to an efficient electronic system. Additionally, the office collaborates with third-party certifiers to certify specific categories like LGBT-owned businesses and disability-owned businesses.
- In 2017, Minnesota's Office of Equity in Procurement (OEP) introduced the "Streamlined Certification Process," a centralized portal enabling suppliers to enter their information once and select the certification entity they wish to pursue. This initiative has proven highly effective in simplifying and expediting the certification process statewide.

RECOMMENDED PRACTICES:



11. DATA TRANSPARENCY IN SUPPLIER DIVERSITY PROGRAMS

Data transparency in supplier diversity programs refers to the practice of openly sharing data and information related to the participation of diverse suppliers in state procurement processes. Some states provide the public with access to comprehensive data on supplier diversity through various platforms such as online dashboards, annual reports, disparity studies, and other publicly available documents. This data includes metrics on the number and value of contracts awarded to the various targeted business groups the states are working with.

Regularly reporting on the progress and performance of supplier diversity programs is essential. States often release annual or quarterly reports that detail the effectiveness of their diversity initiatives, including successes and areas needing improvement. This ongoing reporting helps maintain accountability and encourages continuous improvement.

EXAMPLES:

- The state of Oregon conducted a comprehensive statewide disparity study that revealed significant disparities across various sectors and demographic groups. To communicate these findings transparently with the public, the state's Path to Procurement Equity program developed an outward-facing data dashboard. This initiative not only builds trust with suppliers by showcasing data outcomes but also guides data-driven decisions aimed at enhancing rules and practices.³⁸
- Massachusetts utilizes the "Supplier Diversity Hub," a platform for uploading and tracking supplier diversity data in real time. This system allows state agencies, prime bidders, contractors, and resource providers to access and review reporting and tracking information.³⁹
- The state of Minnesota's Department of Administration website⁴⁰ provides its yearly state diverse spend data along with each state certified ownership group.
- Tennessee Department of General Services publishes annual reports of the previous year's diverse spend, accomplishments, active projects, and goals.⁴¹

RECOMMENDED PRACTICES:



³⁸. Oregon Procurement Services Department of Administrative Services: Procurement Equity Disparity Study Data Dashboard. Retrieved from <https://www.oregon.gov/das/procurement/pages/equity-disparity-dashboard.aspx>

³⁹. Massachusetts Supplier Diversity Office: The Supplier Diversity Hub. Retrieved from <https://www.mass.gov/info-details/the-supplier-diversity-hub>

⁴⁰. Minnesota Department of Administration: Diverse Spend. Retrieved from <https://mn.gov/admin/business/vendor-info/oep/spend/>

⁴¹. Tennessee Department of General Services: Governor's Office of Diversity Business Enterprise (Go-DBE) Annual Reports. Retrieved from <https://www.tn.gov/content/tn/generalservices/procurement/central-procurement-office-cpo-go-dbe/resources.html>

BARRIERS TO SUPPLIER DIVERSITY IN PROCUREMENT

In all interviews, participants were asked to identify the challenges or barriers that are hindering the advancement of their supplier diversity initiatives within procurement. Readers should note that the list presented herein is not exhaustive; rather, it offers a snapshot of the primary challenges at the forefront of the minds of procurement and supplier diversity program professionals.

