

Bureau of Diversity, Inclusion and Small Business Opportunities

**SMALL
DIVERSE BUSINESS
AND
VETERAN
SMALL BUSINESS
ANNUAL REPORT**

**FISCAL YEAR
2015 - 2016**



pennsylvania

DEPARTMENT OF GENERAL SERVICES

Tom Wolf, Governor

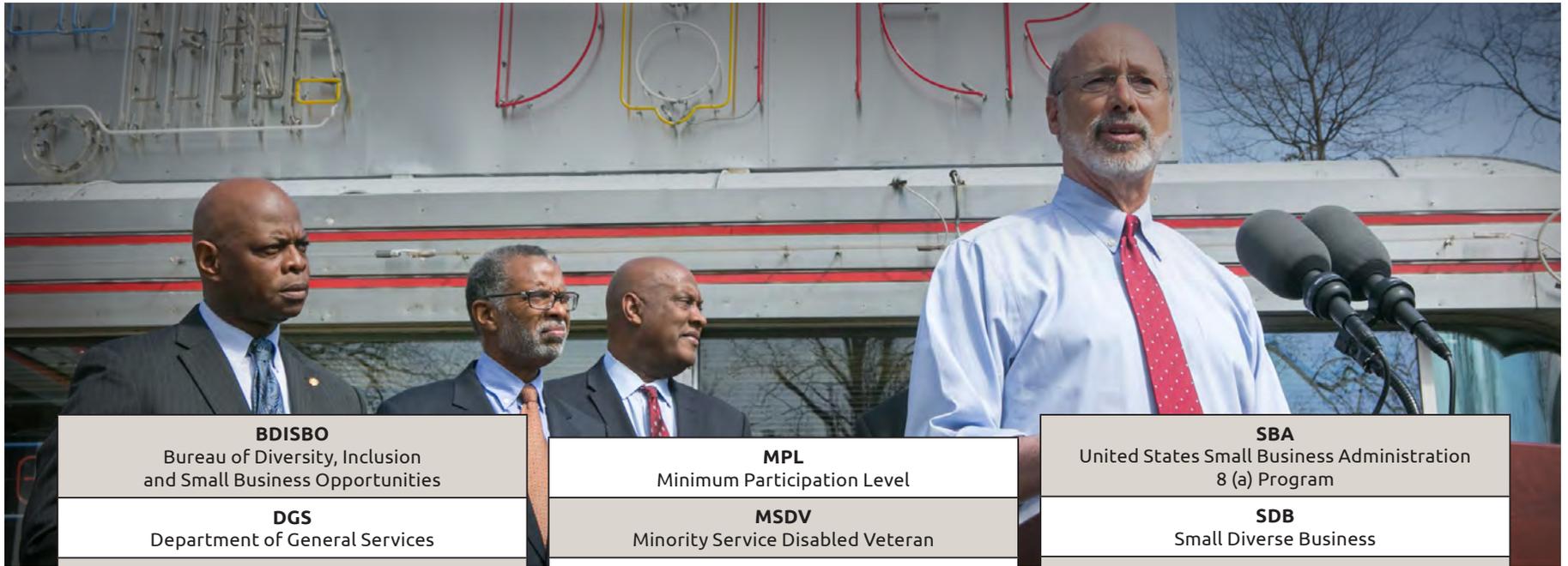
Curt Topper, Secretary



Table of Contents

List of Abbreviations and Acronyms in Report	2
Message from Secretary Curt Topper	3
Introduction.....	4
Section 1.0 Procurement Policy Overview.....	5
1.1 Methods of Contractor Selection and Award.....	5
1.2 Contracting Opportunities for SBs and SDBs	5
Section 2.0 Small Businesses (SB) and Small Diverse Businesses (SDB) in Pennsylvania	8
2.1 Small Businesses.....	8
2.2 Small Diverse Businesses	10
Section 3.0 Distribution of SB and SDB Payments for FY 2015-2016	14
3.1 Payments to Small Businesses.....	14
3.2 Payments to Small Diverse Businesses	15
Section 4.0: Contract Commitments to Small Businesses and Small Diverse Businesses during FY 2015-16	23
4.1 Commitments to Small Businesses	23
4.2 Commitments to Small Diverse Businesses	23
Section 5.0 Analysis.....	24
5.1 Payments Analysis.....	24
5.2 Commitments Analysis	26
Section 6.0 Accomplishments	27
Section 6.1 Recommendations.....	29

