



**INSIGHT**<sup>®</sup>

CENTER FOR COMMUNITY  
ECONOMIC DEVELOPMENT

# **Economic Development in Diverse Communities**

**Inclusive Procurement by  
Cities and Counties**

## About the Insight Center

The Insight Center for Community Economic Development is an Oakland, CA-based national research, consulting, and legal organization dedicated to building economic health and opportunity in vulnerable communities. The Insight Center recognizes that successful communities define themselves by their strengths, capabilities, and assets. We believe this way of thinking is the foundation of any successful community development strategy.

We build on this foundation in multiple ways, including identifying and supporting economically productive community assets such as high quality early childhood education; tailoring education and job-training policies and programs to align worker skills with the sectors that need them; supporting inclusive business practices; advocating for policies that encourage wealth building through removal of structural impediments; assembling networks of experts that recognize the value of both an income- and asset- based perspective and can influence opinion and legislative action; and directly engaging untapped human capital that has been bottled up, neglected, or simply overlooked.

For more information on the Insight Center, visit our website at [www.insightccd.org](http://www.insightccd.org).

## Acknowledgements

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# Executive Summary

In recent years, cities and counties across the U.S. have increasingly seized the opportunity to fuel their own local economies by preferentially purchasing from small business enterprises in lieu of larger corporations. These small enterprises provide economic opportunities not readily accessible in the corporate sector, which are often headquartered far away.

Small businesses are an important part of the tax base, and a key source of jobs – some studies estimate that they employ as much as 70 percent of all workers nationally. Small businesses are more loyal to a metropolitan region than many corporations, which often relocate in response to tax policies, concessions offered elsewhere, or lower wages in other states or countries.

City and county public procurement programs are maintaining their focus on the economic development of disadvantaged local communities, including communities of color, women and other important groups. Nationwide, public purchasing programs that prefer business owners from disadvantaged communities – whether in the form of Minority- and Women-Owned Business Enterprise (MWBE) programs or Small Business Enterprise (SBE) programs<sup>1</sup> – provide an essential tool to mitigate the lingering impacts of structural racism and sexism in our cities and towns.

Recent studies suggest that greater economic inclusion corresponds with more robust economic growth for the entire population. Women and people of color have less access to the income and assets that would allow them to grow small businesses and participate fully in the economy. A representative survey of American households in 2009 revealed that the median wealth of white families was about \$113,000 compared with about \$6,000 for Latino and black families. By 2042, the majority of the population in the United States will be people of color. Given this major demographic transformation, leaders must invest now to support the next generation's business success and ensure that their cities and counties enjoy the resulting virtuous cycle of growth.

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*“The City of Houston understands that our commitment to and investment in our SMWBE (Small, Minority, and Women Business Enterprise) Program will ultimately result in a strong and robust local economy.”*

– Marsha E. Murray, Assistant Director, Office of Business Opportunity, Houston, TX



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<sup>1</sup> Please see Appendix 2 for a comprehensive definition of terms.

This study examines 40 cities and counties across the United States, selected for their large population and geographic diversity,<sup>2</sup> to determine trends and best practices in the administration of MWBE and SBE programs. Our study underscores a dynamic reach, evolution, and impact of these programs toward regional economic vitality, and highlights a broad range of approaches that maximize their public benefits.

Of the jurisdictions reviewed, nearly 90 percent have either Small Business Enterprise procurement programs (SBE programs), Minority- and Women-Owned Businesses procurement programs (MWBE programs), or both types of procurement programs. More than half seek to increase business development and employment opportunities for communities of color or women through MWBE programs.

While a small number of select jurisdictions have scaled back or eliminated MWBE procurement programs in favor of expanding more generic small business support efforts, others have renewed or emboldened their programs. As a result, MWBE and allied SBE programs are increasingly robust fixtures of the American political economy.

## Key Findings

### ***Most public authorities support race conscious MWBE programs.***

- Of all 40 jurisdictions reviewed, nearly 60 percent support MWBE programs. About 18 percent of all jurisdictions are “race-neutral” programs and 40 percent are “race-conscious” programs.<sup>3</sup>
- Of the 20 cities surveyed, fully 74 percent support some form of MWBE program.

### ***SBE programs that target increased diversity appear to be on the rise.***

- 13 percent of our review cohort (five jurisdictions) have initiated a Small Business Enterprise (SBE) program in the last five years, with important elements targeting racial and gender diversity aims. Only five percent (two jurisdictions) have ended MWBE programs and initiated SBE programs instead.

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<sup>2</sup> Jurisdictions in the study are listed in Appendix 1.

<sup>3</sup> “Race-neutral” programs do not incorporate race and gender preferences in public bidding projects, although they may employ strategies that increase the number and quality of MWBE bids. Conversely, “race-conscious” programs directly incentivize diversity aims by putting in place either a binding MWBE sub-contracting program or an MWBE bid discount/preference.

***Suburban areas are the only jurisdictions in the study that do not offer an MWBE or SBE program.***

- Five jurisdictions –13 percent of our review cohort—offer neither an MWBE program nor an SBE program; and all five are suburban counties (four are in California and one is in Texas.)

***Many cities and counties have added, dropped or amended their programs.***

- Many jurisdictions with existing MWBE programs have strengthened key components of their programs, including King County, WA, the City of Los Angeles, CA, Los Angeles County, New York, NY, Philadelphia, PA, and San Francisco, CA.
- Just under 9 percent of the jurisdictions reviewed (or three municipalities) have recently dropped race-conscious MBE or WBE programs (Houston, TX; Phoenix, AZ; and San Antonio, TX). Houston dropped its WBE program due to a court order, but was able to reinstate it later.
- Only 3 percent of the review cohort (one city) added a race-conscious MWBE program (Charlotte, NC).

***While local and county programs typically pale in scale next to federal programs, some are quite substantial.***

Compared to the federal government and state entities, cities and counties generally support smaller scale procurement programs. However, there are exceptions. For example:

- New York City reported procurement of about \$10 billion in privately produced goods and services during 2012, with over \$500 million in purchases specifically coming from MWBEs. This is more than almost all state procurement programs.
- Los Angeles County, the largest county in the U.S., supported about \$6 billion in procurement during the 2012 fiscal year.

***Some jurisdictions are creating effective MWBE programs even within race-neutral state policy constraints.***

- In the six states that set policy constraints for race-neutrality of city and county programs, some jurisdictions are doing an outstanding job within these restrictions. Of the 15 jurisdictions studied in these states, 11 have procurement programs, 36 percent of which are race-neutral MWBE programs.
- In the 44 states without such policy constraints, some jurisdictions are not taking advantage of the opportunity to create MWBE programs. Of 25 jurisdictions studied, 60 percent offer race-conscious MWBE programs, 16 percent offer race-neutral programs, and 24 percent

offer no MWBE programs at all.

Generally, states with race-conscious procurement policies do not require counties and cities to offer race-conscious policies, with the exception of Massachusetts (in a limited way) and North Carolina. In North Carolina, cities, school districts, and other jurisdictions above a certain size must have an MWBE policy.

## Best Practices

Our survey of the field reveals MWBE policies and practices that tend to increase jobs in diverse, low-income communities and enhance regional asset distribution. Typically, successful efforts are characterized by the following strategies:

### **1. Set specific sub-contracting goals and benchmarks**

Policies that set clear goals to address specific disparities and barriers facing Minority- and Women-Owned Business Enterprises and follow through programmatically seem to have a better chance of success. Some of the best examples are in Philadelphia, Houston, and New York City, which apply MWBE sub-contracting goals to a majority of their mid- and large-size city contracts.

These cities promote specific sub-contracting goals for a range of procurement sizes and sectors, such as construction, design, professional services, and/or consumer goods and services. They also support one reporting agency and coordinated program implementation in all relevant city departments. Finally, they have well-established processes for continuous improvement that include benchmarking, feedback, and adjustment mechanisms involving various community players. Many other jurisdictions have worthy and diverse race-conscious program components as well, such as Baltimore, MD, Chicago, IL, San Antonio, TX, Indianapolis, IN and Cook County, IL.

### **2. Help MWBE Firms Grow from Sub-Contractors to Prime Contractors**

One key best practice for supporting small and diverse businesses is to target prime contractors and sub-contractors under separate components.

As MWBE firms grow, they can "graduate" from a sub-contractor component, which is legally allowed greater flexibility in procurement policy, to a prime contractor component, which requires more capacity of firms. MWBEs without access to a prime contractor component lack a clear path of growth, outside of more frequent sub-contracting.

In one example, Austin, TX combines an MWBE sub-contracting program with an SBE sheltered market (set-aside) program. This allows the city added

flexibility to target MWBE and SBE firms either as prime contractors or sub-contractors, depending on their capacity and experience.<sup>4</sup>

### ***3. Work within local political realities and legal requirements***

The most successful efforts we reviewed – whatever their population, sector or program focus – work consciously within and around local realities pertaining to the regional economy and political culture. Race-conscious approaches to equitable contracting policy are a best practice, and in some settings are accepted and judicially permitted; in other jurisdictions, sometimes owing to recent voter initiatives to the contrary, racial targeting is not possible. As a result, in places where racial targeting is prohibited or not feasible, race-neutral measures are typically employed that indirectly improve procurement equity within a given state or region. Among race-neutral MWBE and SBE programs, some of the best programs are run by Fulton County, GA, King County, WA, Hennepin County, MN, and San Diego, CA. Strategies vary significantly among the four jurisdictions. Phoenix, AZ, San Francisco, CA, Miami-Dade, FL, and Los Angeles, CA are also leading performers among race-neutral programs.

### ***4. Eliminate discrimination at every stage of the procurement process***

Supplier diversity programs are a key method of trying to end discrimination in the procurement process. Fulton County has one of the best supplier diversity frameworks among the local jurisdictions we studied. Its program employs aggressive efforts to eliminate discrimination at every stage of the procurement process.

### ***5. Build in comprehensive strategies to ensure effectiveness of race-neutral programs***

Race-neutral programs need to be comprehensive and entail multiple strategies to be effective. King County has a multi-strategy program that embeds voluntary MWBE goals within SBE sub-contracting goals, incorporates an SBE set-aside on a limited number of contracts, and includes an SBE bid discount (or point award) in goods and services. It offers small business services that link directly to its procurement programs. A single agency coordinates contract compliance, certifications, reporting, and small business development.

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<sup>4</sup> Cities and counties, schools, public universities, public transit agencies, ports and airports, public utility districts, states, and the federal government all purchase services and goods from contractors or suppliers – known as “prime contractors” or “prime suppliers.” In many cases, those contractors, in turn, purchase services and goods from other contractors and suppliers, called “sub-contractors” or “sub-suppliers.”