- Institutionalized barriers within procurement processes, such as stiff qualification criteria (minimum requirements), lengthy supplier approval procedures, and bias in decision-making, pose obstacles to the inclusion of diverse suppliers.
- Lack of legislative support had impacts on procurement involving small and minority owned businesses. For example, some states have faced policy constraints that prohibit their procurement offices from making decisions and awarding contracts based on factors such as race, class, gender, and ethnicity which hamper their ability to be flexible in promoting supplier diversity initiatives.
- Imposing penalties on contractors who fail to meet supplier diversity goals at the project level is challenging. Additionally, the lack of sufficient staff dedicated to monitoring and ensuring compliance exacerbates this issue, making it difficult to hold contractors accountable.
 - The RFP analysis portion of this study revealed a significant gap in clearly outlining the consequences for non-compliance with supplier diversity requirements.
- Procurement officers may care about the supplier diversity program during the procurement stage more than the actual client project team, who may perceive it as a barrier or as an additional bureaucratic step.
- Outdated state procurement software. Some state procurement representatives reported that a lack of modern, user-friendly interfaces and interactive features can make it difficult for small and diverse businesses to navigate and access necessary information and resources.
- Resource limitations, including budgetary constraints and staff shortages, hinder allocations to support training, outreach, and diverse supplier programs.
- Small and diverse businesses sometimes do not put all the required information for registration on the state's procurement system. This causes delays and challenges when the state and contractors are looking for businesses to work with from the directory.
- Implementing supplier diversity can be challenging in certain project areas, particularly where there is limited availability of diverse and small businesses. One such example is the difficulty encountered in integrating DEI practices into technology procurement processes.
- Some DBE firms have experienced frustrations because, at times, prime suppliers and owners assume that their presence is solely to fulfill certain diversity goals. Additionally, employees hired by the DBE firms to work on field and job sites have expressed feeling marginalized and excluded from the team.
- Feedback from DBE firms is prime suppliers may often claim that they've made exhaustive efforts to locate MBE contractors, only to come up empty-handed and unable to meet their diversity goals. While they may claim to have made a good faith effort, the question remains: how diligently did they search for potential MBE/DBE Contractors?
- Fears and biases present significant obstacles to DEI programs. Some suppliers may perceive themselves as receiving inferior treatment (a manifestation of bias), or they may believe they're merely fulfilling a requirement without genuine commitment until demonstrated otherwise.

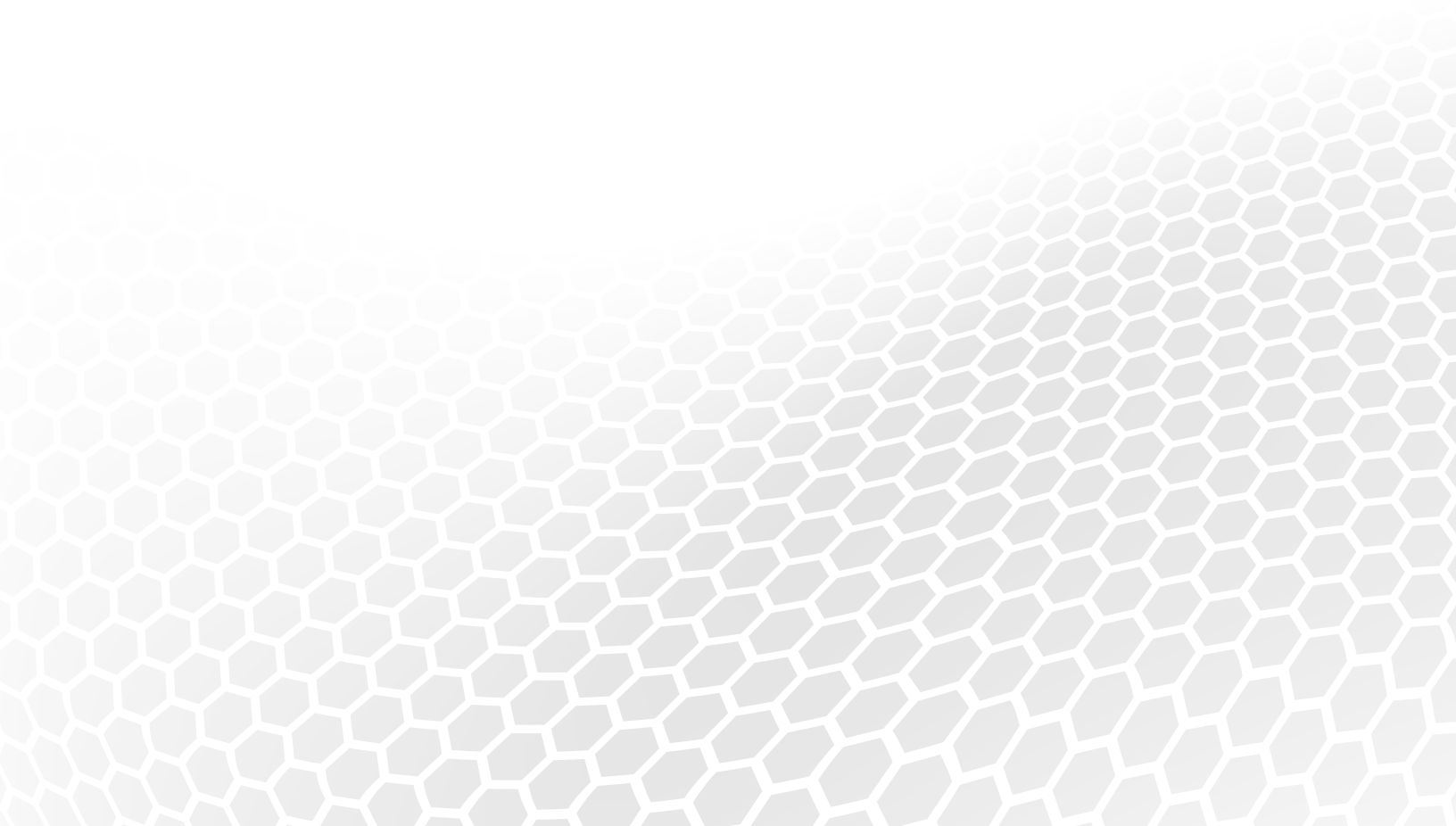
- The lack of internal awareness about supplier diversity programs and their benefits poses a setback for the supplier diversity office. Some staff members have yet to review and understand the objectives and activities of the program.
- Particularly in the last year or so, supplier diversity programs have become much more volatile considering the Supreme Court decisions with respect to affirmative action and other cases that are brewing. This is a threat that challenges long-standing legal positions with respect to the constitutionality of some of this work.⁴²
- Resistance to change, both within the state and among external stakeholders, can delay progress towards ensured supplier diversity. This resistance may come from concerns about increased costs, risks, or cultural inertia within the organization.