List of Abbreviations and Acronyms in Report



BDISBO Bureau of Diversity, Inclusion and Small Business Opportunities
DGS Department of General Services
DOBE Disability-Owned Business Enterprise
FY Fiscal Year
GFE Good Faith Efforts
IFB Invitation-for-Bids
ITQ Invitation-to-Qualify
JOC Job Ordering Contracting
LGBT Lesbian Gay Bisexual and Transgender
LGBTBE LGBT Business Enterprise
MBE Minority Business Enterprises

MPL Minimum Participation Level
MSDV Minority Service Disabled Veteran
MVBE Minority Veteran Business Enterprises
MWBE Minority Women Business Enterprises
MWSD Minority Women Service Disabled Veteran
MWVE Minority Women Veteran Enterprises
NGLCC National Gay & Lesbian Chamber of Commerce
NMSDC National Minority Supplier Development Council
RFP Request for Proposal
RFQ Request for Quote
SB Small Business

SBA United States Small Business Administration 8 (a) Program
SDB Small Diverse Business
SDVE Service Disabled Veteran Business Enterprises
UCP Unified Certification Program
USBLN US Business Leadership Network
VBE Veteran Business Enterprises
VetBiz Vets First Verification Program
WBE Woman Business Enterprises
WBENC Woman Business Enterprise National Council
WSDV Woman Service Disabled Veteran
WVBE Woman Veteran Business Enterprises

Message from Secretary Curt Topper

“On behalf of Governor Tom Wolf, I am pleased to present the Department of General Services’ Annual Report on the Participation of Small and Small Diverse Businesses in State Contracting Opportunities for fiscal year 2015-16”.



This year, DGS continued its effort to promote greater diversity and inclusion in how the Commonwealth does business. Working with Governor Wolf’s Advisory Council on Diversity, Inclusion and Small Business Opportunities, we made significant changes to the Commonwealth’s procurement policies and procedures to increase the likelihood of contract and subcontract awards to small and small diverse businesses in Pennsylvania. We also took steps to ensure that the firms we do business with as prime contractors follow through on their subcontracting commitments.

For example, on July 1, 2016, DGS introduced a new scoring methodology for all Requests for Proposals issued by Commonwealth agencies. For the first time ever, the new approach allows prospective prime contractors to receive credit for commitments they make to self-certified small businesses in addition to their commitments to small diverse businesses. We also introduced new contract terms and conditions, requiring formal subcontracts for small businesses and small diverse businesses.

How the Commonwealth does business is a reflection of our core values. We aim to be inclusive and to lead the effort to assist small businesses in Pennsylvania to overcome disadvantages they may face in the marketplace and to grow more successful. Although the Commonwealth’s total expenditures for goods and services amount to just a small fraction of our state’s economy, the contracts we award have the potential to help small business owners build capacity, hire and reinvest in struggling communities. In turn, these

investments spur growth in surrounding businesses and communities. The bottom line is that building a more inclusive economy in Pennsylvania is an essential part of building a stronger economy overall.

With this year’s report, DGS built on last year’s approach in an ongoing effort to be as comprehensive, transparent and empirically valid as current information systems allow. We’ve captured more data, but we still have work to do to bring all of the spending by all of the agencies under the Governor’s jurisdiction into a single document.

The data suggest that the steps we’ve taken in collaboration with the Governor’s Advisory Council on Diversity, Inclusion and Small Business Opportunities have started to have an impact. During the last year, the Commonwealth significantly increased the total amount of contract dollars awarded using best value methods, which is a key leading indicator for future spending with small diverse businesses (SDB). The overall trend in SDB payments has also leveled off, indicating an end to previous years’ declining percentages. The overall results for the year however, are still sobering. Much work remains to be done to fulfill our mission as outlined in Executive Order 2015-11.