## **6. *Set aggressive procurement goals to expand opportunity***

Aggressive small business sub-contracting goals are key to positive outcomes. Hennepin County has a goal-oriented SBE sub-contracting program that stands out for its aggressive SBE goals, along with its active collaboration with other levels of government, non-profit organizations, and neighboring counties. It has a broad array of innovative business development services that are linked closely to the procurement program, and it actively tracks MWBE participation and performance. Together, these efforts make Hennepin County an unusually successful promoter of MWBE opportunities, despite its race-neutral policy stance. In its last reporting year, Hennepin County had a higher MWBE attainment rate at 13 percent than most cities or counties with race- and gender-conscious policies.

## **7. *Encourage micro-enterprise development through contract scale adjustments and set asides***

Scaling opportunities for different-sized small businesses increases the potential for growth. San Diego utilizes a goal-centered SBE sub-contract program and tracks MWBE attainment within it. The city also has a local SBE set-aside for construction and professional service contracts below \$500,000. The set-aside is tiered so that only emerging local businesses can bid on projects below \$250,000.<sup>5</sup>

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<sup>5</sup> “Emerging Business Enterprises” are smaller than SBEs and tend to be no more than 50 percent of federal Small Business Administration standards for capitalization and receipts.

## Introduction

The Insight Center for Community Economic Development has a long history of encouraging improvements in economic policy and practice that enhance opportunities and quality of life for all – and in particular those that benefit historically marginalized populations of color, women, and youth.

One of the Center’s recent areas of focus in this space concerns public procurement policy and practice that impact minority- and women-owned business development.

This study examines trends and best practices in diversity procurement by local public jurisdictions across the United States. In recent decades, public procurement policies have become major drivers of small business development – and especially minority- and women-owned business development – in key regions of the nation. Small business development remains an essential driver of minority communities’ and women’s prospects for upward mobility.

Among the largest cities and counties in the U.S., total purchasing or procurement amounts to over \$1 billion annually. This procurement has a significant impact on the national distribution of income and assets by race and gender.

Indeed, public procurement programs have been an important driver of improvements in economic opportunity for diverse business owners in recent years. For example, official data from the U.S. Census Bureau’s Economic Statistics show that from 2002 to 2007, the receipts of minority-owned firms increased fully 55 percent compared to only 22 percent for white-owned firms.<sup>6</sup> Likewise, during that same period, receipts of women-owned enterprises increased by more than 30 percent, compared to just over 20 percent for male-owned companies.<sup>7</sup> While these improvements stem from a combination of public and private sector procurement programs, public leadership efforts in the field have played a particularly important role in normalizing more open contract bidding processes across the national economy, which has resulted in expanded opportunities for minority-owned and women-owned business growth and profitability.

Within the larger context of public procurement policy and practice, cities and counties typically seek to promote opportunities for inclusive business development through Minority and Women-Owned Business Enterprise (MWBE) programs or Small Business Enterprise (SBE) procurement

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<sup>6</sup> See U.S. Census Bureau, Economic Statistics, *2007 Survey of Business Owners*, Page 1 of 8, June 7, 2011, “Table 7. Summary Statistics for All U.S. Firms by Race and Minority Status (Percent Changes): 2002 to 2007.”

<sup>7</sup> See U.S. Census Bureau, Economic Statistics, *2007 Survey of Business Owners*, Page 1, Page 1 of 32, June 7, 2011, “Table 8. Summary Statistics for All U.S. Firms by Race, Minority Status, and Gender (Percent Changes): 2002 to 2007.”

programs. Such programs serve to:

- Mitigate the continuing impacts of historical discrimination by expanding regional economic equity
- Create jobs and new hiring opportunities in diverse communities<sup>8</sup>
- Build income, wealth, and assets among people of color and women
- Bolster local and regional economic capacity to compete in the increasingly diverse global marketplace
- Spread income and assets more evenly throughout a regional economy, benefitting the region as a whole
- Enhance the quality of goods and services available to area consumers
- Stem the growing loss of national economic vitality and market share from small business to larger corporate entities<sup>9</sup>

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*“Customized Real Estate Services, a commercial real estate firm, has the good fortune of working with the City of Houston that is committed to promoting and increasing business opportunities for Minority- and Women-Owned Businesses. They understand that when you do business with diverse firms like mine, it does impact the economy while having a positive effect on the local community. That is a classic Win-Win-Win!”*

– Connie Rankin, CEO, Customized Real Estate Services, Houston, TX



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## Report Significance and Organization

This report is intended to help policymakers, economic development practitioners, and public advocates locate the trends, strategies and examples of success in public procurement that can best enhance future American productivity. The report’s assessment of inclusive business program trends and best practices is especially significant and timely following an economic recession that has increased racial income and wealth disparities and harmed local economies.

The report begins by looking at federal jurisprudence and state laws that are pertinent to local jurisdictions in the current context of inclusive procurement. The most important of these are the *Crosby* Supreme Court decision of 1989 and six subsequently-enacted state laws that restrict race-conscious

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<sup>8</sup> Businesses owned by people of color and women are generally more likely to hire diverse workers.

<sup>9</sup> 1997 to 64 percent in 2007. 1997 to 64 percent in 2007. national economic activity and profit, growing from 56 percent of overall market share in 1997 to 64 percent in 2007.

programs by state agencies and local jurisdictions.

In the next section, we examine the number of procurement programs that have been added, dropped or significantly amended over the past five years across the various jurisdictions reviewed. While the 40 jurisdictions studied are not fully representative of the national public procurement landscape, they are important indicators of overall field trends, especially since they represent the nation's largest cities and counties engaged in this work.

We then review three major types of inclusive business policy and related best practice in each case, focusing respectively on race-conscious Minority and Women Business Enterprise (MWBE) programs,<sup>10</sup> race-neutral MWBE programs,<sup>11</sup> and universal Small Business Enterprise (SBE) programs.<sup>12</sup>

We then review best practices held in common across each of the three types of inclusive business programs. Practice areas include policy, administration, reporting, and feedback and quality control.

Finally, we review and assess five allied program elements that are intended to build the capacity of MWBE and SBE firms to effectively compete for public contracts. These include:

- Efforts to help firms do business with a given city, county or state (including how to certify for procurement program eligibility)
- Program elements that help firms deal effectively with the bonding or insurance requirements of procurement programs, or that help firms to find and secure needed financing
- Business start-up assistance, business development assistance, technical assistance, and mentor-protégé program components
- Networking opportunities for MWBE and SBE firms, and vendor outreach efforts that enable MWBE and SBE firms to be more closely linked to public purchasing agents
- Contract scope controls, such as unbundling, that enhance MWBE and small business opportunities to participate in public bidding programs as prime contractors, sub-contractors or suppliers

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<sup>10</sup> Race-conscious MWBE programs primarily involve sub-contracting goals that require prime contractors or suppliers to sub-contract a certain percentage of their business to MWBEs. (A less common approach is to provide MWBEs a bid discount or preference when bidding as a prime contractor or vendor.)

<sup>11</sup> Some race-neutral MWBE programs mirror supplier diversity approaches utilized extensively in the corporate community.

<sup>12</sup> SBE programs are also race-neutral and thus do not include an explicit MWBE component. Instead they are universal – focusing on all businesses that meet small business status criteria.

## Methodology

Our study examined a sample of 20 large cities and 20 large counties selected on the basis of three major criteria:

- Ranking of cities and counties by population (with an emphasis on larger jurisdictions and inclusion of the nation's top 17 metropolitan centers)
- Diversity of the city or county by race and ethnicity (with a preference for relatively higher degrees of diversity)
- Geographic representation (ensuring coverage of most regions of the U.S.)<sup>13</sup>

A standard questionnaire was developed by Insight Center staff and consultants, which was completed through direct contact with jurisdictions and analysis of available public information. In the case of King County, WA, all the questions incorporated in our survey were answered via public information from the jurisdiction's website. In all other cases, a combination of email queries and phone calls followed an initial round of website research.

Two of the jurisdictions surveyed (5 percent of our review pool) refused or failed to answer our survey questions, while seven others (18 percent) failed to answer some questions or provide relevant reporting data. Nevertheless, despite modest challenges in securing full responses to our targeted data set, we were able to ascertain a basic policy and practice framework for all 40 jurisdictions included in our field review.

For the policy analysis aspects of our review, cities and counties were divided into two general categories based on their state's race-neutral policies. Six states in the U.S. have race-neutral laws that prohibit race and gender preference programs – Arizona, California, Michigan, Nebraska, Oklahoma, and Washington. The remaining 44 states do not restrict cities and counties from choosing their own policies and approach.

Since race-neutral state laws greatly impact inclusive business policies, we felt it imperative to compare their policy frameworks separately. In all, our review pool included 15 cities and counties located in race-neutral states, and 25 local jurisdictions within the remaining states.

Best practices were informed by three previous Insight Center studies: a 50-

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<sup>13</sup> Including metropolitan areas with populations above three million resulted in the inclusion of Washington, DC, Atlanta, Fulton County, Boston, and Hennepin County. The sample created by population alone was heavy with California and Texas jurisdictions, so Bexar, Alameda, and Sacramento Counties were dropped, and Cuyahoga and Nassau Counties, as well as the city of Baltimore were added. In four cases there is partial or complete city-county consolidation – Indianapolis-Marion, Jacksonville-Duval, Miami-Dade, and San Francisco. Miami-Dade is counted as one of the 20 counties, while the other three are counted as cities, since the cities are ranked in the top 20 by population.

state business inclusivity policy scan completed in 2007,<sup>14</sup> a 2010 county supplier diversity best practice study,<sup>15</sup> and a 2012 guide to inclusive business policies in post-Proposition 209 (race-neutral) California.<sup>16</sup>

## Limitations

The current study does not include local Disadvantaged Business Enterprise (DBE) programs administered by federally-designated transportation, transit, airport, public works, or water authorities. While many local DBE programs show innovation, a federal mandate to support these programs leaves little policy leeway for affected agencies and public bodies. Local jurisdictions without capacity, or that for another reason choose not to support a local DBE program, generally require state support to administer federally-funded projects that require DBE goals. Because of the particularities and restrictions of these arrangements, we elected to exclude such programs from our review.

For similar reasons, we also chose not to look specifically at autonomous local public bodies, such as school districts, community or city colleges, transit agencies, airports and ports, or water and sewer districts. In some cases, such entities operate within the city or county programs we reviewed.

In addition, the present review does not include consideration of public contracting policy or practice related to other special agency or population designations, such as veterans or disabled veterans business enterprise, or disabled persons business enterprise.

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<sup>14</sup> Lohrentz, Tim, and Gabrielle Lessard, Hui Chang Li, and Ravinder Mangat. "State Policies and Programs for Minority- and Women-Business Development." Insight Center, 2007. Retrieved from <http://www.insightcced.org/uploads/publications/assets/50%20state%20inclusive%20business%20policy%20scan.pdf>.