FUTURE OUTLOOK

This section presents the forward-thinking perspectives gathered from interviews conducted with supplier diversity representatives spanning various states. Each interviewee was asked about any anticipated changes their respective states are working on to shape the future procurement landscape. Furthermore, any emerging trends, innovative approaches, and predictions of the immediate and distant future were discussed. The highlights of these conversations are presented below, providing a glimpse into the collective input of the participants and the potential direction supplier diversity programs are going in state procurement.

- Constitutional Amendments: aiming to address legal restrictions/boundaries that limit DEI procurement strategies.
- Desire to solidify the legal foundation of supplier diversity programs and get continued legislative support.
- Improving executive support (from the governor and state leadership).
- Continued DEI integration: ongoing emphasis on including DEI into every solicitation.
- Increasing the addressable spend goal for minority, veteran, and other underrepresented businesses.
- Developing DEI crash course for procurement professionals in collaboration with NASPO.
- Efforts to standardize and modernize certification across various jurisdictions, simplifying the process for suppliers.
- Increased banking and lending opportunities for marginalized businesses: creating better connections with agencies that provide capital and community lending.
- Data collection and transparency: creating a dashboard displaying diversity data for the public for transparency.
- Information Technology often has tighter margins due to a lack of diverse businesses operating in this field. Encouraging more diverse businesses to enter this sector is a key future objective for some states.
- Incorporating WMBE goals into the performance reviews of decision-makers to ensure commitment and accountability.

- Publishing newsletters to highlight success stories, encouraging competition and increasing awareness.
- Introducing new goals and certification to specific businesses (like LGBTQ) that were not under the state's supplier diversity program.
- Improving the state website to make it more user friendly.
- Expansion of partnerships and support programs to reach more underrepresented business owners and facilitate their success in state contracting.



APPENDICES

APPENDIX A: DEI DICTIONARY

This section serves as a comprehensive guide, offering streamlined definitions of DEI terminology relevant to supplier diversity in procurement processes. The interpretations provided for these terms were sourced from state websites, conducted interviews, existing references, libraries, and dictionaries—all of which are cited in the References section. These definitions are used by the majority of states who employ each term and match what is discussed in this report. The interpretations will help the reader grasp the context of supplier diversity in procurement.

Aspirational Goal: A benchmark percentage goal of agency spending with a specific group typically over a year, reflecting commitment to DEI in procurement.

Disadvantaged Business Enterprise (DBE): A for-profit business that meets specific criteria of being at least 51% owned and controlled by one or more individuals who are socially or economically disadvantaged. These individuals often belong to groups officially designated as facing discrimination, and their personal net worth does not exceed certain thresholds set by relevant authorities.

Historically Underutilized Business (HUB): A term that generally refers to minority-owned, women-owned, and small businesses that have historically faced barriers to full participation in economic opportunities.

Individuals with Disabilities Owned Business Enterprise (IWDBE): A business enterprise that is at least 51% owned and operated by one or more individuals with disabilities.

Minority-Owned Business Enterprise (MBE): A business that is at least 51% owned and operated by one or more individuals who are members of a racial or ethnic minority group, as defined by a public entity. These groups may include African Americans, Asian Americans, Hispanic Americans, Native Americans, or Pacific Islanders.

