



# Increasing Opportunities for Small, Diverse, and Veteran-Owned Businesses

We all understand the value of being treated fairly and being given a fair chance. For too long, the way the commonwealth did business didn't always reflect a playing field that was diverse, inclusive and fair for small and small diverse businesses. This point was driven further home by the statewide disparity study that was conducted in 2017.

The results of that study confirmed what we already knew: **we can do better when it comes to providing state contracting opportunities for small and small diverse businesses.**

## Governor Wolf's Commitment

In his first year in office, Governor Tom Wolf signed Executive Order 2015-11 to get the commonwealth on a path of improvement in the quality and quantity of opportunities for small and small diverse businesses to participate in state government contracting and the commonwealth's overall economy.

## Commonwealth Disparity Study

The Commonwealth of Pennsylvania's first-ever comprehensive disparity study was concluded in October 2018. **The study identified disparities in the participation of Small Diverse Businesses (SDB) and Veteran Business Enterprises (VBE) in state government contracting.**

The disparity study assessed to what extent SDBs and VBEs face discrimination through the examination of: participation levels of SDBs and VBEs; Marketplace Conditions; Contract Policies; Program Measures; and Legal Compliance.

## Disparity Study Objectives

- Provide evidence and recommendations to assist in the implementation of SDB and VBE programs, including overall goal setting, project specific goal setting, race and gender-neutral elements and program enhancements;
- Educate policy makers and stakeholders about the legal and economic issues regarding the treatment of small and small diverse businesses in state government contracting;
- Meet constitutional and other legal requirements; and
- Provide a legal defense if the SDB Program is challenged.

## Moving the Needle

When we review where we have been compared to where we are going, it is clear we need to do better. The chart below shows the percentage of contracts awarded to Small Businesses (SBs), SDBs, and VBEs in FY 2017/18 and the aspirational, target goals going forward.

Type	As a . . .	FY 2017/18		Aspirational Goal
Small Business (SB)	Prime	3.67%	4.37%	<b>Designate 15% Agency Spend on SBR program</b>
	Sub	0.70%		
Small Diverse Business (SDB)	Prime	0.77%	6.54%	<b>Aspire to 26.3% for SDBs</b>
	Sub	5.77%		
Veteran Business Enterprise (VBE)	Prime	0.25%	0.41%	<b>Aspire to 4.6% for VBEs</b>
	Sub	0.16%		

## Race- and Gender-Neutral Measures

The first step in attempting to level the playing field is to address race- and gender-neutral measures. Some of those measures include outreach efforts; Mentor-Protégé Program; prompt payment; bidding opportunities reserved for small businesses; and technical assistance. The Small Business Reserve Program is also specifically designed to improve bidding opportunities.

### Small Business Reserve Program

The commonwealth has re-invigorated the Small Business Reserve (SBR) program, formerly known as the Small Business Procurement Initiative (SBPI). The SBR program enables small businesses (those with less than 100 employees and \$38.5 million in yearly revenue) and resources to compete among each other for specific state government contract opportunities as prime contractors. All commonwealth agencies under the Governor’s jurisdiction are being directed to identify and target 15% of their total agency spend for SBR procurements.

### Goal Setting Policy

Goal setting will replace the current scoring process used for Small and Small Diverse Business (SB/SDB) participation on competitively procured state contracting opportunities. The policy tailors participation goals based on the market and geographic availability of SDBs and Veteran Business Enterprises (VBE) on a solicitation-by-solicitation basis. For each goods and services solicitation over \$250,000 and construction solicitation over \$300,000, the SDB and VBE utilization goals will be stated in the solicitation document and potential vendors/contractors will be required to meet those goals as part of their proposal to do business with the commonwealth. Potential vendors/contractors will be able to request a good faith effort waiver to ensure that the initiative complies with constitutional requirements.