<sup>15</sup> Lohrentz, Tim, and Helen R. Foster. "U.S. Counties Procurement-based Small Business Development Best Practices." Insight Center and DelACCESS Consortium, 2010. Retrieved from <http://www.insightcced.org/uploads/publications/assets/USCounties-bestpractices-supplierdiversity.pdf>.

<sup>16</sup> Gross, Julian, and Tim Lohrentz. "Public Contracting in the Proposition 209 Era: Options for Preventing Discrimination and Supporting Minority- and Women-Owned Businesses." Insight Center, 2012. Retrieved from <http://www.insightcced.org/uploads/assets/Contracting%20in%20the%20209%20Era.pdf>.

## Legal History and Backdrop

The first city and county MWBE programs began in the late 1970s, a few years after the federal government commenced programs to increase procurement from minority- and female-owned firms.

The first federal policy began in 1958, where Section 8(a) of the federal Small Business Act required public assistance to be made available under certain circumstances to designated, socially and economically disadvantaged enterprises. By 1972, the federal government began requiring its various agencies to advance affirmative action plans, including contracting programs for minority business enterprises (MBE). Later, these policy preferences and practices were extended to women-owned and other designated non-traditional businesses.

The first legal restriction applied to MWBE programs was mandated by the 1989 Supreme Court decision in *City of Richmond v J.A. Croson*.<sup>17</sup> The ruling in *Croson* limits cities, counties and states to advancing affirmative action in contracting and hiring solely through “narrowly tailored” policies that are proportionate to actual discrimination against designated local populations in their responsible jurisdictions. The court’s standard established the now-common practice of utilizing objective disparity studies to legitimize state and local affirmative action in the public procurement space.<sup>18</sup>

A series of allied cases, beginning in 1995 with the decision in *Adarand Constructors, Inc. v Peña*, have further refined the legal definition of “narrowly tailored” such that federal Disadvantaged Business Enterprise (DBE) programs now require the term “socially disadvantaged” to include white men if they are able to adequately demonstrate disadvantage.<sup>19</sup>

In recent years, additional legal cases seeking to test or expand the limits of city or county inclusive business programs have followed. Most have challenged the lack of a local disparity study, alleged a given disparity study’s inadequacy, or asserted that a jurisdiction applied a policy that incorrectly addressed the findings of a legitimate disparity study.

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<sup>17</sup> For a full legal review of MWBE programs see Lohrentz, Lessard, Chang Li, and Mangat, 2007.

<sup>18</sup> Disparity studies examine the availability, capacity, and utilization of MWBE firms within the jurisdiction’s area. In some cases, various units of local government will join forces to resource a disparity study of common interest. An essential prerequisite of a durable disparity study is reliable data. Some jurisdictions, like Boston, will operate in a holding pattern until their data collection is sufficient to support a disparity study that can withstand challenge. Generally, the shelf life of a good disparity study is five-to-six years.

<sup>19</sup> Despite the *Croson* and *Adarand* rulings, generally speaking, states and local jurisdictions have not been required by the courts to adopt the broader definition of disadvantage in their inclusive business policies, except in the case of DBE programs.

A second guiding set of legal considerations for local government diversity contracting programs stems from the post-*Crosby* initiation of various state restrictions on procurement, hiring, and public higher education admissions based on race, ethnicity, gender, and a number of other protected class categories.

Since the late 1990s, six successful ballot measures have been approved by voters limiting state prerogatives to invoke discrimination against designated groups as a justification for remedial preferences in public contracting, hiring, and higher education admissions: California (1996), Washington (1998), Michigan (2006), Nebraska (2008), Arizona (2010), and Oklahoma (2012). In the six states that have approved such measures, state and local governments are now limiting public procurement to race-neutral MWBE or SBE programs.<sup>20</sup>

During the past seven years, various cities including Detroit, MI, Tulsa, OK, and Omaha, NE (not included in this study) ended race-conscious MWBE programs following the results of state ballot measures.<sup>21</sup>

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<sup>20</sup> Important exceptions apply where the relevant states and their sub-divisions are recipients of federally-supported contracts or grants, including almost all projects funded by USDOT and some funded by USEPA and HUD.

<sup>19</sup> A similar, 2008 stand-alone ballot measure failed in Colorado, which does not presently support a restrictive state law on the issues.

## Trends in City and County Inclusive Procurement Programs

While there is some speculation that local government inclusive procurement programs are dissipating, this study has found a trend in the opposite direction – MWBE programs are maintaining as a whole, and SBE programs are increasing. Many jurisdictions have found a way to make their MWBE and SBE programs complementary. A 2007 Insight Center study found that MWBE programs were also maintaining at the state level.

Between 2008 and 2013, only two jurisdictions discontinued race-conscious MWBE programs (Broward County and Phoenix), replacing them with SBE programs.

Three jurisdictions reinstated race-conscious programs they had earlier dropped. Charlotte discontinued its MWBE program after a disparity study showed insufficient disparities to justify a race-conscious program; but then a second disparity study with more dramatic findings caused it to reinstate its race-conscious program. In the meantime, it began an SBE program. San Antonio suspended its race-conscious MWBE program in 2011 but reinstated it in 2012 as a result of decreased MWBE utilization figures in its race-neutral program. Houston discontinued its WBE program on construction projects due to a court order (while MBE and non-construction WBE goals continued); but, after a disparity study, it was able to reinstate the construction program.

Three cities recently added SBE programs to supplement already existing MWBE initiatives. Atlanta added an SBE program following its 2009 disparity study. Likewise, Austin added an SBE program following its 2008 disparity study (that suggested adding race-neutral components to complement its MWBE program.) Chicago started an SBE sheltered market on construction projects. San Diego started an SBE program in 2010, which includes outreach to diverse communities and tracks MWBE procurement.

Several jurisdictions added significant components to strengthen MWBE or SBE programs. In Philadelphia's example, continuous improvements were built into the program, including an annual disparity study, monthly program improvement meetings with businesses and contractors, and relocation of the MWBE office (Office of Equal Opportunity) from the Finance Department to the Commerce Department, to integrate it with business development efforts. New York's MWBE Sub-Contracting program was only implemented on projects of less than \$1 million by law. In 2012 that cap was eliminated so that, effective in 2013, nearly all larger projects now also have MWBE goals.

In states that restrict race-conscious programs, a number of larger jurisdictions have made significant and ongoing improvements over the last five years. For example, King County added an SBE sheltered market where SBE bids are considered first, along with voluntary MWBE goals on construction projects.

**Table 1: New or Discontinued City and County MWBE and SBE Programs, 2008-2013**

Jurisdiction	New Race-Conscious MWBE Program	New SBE Program	Discontinuation of Race-Conscious MWBE Program
<b>States that Allow Race-Conscious Programs</b>			
Atlanta		x	
Austin		x	
Broward County		x	x
Charlotte	x (reinstated)	x	x (temporarily)
Chicago		x	
Houston	x (reinstated)		x (temporarily)
San Antonio	x (reinstated)		x (temporarily)
<b>States that Restrict Race-Conscious Programs</b>			
Phoenix		x	x
San Diego		x	

**Table 2: Significant Additions to City and County MWBE and SBE Programs, 2008-2013**

Jurisdiction	Added to Race-Conscious MWBE Program	Added to Race-Neutral MWBE	Added to SBE Program
<b>States that Allow Race-Conscious Programs</b>			
Houston	x		
New York City	x		x
Philadelphia	x		
<b>States that Restrict Race-Conscious Programs</b>			
King County		x	x
Los Angeles City		x	x
Los Angeles County			x
San Francisco		x	x

The City of Los Angeles reformulated its race-neutral Minority, Women and Other Business Enterprise program into a Local SBE, EBE and Disabled Veteran Business Enterprise (DVBE) program in 2012, and included voluntary MWBE sub-contracting goals as part of the SBE program. It also created an office with direct access to the Mayor's office, to which all city departments must report SBE, EBE, DVBE, and MWBE attainment. Los Angeles County raised its SBE bid preference for Local SBEs from 5 percent to 8 percent in 2013.

San Francisco started a revolving loan fund for small businesses in 2009 and a program called SBA for firms that graduated from the SBE program. SBA firms receive a 2 percent bid discount.

# Key Components of Race-Conscious MWBE Programs

Race-conscious procurement programs are distinguished by their explicit incentives for awarding bids to an MWBE firm. Where race-conscious public procurement policy remains legal under state law, counties and cities may establish race-specific sub-contracting goals and contract performance requirements for a certain proportion of their public contracts.

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*“Minority and women-owned businesses represent a critical component of Baltimore City’s economic infrastructure. Their impact on creating job opportunities for the citizens of Baltimore cannot be understated.”*

– Thomas B. Corey, Chief, Minority & Women’s Business Opportunity Office, Baltimore, MD



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While only forty percent of the city and county jurisdictions reviewed for this report support race-conscious MWBE programs, a closer look at the data reveals a remarkably robust marketplace for inclusive business procurement.

Fully 65 percent of the cities included in our survey support race-conscious purchasing programs. And among cities where state law permits race-conscious policies, nearly 90 percent administer race-conscious programs. By comparison, among counties where state law permits race-conscious policies, only 27 percent support race-conscious contracting and procurement programs. There are generally two reasons for the difference in race-conscious programs between cities and counties: cities tend to have a larger proportion of persons of color than do counties; and counties are less likely to see small business development as part of their primary governing mission.

There are two key components to race-conscious MWBE programs, which may be incorporated together or separately:

1. Bid discounts or preference points
2. Sub-contracting goals

## 1. MWBE Bid Discounts or Preference Points

An MWBE bid discount is a bid price that is discounted by bid evaluators in order to give preference to bids that meet MWBE criteria. The original bid amount is discounted by a certain percentage for purposes of evaluating and determining the low responsive bid, but the original bid amount is the basis for the contract award. Bid discounts can be combined to create larger discounts. Some jurisdictions evaluate bids on a point system rather than a dollar amount. MWBE bid discounts or preference point policies are generally

used in narrow application as the result of a disparity study finding. The purpose is to level the playing field for MWBE prime contractors or suppliers in bidding against non-MWBE prime firms. This is the only race-conscious MWBE policy targeting MWBEs as primes that is allowable at the state and local level. Dallas County, San Antonio, and Washington DC each have an MWBE bid discount or preference point program.

## 2. MWBE Sub-Contracting Goals and Outcomes

Sub-contracting goals require prime contractors or suppliers to make a good faith effort to locate MWBE firms and utilize them as sub-contractors. Goals for each project are set by the contract compliance office (or a similar jurisdictional body), or by a broader goal-setting committee based on the availability of MWBE or SBE firms with expertise in particular areas of work.