Minority or Women-Owned Business Enterprise (MWBE)/(WMBE): A business that is at least 51% owned and operated by one or more individuals who are minorities or women. These groups may include African Americans, Asian Americans, Hispanic Americans, Native Americans, Pacific Islanders or Nonminority Women.

Non-M/WBE: An acronym for firms that are typically majority-owned or operated by individuals who do not meet the criteria for minority or women ownership or control.

Preference: An advantage given to bidders or proposers in response to a solicitation for products or services, granted based on pre-established criteria set out in statute or administrative code. This advantage often takes the form of a percentage price allowance or the determination of award in the instance of equal qualifying bids or proposals. Criteria for granting preference may include factors such as ethnicity, residence, business location, origination of the product or service, business classification (e.g., small business), or other reasons.

Prime Contractor/Prime Supplier: The contractor or supplier to whom a purchase order or contract is issued by the state. This entity typically manages subcontractors or suppliers to deliver goods or services as per the contract terms.

Service-Disabled Veteran-Owned Business Enterprise (SDVOBE): A business that is at least 51% owned and operated by one or more individuals who are service-disabled veterans.

Set-Aside: A policy or practice that exclusively designates a certain percentage of contracts or opportunities for businesses owned by individuals from underrepresented or disadvantaged groups, aiming to promote diversity and inclusion in procurement processes.

Small Business: An independently owned firm, corporation, or establishment, having a small number of employees, low volume of sales, small amount of assets, and limited impact on the market.

Small Disadvantaged Business: A business that is at least 51% owned and controlled by individual(s) who are economically and socially disadvantaged; the business must also meet the definition of a small business as defined by the U.S. Small Business Association.

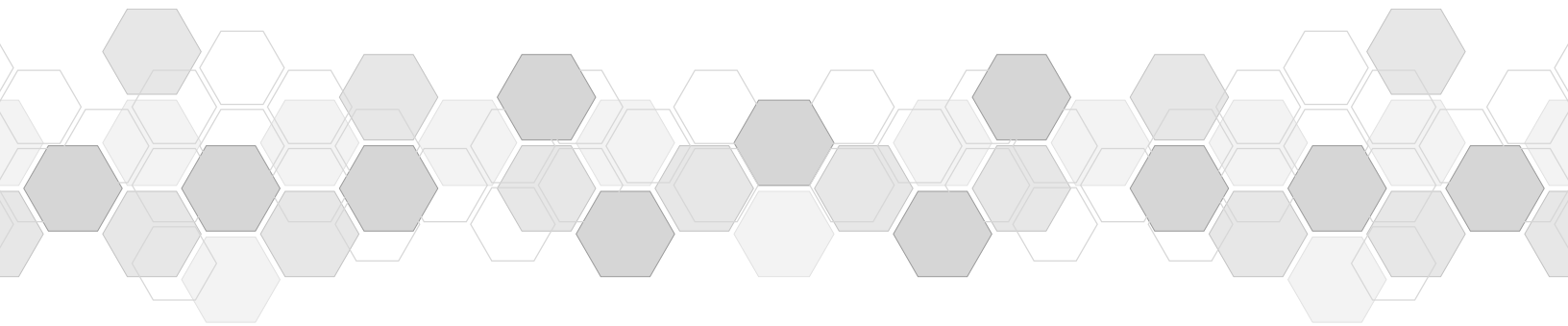
Sub-Contractor: A supplier or contractor hired/employed by the prime contractor to provide goods or services as part of a larger project under contract with the state.

Targeted Business Group (TBG): A business at least 51% owned by a woman, racial minority, or person with a substantial physical disability. In addition, the business must be operated and controlled on a day-to-day as well as long-term basis by the qualifying owner. In other words, ownership is not enough; operational control is also required.

Utilization: The extent to which diverse suppliers are actively engaged in procurement processes, contracts, and business opportunities within an organization. It measures the expenditures and awards made to diverse suppliers in the supply chain or contracting activities.

Veteran-Owned Business Enterprise (VOBE): A business that is at least 51% owned and operated by one or more individuals who are veterans.

Women-Owned Business Enterprise (WBE): A business that is at least 51% owned and operated by one or more non-minority women.