Field experience suggests that sub-contracting goals are especially critical to effective project management and optimal outcomes where larger projects are concerned. For smaller projects, while goals are certainly essential success indicators, a policy element that encourages MWBE participation as a prime contractor (such as an SBE set-aside) may be the more significant outcomes driver.

### *Definition of Good Faith Effort*

A good faith effort requires rigorous initiative by a prime contractor to secure MWBE sub-contractor participation through local market outreach and relationship building. Leading jurisdictions oblige competing prime contractors to make a concerted attempt to include MWBEs as partnering sub-contractors in the bidding phase of publicly-funded projects.

In addition, leading public authorities require the prime contractor's good faith effort to extend throughout the contract process, including not merely the listing of an MWBE-qualifying entity on bid application documents; but also, if an actual contract is signed, the prime contractor is obliged to employ and compensate the selected sub-contractor for meaningful work that contributes to the overall project's satisfactory completion as envisioned within the bid agreement's contract scope.

A good example of how these factors come together in the best case is represented by Broward County, FL. While that county supports a race-neutral program, it builds on a clear, multi-faceted definition of what constitutes a good faith effort in its recently-adopted SBE policy framework. That framework specifically builds on inclusive guidelines for SBE and Community-Based Enterprise (CBE) participation that would be similar to good faith guidelines for MWBEs in other jurisdictions.<sup>22</sup> The required efforts

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<sup>22</sup> CBE refers to County Business Enterprise, which this report defines as an Emerging Business Enterprise program. For more information, please see: <http://www.broward.org/econdev/SmallBusiness/Documents/BrowardCountyBusinessOppor>

include: 1) actively soliciting the interest of CBEs; 2) identifying work these entities can do to support larger public contracting deliverables; 3) providing them with adequate information to meaningfully compete for sub-contracting bids; 4) negotiating good faith performance and compensation agreements with CBEs; and 5) rejecting CBE bids only for legitimate and documented reasons enumerated in prevailing laws.

### *Choice of Industry Sectors for MWBE Procurement*

Race-conscious programs typically include construction and professional service contracting, at a minimum. But many jurisdictions have established benchmarks for application in a broader range of procurement contexts, such as commodities (goods and supplies) and general services.

Disparity studies help to determine whether the procurement environment is fair and equitable by comparing the number of ready and willing firms in particular industries with their public contract awards, and showing the results by race and gender of the owners. In some cases, disparity studies will identify industry sectors that are so underrepresented by minorities or women that MWBE programs are required to address the imbalance.

In isolated application, disparity studies can drive widely varying imperatives. For example, a given disparity study's findings can lead to sub-contract preferences in the local construction industry with its large dollar contracts, while in other circumstances it might lead to preferences for sub-contracts of any given type above or below a certain amount. Absent an overriding policy that is adaptable to changing circumstances and a broad array of considerations in the given jurisdiction, the unevenness in the allocation of MWBE sub-contracting opportunities can be quite significant.

The best public sub-contracting policies include all jurisdictional procurement offerings within the local governing authority's scope rather than just a portion, to the extent justified by applicable disparity studies. Comprehensive coverage along these lines serves to maximize the beneficial application and reach of such policies, and mitigate the possibility of local authorities either consciously or unwittingly circumventing equity considerations by offering meaningful sub-contracting opportunities for only a very select or standardized subset of contract types.

Examples of jurisdictions that comprehensively offer equitable coverage for all (or nearly all) procurement bids through their MWBE programs include:

- **San Antonio, TX:** Most projects larger than \$50,000 go to the City's Goals Setting Committee, which in turn decides whether to set MWBE (and/or SBE) sub-contracting goals and, where applicable, establishes the selection and performance benchmarks that should govern in each instance.

- **Chicago, IL:** The City of Chicago evaluates all but the smallest public procurement projects with an eye to equal opportunity bidding considerations and, depending on the scope and need, assigns appropriate MWBE sub-contracting goals.
- **Philadelphia, PA:** All public contracts over \$250,000 in the City of Brotherly Love (and some select projects operating at even smaller scale levels based on local authorities' discretion) require an Economic Opportunity Plan (EOP). Such plans in turn usually result in tailored MWBE sub-contracting goals for each particular case.
- **Indianapolis, IN and Marion County, IN:** In Indianapolis, as well as other cities located in Marion County, IN, all projects over \$100,000 are governed by MWBE sub-contracting goals.
- **Houston, TX:** The City of Houston comprehensively applies sub-contracting goals on all construction projects over \$1 million, on professional services contracts of any size, and on other procurement offerings over \$100,000. As a result of this broad coverage, Houston attained an impressive 25 percent MBE contract share in its most recent fiscal reporting year.

# Key Components of Race-Neutral MWBE Programs

Race-neutral MWBE procurement programs have an MWBE focus but do not have MWBE bid preferences, discounts, or binding sub-contracting goals. Instead, they use one or more race-neutral MWBE program components:

1. Voluntary, non-binding MWBE sub-contracting goals
2. Requirements for a minimum number of MWBE bidders on bids of a certain size (usually smaller bids)
3. Relationship-building, organizational changes, or reporting changes that promote overall supplier diversity

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*“Getting an opportunity to grow a business is key. San Francisco has given us that opportunity and allowed us to gain work experience. We can use that experience with other cities, the state, and the federal government.*

*It takes a proactive city to provide that opportunity. Without it, you are always on the outside looking in. To say it stimulates the economy is an understatement.”*

– Miguel Galarza, President, Yerba Buena Engineering & Construction, Inc., San Francisco, CA



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## 1. Voluntary MWBE Sub-Contracting

Voluntary programs encourage prime bidders/contractors to meet MWBE sub-contractor or sub-supplier goals on a voluntary basis. Usually this is done by prime contractors documenting their outreach efforts to MWBE firms and their success in meeting voluntary goals.

While the voluntary nature of this approach might seem to nullify its utility, King County officials responding to our field survey noted that local utilization of MWBE sub-contractors tripled after they instituted such a program. Dallas County, Los Angeles, San Francisco, and Tarrant County also use variations of this practice.

Another best practice in this area is to make a voluntary MWBE goal a subset of a larger, required SBE sub-contracting goal. In that way, prime contractors participating in voluntary MWBE goals and utilizing MWBE sub-contractors can be helped to meet required SBE goals. King County, Los Angeles, and San Francisco all effectively utilize this subset approach.

## 2. MWBE Bid or Quote Requirements

By requiring a contract agency to obtain a minimum number of MWBE bidders on projects, this program component incentivizes outreach to MWBE prime contractors. The approach puts the onus of outreach on the contracting agency, rather than a prime contractor. Generally, it is deployed only if there is broad availability of MWBE firms for a given scope of work.

No jurisdiction in the study requires MWBE bids, but Clark County encourages its departments to solicit MWBE bids or quotes on smaller projects, as part of its supplier diversity program.

## 3. Supplier Diversity

For the purposes of this study, the term “supplier diversity” is defined as a set of government policies and practices that seek to dismantle structural discrimination in the public procurement process. It does not include direct benefits to MWBE firms. Most supplier diversity practices relate to MWBEs as primes, although a few relate to the sub-contracting process. The primary governmental supplier diversity practices are:

- Obtaining buy-in at the highest level – county executive, mayor, or county/city manager, along with department heads
- Creating an environment where inclusion is expected and exclusion is not tolerated
- Promoting relationships between MWBEs and purchasing agents
- Driving opportunities toward MWBEs, especially below the bid threshold level<sup>23</sup>
- Giving positive publicity to those doing well and negative publicity to those not doing well, whether they are departments, purchasing agents, prime contractors, etc.
- Requiring regular reporting to inform the public and incentivize department heads

Supplier diversity as defined in this report is practiced by Boston, Clark County, Fulton County, and Los Angeles County as a primary strategy. Cook County and Philadelphia employ supplier diversity as an additional strategy to MWBE sub-contracting goals.

Fulton County stands out among counties with supplier diversity programs, by aggressively eliminating discrimination from every stage of their procurement process. The county attained 27.2 percent MWBE utilization in FY2012, and 32.0 percent in FY2011. The county has certification reciprocity agreements with the Georgia Minority Supplier Development Council and the Women’s

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<sup>23</sup> Bid threshold level refers to a cost threshold below which bids are not required and a purchasing agent may make a purchase from any reasonable quotation.

Business Enterprise National Council (WBENC), which gives the county direct access to a wider pool of diverse vendors.

Staff from Fulton County's Department of Purchasing & Contract Compliance (DP&CC) and user departments work with prime contractors to identify opportunities for MWBEs<sup>24</sup> and other small businesses. They use registered or certified vendors from various databases and minority-focused professional organizations and publications to notify MWBE firms of bid opportunities. Purchasing Agents work along with user departments to project upcoming procurements for potential MWBE primes and/or sub-contractors. A list of MWBEs in the trades needed for pending projects is provided to the user departments. Contract Compliance Officers meet with each user department annually to review their MWBE utilization.

Among the cities studied, Philadelphia has the most successful supplier diversity program. Key to its program is building a network of purchasing agents in each department called the Office of Equal Opportunity (OEO) Officers' Directory. The OEO works with the Officers' Directory to help them advocate for small businesses and increase MWBE participation in each department. Monthly meetings help the purchasing agents to understand their role and available resources. Philadelphia works to drive contracts below \$32,000 (the city bid threshold) to MWBEs.

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<sup>24</sup> MWBEs are called Minority and Female Business Enterprises (MFBE) in Fulton County.

# Key Components of Small Business Enterprise (SBE) Programs

Small Business Enterprise (SBE) programs are an effort to level the playing field for small businesses, which have a competitive disadvantage over larger corporations and businesses. SBE programs maximize procurement from small businesses that meet eligibility standards regarding financial size and other criteria. Unlike MWBE programs, SBE programs have no requirements with regard to race, ethnicity, or gender, although some SBE programs may track MWBE participation.

In light of the increasing market share of larger corporations and businesses in nearly every state, with many large corporations headquartered outside of the state or even the country, there is a strong economic development argument for SBE programs. Small businesses tend to be more loyal to a metropolitan region than corporations, which may leave the region in response to tax policies, concessions offered elsewhere, or lower wages in other states or countries.

There are three primary components of Small Business Enterprise (SBE) programs:

1. Sub-contracting goals
2. Sheltered markets (also called reserves or set-asides)
3. Bid discounts

In addition, there are two variations to small business procurement programs:

4. Local SBE programs
5. Emerging Business Enterprise (EBE) programs

Some jurisdictions, like San Francisco, use a combination of these approaches. The impact of SBE programs depends on the size of the domain and parameters of the program, similar to MWBE programs.

Many cities and counties include a local business preference in their SBE program in order to increase local impact, as permitted by funding sources. These are called Local SBE programs in this report. The definition of “local” is usually “in-county.” A few jurisdictions give preferences to local businesses, but not specifically small businesses, and are not included in this section of the report.

The criteria for bidders to qualify for Small Business Enterprise status varies greatly, but generally entail a maximum dollar amount for their gross annual receipts. Most jurisdictions use the U.S. Small Business Administration (SBA) definition or a similar one. A few use a larger size for gross annual receipts, but more jurisdictions use a smaller or much smaller definition. For this

report, when the SBE size definition is less than half the SBA definition, the program is considered to be an Emerging Business Enterprise (EBE) program. EBEs include microenterprises (five or fewer employees) and somewhat larger firms. The level of attainment may be quite different for an SBE program versus an EBE program. There are more firms that meet the SBE definition and they generally have greater capacity.

Many SBE program administrators do not require certification of SBE financial size. Instead, they use a simple vendor self-registration process, which increases the risk of fraud. In contrast, MWBE program administrators must verify ownership and control by a person(s) who is a minority or a woman. SBE verification or certification can avoid potential cases of fraud, and is considered a best practice for all procurement programs. Since MWBEs are given similar benefits to SBEs, the policy for verification or certification should ideally be the same.

The balance of this section looks at better and best practices in each of three SBE program strategies; it also examines local SBE programs and ECE programs.

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*“The City of San Diego’s Small Local Business Enterprise (SLBE) program leveled the playing field through its small competition-restricted contracts, and allowed a company like ours to compete and grow from 6 employees to over 50 in just two years. The EOC (Equal Opportunity Contracting) staff was always there to provide support, guidance and recognition.”*

– Abd Jahshan, Vice President, PAL General Engineering, Inc., San Diego, CA



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## 1. SBE Sub-Contracting Goals

Some SBE programs require prime contractors to sub-contract a portion of a project to SBEs. Hennepin County in Minnesota has among the highest SBE sub-contracting goals cited in city and county studies – often at 25 percent on county-funded construction projects. Hennepin occasionally applies sub-contracting goals to other types of projects. Broward County, FL has sub-contracting goals just for County Business Enterprises (local EBEs), with an aspirational goal of 25 percent. In both counties, MWBE identification is a voluntary part of the SBE certification process, and MWBE utilization is being tracked for future disparity studies.

Phoenix began applied SBE sub-contracting goals alongside its MWBE goals in 1999, and fully transitioned to SBE goals in 2010. The city’s SBE program ensures broad participation of the small business community through widespread outreach, including workshops and strategic partnerships with chambers of commerce and other business oriented organizations.

A few cities and counties, such as Houston, TX, have SBE goals in addition to MWBE sub-contracting goals. In the case of Los Angeles, San Francisco and King County, the SBE goals are required while the MWBE sub-contracting goals are voluntary.

## **2. SBE Sheltered Markets, Reserves, or Set-Asides**

Sheltered markets, reserves, or set-asides refer to projects in which only SBEs can participate, or where SBE bids are considered first and bids from larger firms are considered only in the case of insufficient SBE bids. The higher the contract size threshold that qualifies for SBE set-asides, the more that SBEs can benefit.

Atlanta has one of the highest thresholds on its Small Business Reserve program – it will consider contracts below \$2.5 million for its SBE Reserve. San Francisco has an SBE set-aside below \$400,000 on construction and below \$100,000 on other projects. It also attempts to use the set-aside on 25 percent of applicable contracts. Similar to San Francisco, Broward County's SBE reserve program has broad domain over all projects below \$250,000. This program, instituted through the Broward County Business Opportunity Act of 2012, is a good example of an SBE policy framework that tries to ensure inclusive participation by MBEs and WBEs.<sup>25</sup>

San Diego tiers its sheltered market so that all small local business enterprises can bid on construction and consulting service contracts between \$250,000 and \$500,000, while only emerging local business enterprises can bid on construction and consulting service contracts below \$250,000. Miami-Dade County may use its SBE sheltered market on any size contract at the discretion of the purchasing agent, or it may use SBE sub-contracting goals or SBE bid discounts instead (see below). King County has an SBE set-aside on wastewater and transit projects.

## **3. SBE Bid Discounts**

A bid discount is a bid price that is discounted by the evaluators in order to give preference to bids that meet SBE criteria. The original bid amount is discounted by a certain percentage for purposes of evaluating and determining the low responsive bid, but the original bid amount remains the basis for the contract award.

Washington DC's primary inclusive business program is an SBE bid discount program with various categories that together can add up to a 10 percent bid discount. Wayne County provides a bid discount of 1 percent to 5 percent to SBEs and an additional 2 percent bid discount to SBEs from low-income communities. King County has a 5 percent bid discount on goods and

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<sup>25</sup> The Broward County Business Opportunity Act can be retrieved from: <http://www.broward.org/econdev/SmallBusiness/Documents/BrowardCountyBusinessOpportunityActof2012.pdf>

services above \$25,000 and on professional services, prime contractors receive bid points if they include SBE participation.

San Diego's SBE bid discount is specific to the type of procurement. For professional services, small local business enterprises (SLBE) receive a 12 percent preference as a prime, while non-SBE primes receive a 5 percent preference when they sub-contract at least 20 percent with SLBEs and a 10 percent preference when they sub-contract at least 25 percent with SLBEs.

#### **4. Local SBE programs**

Most of the SBE programs in this study exclusively benefit local (generally in-county) businesses, whether the programs are labeled "local" or not. Wayne County goes a step further in benefiting disadvantaged communities. It designates ten communities as low-income, including Detroit, and provides SBEs from those ten communities with an additional preference. Washington, DC gives long-time District residents a 10 percent discount and shorter-term residents a 5 percent discount.

#### **5. Emerging Business Enterprise (EBE) programs**

EBE programs target very small business enterprises, often below \$2 or \$3 million in annual sales and receipts. Broward County uses a sub-contracting goals program for EBEs, and focuses on both EBEs and slightly larger SBEs as primes in its sheltered market program. New York employs EBE sub-contracting goals (called Local Business Enterprise) on some projects. San Diego employs sheltered markets for local EBEs and SBEs. Miami-Dade's EBEs, called Micro SBEs, receive preference under a required bid solicitation and bid discount program. EBEs in Washington DC receive a 10 percent bid discount on contracts below \$50,000.

# Best Practices In Common across All City and County Inclusive Procurement Programs

Best practices in MWBE and SBE programs make the difference between a sustainable, high-impact program and an ineffective program. While little, if any, research links best practices to specific outcomes, conversations with key stakeholders point to a number of outcomes of well-run programs:

- Increased MWBE or SBE procurement
- Increased local job creation and economic development
- Improved reporting of MWBE or SBE procurement, which provides policymakers and the public with reliable information for decision-making
- Greater transparency, which fosters community buy-in
- Increased defensibility in the legal arena

Best practices that are unique to individual program types are described in those sections. The following section highlights best practices that are applicable to multiple local government MWBE and SBE programs – including practices in policy, administration, reporting, and feedback and quality control.

## Best Practices in Policy

1. **Require active participation of all departments or agencies**, in order to ensure that policies are implemented effectively. For example:
  - New York’s Small Business Services (SBS) office publishes an annual Citywide Progress Report for agency chief contracting officers and MWBE liaisons for all city agencies. The progress report details agency performance within and beyond policy requirements,<sup>26</sup> highlights key program initiatives, and proposes recommendations to improve program results. The annual report lists what each agency has done to increase opportunities for MWBEs.
  - All Houston departments have distinct, codified responsibilities for their SMWBE program. Department staff receives training and best practice information. The Office of Business Opportunity meets regularly with staff in each department to

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<sup>26</sup> Local Law 129 and Local Law 1.

improve assistance to SMWBE businesses.

- Los Angeles requires all 40 city departments to set an aspirational MWBE goal and report on attainment quarterly.<sup>27</sup>
- 2. **Create feedback loops that encourage program improvement and innovation** through current disparity studies and, especially in race-neutral programs, strategic planning and ongoing policy and program review.<sup>28</sup>
- 3. **Require or encourage third parties to have inclusive business programs**, in order to expand impact and reach. For example, Philadelphia requires all non-profit organizations doing business with the city to have a supplier diversity plan.
- 4. **Downsize large contracts in order to make them eligible for inclusive business programs** that benefit MWBE and SBE primes or sub-contractors.
- 5. **Combine race-conscious MWBE sub-contracting goals with race-neutral strategies for MWBE prime contracts.** Only a limited number of strategies can legally target MWBE prime contractors, including a race-neutral supplier diversity program and an SBE sheltered market or set-aside. Each are good complements to an MWBE sub-contracting goals program.

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*"The City of Phoenix SBE/DBE program has been instrumental in carrying L&L Asphalt through the economic downturn. A well-managed contract monitoring process insures that the SBE/DBEs are paid in a timely manner. As a result we are able to secure steady work, which in turn provides stable employment for our employees."*

– Rita Lawrence, Owner, L&L Asphalt LLC, Phoenix, AZ



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<sup>27</sup> While this policy is a promising practice, several departments have regularly failed to report attainment and the city has failed to aggregate the departments' procurement to obtain city-wide totals and percentages.

<sup>28</sup> Some jurisdictions complete annual disparity studies. Single-year data may be too small a unit to indicate a trend, but may be useful as a general yardstick. Waiting too long between disparity studies can be problematic. For example, according to attorney Colette Holt, the City of Chicago failed to update its MWBE construction program for over a decade, in spite of the continuing market failure of discrimination. Without a current disparity study, the program was no longer tailored to the current environment. Chicago was permitted to revise its program pending an injunction.

## Best Practices in Administration

1. **Create or designate one reporting agency for the whole city or county**, as is done in jurisdictions such as New York City, Philadelphia, Houston, and Baltimore.
2. **Integrate the agency that deals with certification, contract compliance, and reporting with business development services**, or ensure that the agencies interface closely. King County is a jurisdiction of this type.
3. **Monitor and enforce goals throughout the project** through change orders, payment of sub-contractors, and so on.
4. **Implement an electronic contract management and monitoring system**. An electronic data collection and monitoring system supports program objectives by making it more difficult for primes to substitute out MWBEs without permission, pay sub-contractors slowly, or fail to comply with goals and other program-related contractual commitments.