APPENDIX B: RFP ANALYSIS

One goal of this study was to analyze if, and how, diversity factors are weighted in selection models, including the specific selection criteria related to DEI. The research team collected 132 solicitations representative of commonly procured services from state agencies across four categories: Construction (including alternative delivery methods), Facility Management, Information Technology, and other Business Services. A review of each solicitation was conducted to understand current practices around DEI evaluation criteria and weights. Findings for each of these areas are provided in the next subsections. Although DEI was stated to be important to the owner, these factors rarely showed up as specific selection criteria (used to make a final award determination).

Typical DEI Criteria by Solicitation Type

Construction Projects

DEI criteria in construction projects can account for 10% to 20% of the total evaluation score. These criteria focus on the involvement of minority-owned, women-owned, and disadvantaged business enterprises (MBE/WBE/DBE) as subcontractors. Proposing firms must provide detailed plans outlining strategies to engage diverse suppliers and subcontractors, and evidence of previous successful DEI initiatives on similar projects. The criteria often include:

- **Subcontractor Diversity:** Ensuring diverse subcontractor participation.
- **Supplier Diversity Plans:** Detailed strategies to engage and support diverse suppliers.
- **Past Performance:** Documentation of previous DEI efforts and successes.
- **EDGE-certified Consultant Participation:** Points awarded for every 2% increase in services compensation over the EDGE participation goal.

Information Technology (IT) Projects

In IT projects, DEI criteria are generally weighted at 5% to 15% of the evaluation score. The criteria emphasize the diversity of the proposing firm's workforce, including representation of minorities, women, and other underrepresented groups. Firms were required to commit to partnering with diverse suppliers and subcontractors for project delivery and submit a comprehensive diversity plan that outlines their DEI policies and practices. Key criteria include:

- **Workforce Diversity:** Diversity within the proposing firm's workforce.
- **Partnerships with Diverse Suppliers:** Commitment to diverse partnerships.
- **Diversity Plans:** Comprehensive DEI policy documentation.

Professional Services

DEI criteria in professional services solicitations often make up 10% to 25% of the evaluation score. These criteria focus on the diversity of the project team, including leadership and key personnel roles. Proposers must provide evidence of inclusive practices and policies within the firm, such as diversity training and recruitment efforts, and client references that highlight the firm's commitment and success in DEI efforts. The criteria also include:

- **Team Diversity:** Diversity in the project team and leadership roles.
- **Inclusive Practices:** Implementation of diversity training and recruitment.
- **Client References:** Testimonials supporting the firm's DEI commitment.

Goods and Commodities

For goods and commodities procurements, DEI criteria typically range from 5% to 10% of the total evaluation score. The criteria focus on the percentage of total spend allocated to diverse suppliers, strategies for identifying and engaging diverse suppliers, and methods for tracking and reporting DEI efforts and outcomes. Proposing firms must outline their approach to ensuring supplier diversity and provide evidence of their past performance in similar initiatives. Additional criteria include:

- **Spend Allocation:** Percentage of spend dedicated to diverse suppliers.
- **Supplier Engagement:** Strategies to engage diverse suppliers.
- **Tracking and Reporting:** Methods for monitoring DEI initiatives.

General Services

In general services solicitations, DEI criteria are usually weighted between 10% and 15% of the evaluation score. These criteria emphasize the inclusion of diverse subcontractors and service providers in the project. Proposers must demonstrate a commitment to DEI principles, provide evidence of implementing such practices in past projects, and outline plans for ensuring compliance with DEI goals and regular monitoring of progress. The criteria also cover:

- **Subcontractor Involvement:** Inclusion of diverse subcontractors.
- **Diversity Commitment:** Demonstrated commitment to DEI principles.
- **Compliance Monitoring:** Plans for tracking DEI compliance.

Specific DEI Criteria Used

The following is a list of different examples of specific evaluation criteria used. Note the overlap in the meanings and definitions of the specific criteria. It is important for the procurement professional to confirm that the criteria used directly meet the agency's requirements or the specific project's needs.