## Best Practices in Reporting

1. **Report overall outcomes by dollar amount, percentage of total procurement, attainment, and activity for each agency or department with purchasing authority**. The attainment report should be available and easily accessible to the public. The report should define total procurement and clarify what percent of total procurement was discretionary, if any.<sup>29</sup>
2. **Measure MWBE or SBE procurement as a percentage of all procurement or all discretionary improvement**, rather than simply as a percentage of contracts that are affected by the inclusive business program.
3. **Report on the economic impact of programs**. One jurisdiction, the State of Maryland, has attempted to quantify the economic impact of its MWBE program. The economic impact report carried out by Maryland GOMA found that \$1.0 billion in procurement to MWBEs in Maryland in FY2011 resulted in 12,830 direct full-time jobs, or 12.83 jobs for every \$1 million in MWBE procurement.<sup>30</sup> It also resulted in \$392 million in wages and salaries, and \$25.5 million in state and local tax receipts. While this is a good first attempt to quantify the impact of an inclusive business program, the Maryland study would

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<sup>29</sup> Defining a large portion of a jurisdiction's procurement to be non-discretionary is one way that inclusive participation is minimized.

<sup>30</sup> Maryland's economic impact report is available at:  
<http://goma.maryland.gov/Documents/FY2011%20MBE%20Economic%20Impact%20Report%20FINAL.pdf>.

be strengthened by estimating the difference in jobs created by and within specific communities. MWBE studies comparing the jobs jurisdictions *would have* created without an MWBE program with employment created by an operative program reveal that low-income residents and people of color are benefiting from the jobs created by these programs.

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*Broward County's CBE/DBE programs have been instrumental in assisting my firm to be able to participate in the County's large-scale governmental contracts in significant, meaningful sub-consultant roles. As a result of the mentorship and guidance provided through these sub-contracts, we have become a firm that can now truly compete for prime contract opportunities as well.*



*All these opportunities have allowed me to grow the firm, provide an extended economic benefit to the broader community by reinvesting into the firm and local economy, create additional employment opportunities, enlarge our suite of offices, upgrade our technology systems and vehicle fleet, and much more. Further, the firm and staff routinely participate in many social and philanthropic organizations locally.*

– Dodie Keith-Lazowick, President, Keith and Associates, Inc., Pompano Beach, FL

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## Best Practices in Feedback and Quality Control

1. **Institute a process of continual improvement that includes community feedback.** For example, San Antonio conducts regular community focus groups throughout the city and has a standing Small Business Advocacy Committee. Philadelphia solicits regular feedback from the City Council, an Advisory Committee, prime contractors, MWBE firms, and more.
2. **Randomly audit a small percentage of contracts for compliance with policy.** For example, New York performs an internal audit on five percent of its prime and sub-contracts with MWBE goals. San Diego audits a portion of its SBE contracts.

## Promising Practices in Small Business Capacity-Building

In order to address the competitive disadvantages of small and MWBE businesses, cities and counties must not only create equal opportunity in the procurement process; they must also help to build small business capacity to compete. Capacity-building programs need not limit themselves to businesses that compete for government contracts – some inclusive business programs include businesses that have a customer base of individuals, other companies, the government, or a combination thereof. This study looks at five components of capacity-building:

- **Small business development practices** including start-up and growth assistance, technical assistance to increase industry content knowledge, and mentor-protégé programs to guide a business beyond start-up and the initial growth stages
- **Bonding, insurance and financing practices** including low-interest loan programs, assistance with market-rate loan applications, and information on bonding and insurance options—especially for businesses dealing with government contracting
- **Certification assistance and how-to-do-business-with assistance** including help in navigating city and county procurement processes
- **Vendor outreach and networking** including efforts to bring vendors from various communities into city or county procurement systems, as well as activities to establish relationships between businesses, agency purchasing agents, prime suppliers, and contractors. It also includes awards events that give positive attention to the inclusion champions inside and outside of government.
- **Unbundling contracts** including downsizing larger contracts into smaller pieces that are more accessible to small businesses.

Counties tend to be less engaged in small business capacity-building, assuming that cities are better prepared to take on the role. Larger cities generally have a high level of engagement in small business capacity-building. However, some cities and counties limit their focus to larger business attraction, site selection and sales, and tax programs.

This following section showcases jurisdictions using the promising practices described above.

## Promising Practices in Small Business Development

Several cities work with local community partners to provide business development or one-on-one business counseling, including Chicago, Dallas, Los Angeles, and San Francisco. Austin and Dallas are two of the few cities to offer capacity-building specifically for microbusinesses.

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*“The City of Phoenix supports the MTA (Management Technical Assistance) program where professional consultants work with both new and established businesses on key business components such as business plans, employee hiring, and IT support. Our company has successfully utilized this program several times over the years. My husband and I and all of staff live and work in Phoenix. The City is dedicated to seeing us succeed, which impacts our employees and their families as well as our local vendors.”*



– Alice Maro, Owner/President, Graphic Ideals, Phoenix, AZ

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Chicago offers business education workshops twice a week throughout the city. Broward County provides customized assistance to SBEs based on a needs assessment. Nassau County also uses a needs assessment to tailor specialized services to MWBEs, along with general classes on business plan development and marketing plan development for MWBEs. Likewise, Indianapolis offers workshops on marketing and business development.

Washington DC provides one of the most complete arrays of business development services of its peers, including business plan development, feasibility studies, legal services, training, and the Kauffman Foundation-sponsored business growth initiative known as FastTrac. New York has a nine-month intensive executive leadership course for small businesses and is one of the few cities to offer small businesses legal assistance. (Indeed, New York City supported over 1,000 one-on-one technical assistance sessions with MWBEs during its most recent reporting year.)

San Antonio is one of the only cities to assist businesses in the broader metropolitan region of Bexar County, in which it sits. It targets SBEs through its business empowerment plan, which seeks to build the capacity of small businesses. Hennepin County, MN is one of the only counties to provide small business capacity-building; it offers business start-up and business development services throughout the county. Hennepin offers a matching grant program, called Open to Business, to suburban municipalities for a broad range of business development services. It also leads a five-county initiative, called Economic Gardening Partnership, where intensive research and market enhancing advice is provided to 60 SBE CEOs.

King County, WA requires SBEs to complete 15 hours of small business classes during their first year in its SBE program. Houston helps sub-

contractors to become prime-contractors through bonding assistance, joint ventures, technical assistance, and financial assistance.

Los Angeles provides technical assistance in various sectors including restaurant, construction inspection, and green business. Washington DC provides technical assistance in the construction sector for cost estimating and scheduling. Houston works with Turner's School of Construction Management to provide technical assistance to MWBE firms.

Mentor-protégé programs seem to be an especially promising practice in helping an SBE or MWBE to advance. Charlotte and Houston are two of the only cities with such programs, which respectively offer SBE and SMWBE programs.

### **Promising Practices in Bonding, Insurance, and Financing**

Hennepin County lowers bonding and insurance requirements where feasible. Jacksonville/Duval, FL goes a step further and waives bond requirements for projects projected to be under \$500,000 for certified SBEs or MWBEs. Similarly, New York raised the limit on projects requiring bonding from \$500,000 to \$1 million. San Diego at times waives bonding and insurance requirements for SLBEs.

Austin, TX has a Bonding Financial Adviser on staff in its Small and Minority Business Resources office, the only jurisdiction to do so in the study. San Francisco contracts with an MWBE firm in business insurance to advise SBE firms on bonding and insurance. San Antonio created a comprehensive Bonding Assistance program, which includes business education classes, workshops on how to build up credit ratings, bond counseling classes, and one-on-one bond counseling.

San Francisco has a \$1.8 million revolving loan fund for loans under \$50,000 to SBEs. Similarly, Cuyahoga County, OH, San Diego,<sup>31</sup> and Los Angeles each have programs for small and larger loans. Detroit has a micro-loan program and Jacksonville has a \$1.2 million loan fund managed by a nonprofit which provides low-interest loans to certified SBEs with a city contract. New York City has a low-interest capital loan program for start-up and ramp-up costs for small businesses working with the city. Twenty New York City agencies participate in the program. Miami-Dade has a peer lending program.

### **Promising Practices in Certification Assistance and How-to-Do-Business-With**

Los Angeles provides targeted information regarding both the certification process and how-to- do-business-with the city, to SBEs as a whole and to

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<sup>31</sup> San Diego's loan program is operated jointly with the neighboring city of Chula Vista.

specific communities. It also provides transparent bid information on its website. Like a number of jurisdictions, Los Angeles County sends notices about bids based on the commodity code to Community Business Enterprises (MWBE/DVBE).

New York City had 25 certification classes with participation by 415 MWBEs in its last fiscal year. In addition, 160 MWBEs attended its class on doing business with the city. Indianapolis also offers workshops on doing business with the city and places the taped workshops online so that many more businesses can access them.

### **Promising Practices in Vendor Outreach and Networking**

Hennepin County looks beyond its own list of certified firms to SMWBEs certified by the state, the Unified DBE Certification Program, and other local governments. It routinely disseminates bid opportunities to a large group of minority and women business centers and associations, as well as the local Procurement Technical Assistance Center. Hennepin County is part of a group of federal, state, and local agencies that jointly sponsor regular networking events and share the cost.

San Antonio has multiple Vendor Round-Up events with participation from purchasing agents from various city departments, local Chambers of Commerce, and other stakeholder groups.

Maricopa County and San Diego partner with agencies, Small Business Development Centers, associations and chambers of commerce to participate in networking opportunities, conduct outreach to vendors, and offer workshops.

Los Angeles County provides Community Business Enterprises (MWBE/DVBE) with access to expanded networking and education opportunities, including networking workshops, seminars, conferences, business expositions, and vendor fairs. Dallas provides multiple networking opportunities through its partner, SourceLink. The Baltimore Mayor's Office of Minority and Women Owned Development does outreach and advocacy for minority firms. Evidence of its effectiveness is the fact that Baltimore is the only city in this study with a population under one million that has more than 1,100 certified MWBE firms.

Fulton County, GA holds informational outreach sessions in an attempt to introduce prime contractors to MWBEs and other SBEs. These sessions are used as a networking tool for potential bidders as well as county personnel. Representatives from user departments, including those involved in the procurement process and end users, are able to meet one-on-one with any new vendors seeking opportunities with the County.

Charlotte is one of the only jurisdictions studied that has an annual awards event for champions of its SBE and MWBE programs.

### **Promising Practices in Unbundling Contracts**

Tarrant County, TX has been unbundling contracts for many years as a county policy. Austin, Broward County, Cuyahoga County, Hennepin County, and a number of other jurisdictions also unbundle contracts.

## Conclusion

Each year, cities and counties throughout the U.S. utilize minority, women, and small business enterprise procurement programs to direct hundreds of millions of dollars to diverse owners of small businesses. These inclusive business programs support community economic development, increase the local tax base, and boost the capacity of businesses that are committed to remaining in the region. Such programs reduce dependence on corporations that are headquartered far away or that might leave the region in response to tax policies, concessions offered elsewhere, or lower wages in other states or countries.

Inclusive business programs also help to ameliorate pockets of poverty and build up areas that have long suffered from intractable social and economic problems. Through distributing income and assets more evenly throughout the region and giving the little guy a running start, these programs are one of the most proactive ways to address economic and racial inequality in the country.

Long-standing racial and gender discrimination has hampered many minorities and women from creating and sustaining small businesses. Inadequate access to business networks, role models, training, assets, credit, and resources drag down competent business owners. MWBE programs help to level the playing field by addressing critical barriers and providing access to resources that cause a virtuous cycle toward growth.

This study found that cities and counties throughout the country are maintaining their commitment to MWBE programs, and some are expanding their SBE programs. These programs are engaging on many fronts, using both indirect strategies that are critical to success (like better networking and capacity-building) and direct strategies that give preferences to MWBEs and SBEs. Such well-run programs are better able to sustain themselves, demonstrate results, and garner public support.

This report has described many best practices and identified some of the leading cities and counties implementing these practices. Whether a program is located in a state that restricts race-conscious policies or not, the critical factors for success are a commitment to implementing the best policies available, and seeing those policies through at every stage of the procurement process.

## Appendix 1 – List of 20 Cities and 20 Counties in the Study

### *In States that Allow Race-Conscious Programs*

#### *Cities:*

Atlanta, Georgia  
Austin, Texas  
Baltimore, Maryland  
Boston, Massachusetts  
Charlotte, North Carolina  
Chicago, Illinois  
Dallas, Texas  
Houston, Texas  
Indianapolis, Indiana  
Jacksonville, Florida  
New York, New York  
Philadelphia, Pennsylvania  
San Antonio, Texas  
Washington DC

#### *Counties:*

Broward County, Florida  
Clark County, Nevada  
Cook County, Illinois  
Cuyahoga County, Ohio  
Dallas County, Texas  
Fulton County, Georgia  
Harris County, Texas  
Hennepin County, Minnesota  
Miami/Dade County, Florida  
Nassau County, New York  
Tarrant County, Texas

### *In States that Do Not Allow Race-Conscious Programs*

#### *Cities:*

Detroit, Michigan  
Los Angeles, California  
Phoenix, Arizona  
San Diego, California  
San Francisco, California (also a county)  
San Jose, California

#### *Counties:*

King County, Washington  
Los Angeles County, California  
Maricopa County, Arizona  
Orange County, California  
Riverside, California  
San Bernardino, California  
San Diego County, California  
Santa Clara, California  
Wayne County, Michigan

## Appendix 2 - Definitions

**Attainment** – The percentage of contract dollars given out to a particular status of bidders (MWBE, SBE, etc.)

**Bid Discount** – A discount of a certain percent provided to a certain status of (prime) bidders (MWBE, SBE, etc.). The bid price is discounted by the evaluators in order to give preference to bids that meet certain criteria. The discount is simply for purposes of evaluating and determining the low responsive bid, but the original bid amount is the basis for the contract award. Bid discounts are also called Bid Preferences. Some jurisdictions evaluate bids on a point system rather than dollar amount and may provide a Point Discount or Point Preference similar to a Bid Discount.

**Certification** – A process for businesses to enter a procurement process in a special status, such as MWBE or SBE, where required documentation is examined and verified by a certifying body (usually a city, county, or state). Some certifying bodies require a site visit.

**Disadvantaged Business Enterprise (DBE)** – A federally funded program of the U.S. Department of Transportation or U.S. Environmental Protection Agency, where the participants must demonstrate both social and economic disadvantage.

**Emerging Business Enterprise (EBE)** – Small Business Enterprises (SBE) that are at most half the size of SBEs as defined by the U.S. Small Business Administration (SBA). This definition is exclusive to this report, as jurisdictions have created varying size limits for this term. EBEs may be called SBEs or Very Small Business Enterprises by some jurisdictions.

**Goals** – Broad program goals, such as objectives; or an overall aspirational goal for MBE or WBE procurement; or contract-by-contract Sub-Contracting Goals (see entry).

**Local Business Preference** – A bid discount or similar preference offered only if a business is located within the jurisdiction. Local business preferences are most often combined with a Small Business Enterprise program.

**Minority Business Enterprise (MBE)** – A business where there is at least 51 percent ownership and control of the business by a person or persons who are African American, Asian, Hispanic, Native American, or Pacific Islander. Most jurisdictions also include a size restriction.

**Minority or Women Business Enterprise (MWBE)** – A business where there is at least 51 percent ownership and control of the business by a person or persons who are African American, Asian, Hispanic, Native American, or Pacific Islander, or who are female. Most jurisdictions also include a size restriction.

**MWBE Race-Neutral** – Policies where there is a stated ambition and specific programs

and practices taken to increase procurement from MWBEs, but no preferences are employed. See “Supplier Diversity,” and “Voluntary Sub-Contracting Goals.”

**Race-Conscious** – A policy where there is a mandate for either prime contractors or the jurisdiction’s purchasing agents to provide a specific benefit for Minority or Women Business Enterprises. Prime contractors would be required to fulfill Sub-Contracting Goals (see entry) or purchasing agents would be required to apply a Bid Discount (see entry). Technically, the longer term “race- and gender-conscious” is more accurate.

**Race-Neutral** – A policy where no preference is given based on MWBE status of the bidder. Race-neutral programs may do nothing to support MWBEs, or employ strategies that increase the number and quality of MWBE bids. The most common race-neutral policy is Small Business Enterprise Sub-Contracting Goals. The longer term “race- and gender-neutral” more accurately reflects the programs described in the report.

**Required MWBE Bidders** – A race-neutral policy where a jurisdiction requires a minimum number of MWBE bidders (most often just one) on a contract.

**Self-Identification** – A procurement process where businesses owned by minorities or women may self-identify as such during vendor registration. This process does not entail verification of minority or woman status.

**Sheltered Market** – A policy where certain contracts are open only to bids from Small Business Enterprises (SBE). The type of contracts subject to this policy varies by jurisdiction but often includes those under a certain size, within a certain procurement category, or within the first round. Sheltered markets are also called set-asides. Only under very specific circumstances is a sheltered market allowed exclusively for MWBEs.

**Small Business Enterprise (SBE)** – A policy where businesses that meet a pre-defined maximum amount of gross annual receipts and at times other criteria, such as number of employees, qualify for a given benefit. The upper size limit for SBE participation is generally close to the federal SBA definition. Programs with a much smaller size limit are called Emerging Business Enterprise in this study.

**Sub-Contracting Goals** – A procurement goal for prime contractors or suppliers to make a good faith effort to locate and utilize MWBE or SBE firms to be sub-contractors on a contract or project. Goals for each project are set by the contract compliance or similar office or by a broader goal-setting committee, based on the availability of MWBE or SBE firms with expertise in the particular area of work. Some jurisdictions set both MWBE and SBE sub-contracting goals on projects. See also “Voluntary Sub-Contracting Goals.”

**Supplier Diversity** – A comprehensive effort to eliminate structural barriers for MWBEs to participate within a jurisdiction’s procurement process. It includes building relationships between purchasing agents and diverse firms, capacity-building of diverse firms, and outreach to diverse firms about specific opportunities. It is

most commonly used in the prime contractor or supplier arena but there are also approaches to encourage prime contractors or third parties to utilize more diverse sub-contractors.

**Voluntary Small Business Enterprise Goals** – A program that sets voluntary sub-contractor SBE goals, and encourages but not requires prime contractors to seek out and utilize SBE firms. This is similar to Voluntary MWBE Sub-Contracting Goals but for SBEs generally.

**Voluntary MWBE Sub-Contracting Goals** – A race-neutral policy that sets MWBE voluntary goals for each project but does not require prime bidders to make good faith efforts to seek out and utilize MWBE sub-contractors. It is most often used as a subset of SBE Sub-Contracting Goals.

**Women Business Enterprise (WBE)** – A business with at least 51 percent ownership and control by a woman or women. Most jurisdictions also include a size restriction. Some jurisdictions with both MBE and WBE goals include only Caucasian women in their WBE designation, while others include all women so that women of color can count toward either an MBE or WBE goal of the jurisdiction.

## Appendix 3 – Tables of Program Components

**Table 3. Program Summaries**

Jurisdiction	Type	Race-Conscious Programs		Race-Neutral Programs			SBE Programs			Local Program
		MWBE Sub-Contract Goals	MWBE Bid Discount	MWBE Voluntary Goals	MWBE Supplier Diversity	Require MWBE Bidders	SBE Sub-Contract Goals	SBE Sheltered Market	SBE Bid Discount	Local Preference
Atlanta	A1	x						x		
Austin	A1	x						x		
Baltimore	A1	x								
Charlotte	A1	x					x			
Chicago	A1	x						x		
Cook County	A1	x			x					
Dallas City	A1	x								
Dallas County	A1		x	x						
Houston	A1	x					x			
Indianapolis	A1	x								
Nassau County	A1	x			x					
New York City	A1	x			x		x			
Philadelphia	A1	x			x					
San Antonio	A1	x	x				x		x	x
Washington DC	A1		x						x	
Boston	A2				x					
Clark County	A2				x					
Fulton County	A2				x					
Tarrant County	A2			x						
Broward County	A3						x	x		
Cuyahoga County	A3						x			x
Hennepin County	A3						x	x		
Jacksonville/Duval	A3						x	x		
Miami/Dade	A3						x	x	x	x
Harris County	A4									
King County	B2			x	x		x	x	x	
Los Angeles City	B2			x			x			x
Los Angeles County	B2				x		x		x	
San Francisco	B2			x			x	x	x	x
Detroit	B3								x	
Maricopa County	B3							x		
Phoenix	B3						x	x		
San Diego City	B3						x	x	x	x
San Diego County	B3									x
San Jose	B3								x	x
Wayne County	B3								x	x
Orange County	B4									
Riverside County	B4									x
San Bernardino	B4									
Santa Clara County	B4									x

**TYPE LEGEND:**

A: Located in states that permit race-conscious programs. B: Located in states where race-conscious policies are not permitted.  
 1: Race-conscious MWBE policy (may also include SBE policy); 2: Race-neutral MWBE policy (may also include SBE policy); 3: SBE policy; 4: No MWBE or SBE policy