- **Subcontractor Diversity:** Requires firms to include a certain percentage of minority-owned, women-owned, and disadvantaged business enterprises (MBE/WBE/DBE) as subcontractors in their proposals. This ensures that a diverse range of subcontractors are engaged in the project, promoting inclusivity and providing opportunities to underrepresented groups.
- **Supplier Diversity Plans:** Firms must submit detailed strategies that outline how they plan to engage and support diverse suppliers. This includes identifying potential diverse suppliers, setting targets for supplier diversity, and describing efforts to mentor and develop these suppliers. Effective plans detail specific actions the firm will take to achieve diversity goals, such as outreach programs and partnerships with diverse supplier organizations.
- **Workforce Diversity:** Focuses on the diversity within the proposing firm's workforce. Firms are evaluated based on the representation of minorities, women, and other underrepresented groups within their staff, particularly in leadership and technical roles. Firms are often required to provide workforce demographics and demonstrate efforts to recruit and retain a diverse workforce.
- **Past Performance:** Evaluates a firm's historical success in implementing DEI initiatives. Firms must provide documentation of previous projects where they met or exceeded DEI goals, including any awards or recognition received for their efforts.

- **Diversity Plans:** Comprehensive diversity plans are required, detailing the firm's DEI policies and practices. This includes strategies for recruitment, retention, and professional development of a diverse workforce, as well as plans for creating an inclusive workplace culture. Firms must articulate how they will implement these strategies and measure their effectiveness.
- **Spend Allocation:** Assesses the percentage of total spend that a firm allocates to diverse suppliers. Firms must provide a breakdown of their spend allocation and demonstrate efforts to increase spending with diverse suppliers.
- **Supplier Engagement:** Firms must outline their strategies for engaging diverse suppliers. This includes identifying diverse suppliers, creating opportunities for them to participate in projects, and supporting their growth and development through mentoring and training programs. Effective engagement strategies often involve regular communication and support to help diverse suppliers succeed.
- **Tracking and Reporting:** Involves methods for tracking and reporting on DEI initiatives. Firms must describe how they will monitor DEI efforts, measure progress against goals, and report on outcomes to stakeholders. This criterion ensures transparency and accountability in DEI efforts.
- **Compliance Monitoring:** Proposers must outline their plans for ensuring compliance with DEI goals throughout the project. This includes regular monitoring of subcontractor and supplier diversity, workforce diversity, and adherence to DEI policies. Effective compliance monitoring involves setting clear benchmarks and conducting periodic reviews to ensure goals are met.

SUMMARY

When appropriate and required, DEI criteria can be integral to the procurement process. It is recommended to assign specific weights to reflect their importance. Construction and professional services projects often have higher DEI evaluation weights, emphasizing the engagement of diverse subcontractors and inclusive practices. In contrast, IT and goods procurements tend to have slightly lower weights but still require comprehensive diversity plans and partnerships.

REFERENCES

California Department of General Services Glossary of Terms. Retrieved from https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.dgs.ca.gov/-/media/Divisions/OLS/Resources/SCM-VI--04-2022-Update/SCM-Volume-1-rev-04-2022--Glossary-of-Terms.pdf&ved=2ahUKEw-jh44zQsrSGAxXNOjQIHZ4cCC44HhAWegQICRAB&usq=A0vVaw3szHYncY_mAldeuR2NBPsy

Delaware Disparity Study (2022) Glossary of Terms. Retrieved from <https://mymarketplace.delaware.gov/results-de/documents/disparity-report-2022.pdf>

State of Illinois Commitment to Diversity Vendor Guidance. Retrieved from <https://cpo-general.illinois.gov/content/dam/soi/en/web/cpo-general/c2d-and-dei-documents/complete-vendor-guidance-packet-v-24-1-9.1.23.pdf>

Massachusetts Operational Services Division Glossary of Terms. Retrieved from <https://www.mass.gov/info-details/glossary-of-terms-for-osd>

Minnesota Department of Administration Small Business Procurement Program Page: <https://mn.gov/admin/business/vendor-info/oep/sbcp/>

NASPO. (2022) Supplier Diversity Snapshot: 8 States in Review. Retrieved from https://cdn.naspo.org/RI/SupplierDiversitySnapshot_8StatesinReview.pdf

National Institute of Governmental Purchasing. (2024). NIGP Dictionary of Terms. Retrieved from <https://www.nigp.org/dictionary-of-terms?search=unbundling&page=1>

U.S. Department of Agriculture Glossary of Government Contracting Terms. Retrieved from <https://www.usda.gov/smallbiz/glossary#S-terms>

U.S. Small Business Administration Glossary of Business Terms. Retrieved from <https://www.sba.gov/document/support-glossary-business-terms>

Washington State Office of Minority and Women's Business Enterprises (OMWBE) Glossary of Terms. Retrieved from <https://omwbe.wa.gov/state-supplier-diversity-reporting/glossary-terms>