**Table 4. Detail of Race-Conscious and Race-Neutral MWBE Policies**

Jurisdiction	MWBE Sub-Contracting Goals	MWBE Bid Discount	MWBE Voluntary Sub-Contracting Goals	MWBE Supplier Diversity	MWBE Bids Required
Atlanta	Vary by industry and by contract				
Austin	Vary by contract				
Baltimore	Vary by contract				
Charlotte	Only MBE on Construction, Arch & Engineering				
Chicago	On all contracts where there is availability				
Cook County	Generally on contracts over \$25K, may vary by contract			Look for opportunities for MWBE primes	
Dallas	All types of procurement				
Dallas County		6 point discount each for prime and sub	Primes set voluntary goals and then are held to them		
Houston	Vary by contract: Construction above \$1m; Commodities, Other Services above \$100K; all Professional Services				
Indianapolis	Vary by contract, generally on contracts over \$100K				
Nassau County	Above \$100K construction, above \$25K all else			Unclear	
New York City	Vary by contract		Try to direct small and micro purchases to MWBEs		
Philadelphia	Vary by contract			Vary with contracts below \$30K to MWBEs when possible	
San Antonio	Vary, set by Goal Setting Committee	On A&E/ Prof Services, up to 20 points			
Washington DC		2% discount for DBEs			
Boston				Outreach and relationship building	
Clark County				Outreach to MWBE firms and "in-reach" to purchasing agents	MWBE bids encouraged on small projects
Fulton County				Comprehensive opportunity enhancement and elimination of discrimination	
Tarrant County			20% voluntary goal		
King County			On construction, part of larger SBE goal		
Los Angeles City			Voluntary goals, part of larger SBE goals		
Los Angeles County				Certified, any size MWBEs	
San Francisco			Voluntary goals as part of larger SBE goals		

**Table 5. Detail of SBE Policies**

Jurisdiction	SBE Sub-Contracting Goals	Sheltered Market, Reserve or Set-Aside	Bid Discount	Voluntary Goals	Location of MWBEs and SBEs	Local Business Preference
Atlanta		At times for projects < \$500K			SBEs - metro	
Austin		Yes for construction < \$50K			Within state	
Baltimore					Metro	
Charlotte	Yes, alongside MWBE goals on many projects				Metro	
Chicago		Yes, for construction < \$3 million				
Cook County						
Dallas City						
Dallas County						
Houston	Yes, up to 4% (does not include MWBE)				Within state	
Indianapolis					Within state	
Nassau County						
New York City	Local Business Enterprise (emerging) goals on some construction projects					Local Business Enterprise sub-contracting goals
Philadelphia					No restrictions	
San Antonio	Vary across industries, set by Goal Setting Committee		Up to 20% points in various industries; set by Goal Setting Committee			5%, 10%, or 20% discount within city on certain projects above \$50K
Washington DC			Up to 12% bid discount, adding various categories			5% discount for district residents; longer-term residents 10%
Boston				Supplier diversity extends to all SBEs and SLBEs		
Clark County						
Fulton County						
Tarrant County						
Broward County	Goals for County Bus Ent (EBE)	Bids under \$250K open only to SBEs unless no bidders				
Cuyahoga County	Yes					2% bid discount within county
Hennepin County	Up to 25% goal on construction above \$100K; some other contracts	Used infrequently on contracts below \$100K			15-county metro region	
Jacksonville/Duval	Yes	Yes, on smaller construction		At times	Within county	
Miami/Dade	Yes, on some projects over \$50,000	Some projects above \$50K have SBE set-aside and some below \$50K have EBE set-aside	10% discount to EBEs on projects under \$50,000		Within county	
Harris County						

Jurisdiction	SBE Sub-Contracting Goals	Sheltered Market, Reserve or Set-Aside	Bid Discount	Voluntary Goals	Location of MWBEs and SBEs	Local Business Preference
King County	Yes, on construction	Yes, on transit, wastewater and water: at times when above \$25K	5% on Goods & Services above \$25K			
			Yes, on prof services contracts			
Los Angeles City	Yes, 25% overall goal				Within county	8% bid discount and no taxes first 3 yrs
Los Angeles County	Yes, on very large construction		Yes, 8%		Within county	
San Francisco	Yes, on projects up to \$10m and some above \$10m	EBE set aside on some contracts below \$400K in construction; \$100K most other	Yes, up to 10% (2% for graduated SBEs)			Extra bid discount within county
Detroit			Some primes offer equalization points to sub SBEs	Encourage city and primes to use SBEs in directory	Within city	
Maricopa County		Construction and Arch/Eng projects below \$50K		Outreach to SBE diverse communities		
Phoenix	Yes, on construction above \$50K; Others above \$100K	Yes, on smaller Goods and Services contracts		Require SBE bidders	Within county	
San Diego City	Yes, on larger projects; Voluntary on goods/services	Yes, on construction and prof. svcs of \$250K-\$500K; <\$250K EBEs	Yes, 2% Goods/Services; 5% Construction; up to 10% Prof. Services		Within county	
San Diego County				Encourage use of SBEs as primes and subs		1% discount within county
San Jose			Yes, 2.5% or 5 points, except construction			2.5% discount ( 5 points) within county, except construction
Wayne County			Yes, above \$5K: Equalization credits for SBE, 1%; Emerging, 2%			1%, 3%, or 5% discount within county; more in 10 low-income communities receive
Orange County						
Riverside County						5% discount within county
San Bernardino County						
Santa Clara County						5% discount within county except Public Works

**Table 6. Detail of MWBE and SBE Program Aspirational Goal, Attainment and Certification Numbers**

Jurisdiction	Overall MWBE Goal	MWBE Attainment	MBE Attainment	WBE Attainment	SBE Attainment	Certified MWBEs	Certified SBEs	Require/ Encourage Third- Parties
Atlanta		Data not reliable				900-1100		
Austin	MBE: 3.5% to 15.8% WBE: 6.2% to 15.8%						280	
Baltimore	Not available (N/A)		15%, \$59m	5%, \$21m		1180		
Charlotte	MBE: 12% on informal contracts	13.0%, \$53.9m			7.1%, \$29m (excludes MWBE)	100 MBE, but also use state list	838	
Chicago	MBE: 24% to 25% WBE: 4% to 5%					> 2300		Allow private contractors to use MWBE goals for credits to use later on City contracts
Cook County	MBE: 24% construction, 25% goods and services WBE: 10%		23.1%, \$68m, with hospital	3.2%, \$10m, with hospital		approx 1600		
Dallas City	MWBE: 18% to 36%	N/A	N/A	N/A				
Dallas County		18%						
Houston	MSBE: 22% construction		25.5%, \$302m	2.4%, \$29m	28% (\$340m), includes MWBE	MBE: 1399 WBE: 740 (any race)	711 (not inc. MWBEs)	
Indianapolis	MBE: 15%; WBE: 8%		10.1%, \$76m (FY11)	7.8%, \$52m (FY11)		1100		
Nassau County	MBE: 5% to 14% WBE: 9% to 16%							
New York City		5.0%, \$532m (20% in prime market)			\$142m over 6 yrs (EBE LBE)	3526		Partner with corporations to get them to commit to supplier diversity
Philadelphia	MWBE: 25% City-based MWDSBE goal: 7%	28%		9.43%		>2000		Require NPOs doing business with city to have supplier diversity
San Antonio	Varies by industry	13.2%, \$5.8m	10.8%, \$5m	2.4%, \$1m	7.8%, \$3.4m			
Washington DC					N/A	N/A	N/A	
Boston		Data not yet complete			Data not yet complete	696	339 SLBE	
Clark County			4.6%, \$8m (Jan-Jul 2013)	3.8%, \$6m (Jan-Jul 2013)		No certification		
Fulton County		27%, \$38.2m (FY11)				480		
Tarrant County		9.3%, \$9.8m				Use state certification		

Jurisdiction	Overall MWBE Goal	MWBE Attainment	MBE Attainment	WBE Attainment	SBE Attainment	Certified MWBEs	Certified SBEs	Require/ Encourage Third- Parties
Broward County					No data yet (new)		1700	
Cuyahoga County					5.0%, \$2.3m		571	
Hennepin County			9.6% (any size, any gender)	12.6% (any size, race)	9.6%, \$10.9m	580 MBE; 908 WBE	1900	
Jacksonville/Duval			4.8%	6.8%	10.0%, \$16.4m FY11		382	
Miami/Dade					N/A		1600 (3 designations)	
Harris County								
King County			2.1%, \$5m (EBE size)	1.7%, \$4m (EBE size)	11.0%, \$30m (SBE is similar to EBE)	471 MBE	1414	
Los Angeles City			5.7%, \$117m CY12	2.2%, \$45m (non-minority) CY12	11.0%, \$226m (non MWBE)	1014 MBE; 653 WBE	906	
Los Angeles County		Not tracked			2-3%, \$110m (prime only)	950 (with DVBE)	670	
San Francisco						775	1086 Micro; 172 SBE	Strongly encourage developers to have sub-contracting goals
Detroit						112	225 (with MWBE)	Encourage companies to use city SBE/MWBE directories
Maricopa County					Do not track		Not certified	
Phoenix		Not tracked			Construction: 10.9%, \$25m Goods/Services: 1.1%, \$7m	517 (not certified)	604	
San Diego City		9.5%, \$49.4m			20.9%, \$60m (does not include Goods/ Services)		547	Encourage horizontal construction developers
San Diego County								
San Jose					8.5%, \$15.5m		2375 (registered)	
Wayne County					N/A		130	
Orange County								
Riverside County								
San Bernardino County								
Santa Clara County								

**Table 7. Summary of Small Business Capacity-Building Services**

Jurisdiction	Certification Assistance - C; How to Do Business With - H	Bonding - B; Insurance - I; Financing Assistance - F; Loan Program - L	Business Start-up - S; Bus. Development - D; Technical Assistance - T; Mentor - M	Networking & Vendor Outreach - O, Awards - A	Downsize (Unbundle) Contracts - U
Atlanta					
Austin	H	B	S, D, T	O	U
Baltimore	C, H		S, D	O	
Charlotte		L	D, M	A	
Chicago	C, H		S, D		
Cook County	C			O	
Dallas	C, H	B	D	O	
Dallas County					
Houston	C, H		D, T, M	O	
Indianapolis	H		D		
Nassau County	H		D, M	O	
New York City	C, H	B, F, L	S, D, T	O	
Philadelphia	H	L	D	O	
San Antonio	C, H	B	S, D, T, M	O	U
Washington DC	C, H	F, L	D, T		
Boston		F	S, D	O	
Clark County	H			O	
Fulton County	H				
Tarrant County				O	U
Broward County			D		U
Cuyahoga County		F, L	D	O	U
Hennepin County	C, H	B, I	S, D, T	O	U
Jacksonville/Duval		B, F, L	D, M		
Miami/Dade	H	L	D, T		
Harris County				O	
King County	H		D	O	U
Los Angeles City	H	F, L	B, T	O	
Los Angeles County	H		D	O	U
San Francisco	C, H	B, F, L	D, T	O	U
Detroit		L			
Maricopa County	C, H			O	
Phoenix	C	F	D	O	U
San Diego City	H	B, I, F, L	S, D, T, M	O	U
San Diego County	H	F		O	U
San Jose					
Wayne County					
Orange County	H				
Riverside County					
San Bernardino County			D		
Santa Clara County					