Sincerely,

A handwritten signature in black ink, appearing to read 'Curt Topper', written over a white background.

Curt Topper,
Secretary of the Department of General Services

Introduction

This report provides the Pennsylvania public and members of the Pennsylvania General Assembly with information about the participation of small businesses (SB) and small diverse businesses (SDB), including those owned by minorities, women, veterans, and service-disabled veterans, in Commonwealth contracting opportunities during Fiscal Year (FY) 2015-16, as required by Section 2107 of the Commonwealth Procurement Code, 62 Pa. C.S. §2107 and as required by the Military and Veterans Code. See 51 Pa. C.S. §101. The report is divided into sections as follows:

Section One provides an overview of Commonwealth policy and procurement methods related to contracting opportunities for SBs and SDBs during FY 2015-16.

Section Two reports on the numbers of SBs and SDBs in the current DGS database. The database contains businesses that have self-certified with the Department as SBs, and SBs that have also been verified as SDBs. During FY 2015-16, certified minority-owned businesses, woman-owned businesses, veteran-owned businesses, and service-disabled veteran-owned businesses were recognized as SDBs, and work was done to include LGBT-owned and disability-owned businesses for the upcoming fiscal year. DGS uses these data to guide ongoing outreach

efforts. The Department's goal is to identify and encourage as many SBs and SDBs as possible to register and to compete for Commonwealth business.

Section Three reports on the value of contract and subcontract payments made to SBs and SDBs during FY 2015-16. This data provides the key metrics that DGS uses to assess diversity and inclusion in Commonwealth contracting opportunities and expenditures for goods and services.

Section Four reports on the projected value of the Commonwealth contract and subcontract commitments that were made to SBs and SDBs during FY 2015-16. In previous years, DGS annual reports focused primarily on these commitment values. Although DGS

has transitioned to the more empirically valid payments data as its primary metrics, DGS will continue to provide annual data on commitment values to allow for historical comparison. Also, when annualized to control for the influence of varying contract lengths, the commitments data provides a leading indicator for payments to SBs and SDBs in subsequent years.

Section Five presents a brief analysis of data trends and implications.

Section Six presents recent accomplishments and recommendations to improve the Diversity, Inclusion and Small Business Opportunities program, Commonwealth procurement policy, systems, data collection and reporting in the future.



1.0 Procurement Policy Overview



The statutory requirements associated with Commonwealth contracting and DGS’s duties relative to providing assistance to SBs and SDBs are found in the Commonwealth Procurement Code at 62 Pa.C.S. § § 101-2311, and further for veterans and service-disabled veterans in the Military and Veterans Code at 51 Pa.C.S. § § 9604-9701. In accordance with its statutory authority, DGS establishes policies and procedures that Commonwealth agencies are required to follow when awarding contracts.

1.1 Methods of Contractor Selection and Award

The Procurement Code provides for two primary methods of competitive procurement for services, supplies, and construction: Invitations for Bids (IFB) and Requests for Proposals (RFP).

Invitations for Bids - The **IFB** process is the most frequently used procurement method in the Commonwealth. This process, also known traditionally as sealed bidding, essentially awards contracts based on price alone. When the IFB method is used, a contract must be awarded to the responsive and responsible bidder with the lowest price.

Request for Proposals - The **RFP** is a “best value” process that is most commonly used for more complex non-commodity purchases. With an RFP, the Commonwealth evaluates competing offers based on several factors including suppliers’ proposed costs, technical approach and capabilities, and commitments to SBs and SDBs.

Contracts that result from either of these two methods may be structured in different ways depending upon the needs of the Commonwealth, as follows:

Single-award contracts award potential business to one qualified supplier exclusively.

Multiple-award contracts award potential business to multiple qualified suppliers, who then may be required to compete further for individual orders through a supplemental selection process. A common example of this approach is known as an **Invitation to Qualify (ITQ)** followed by a **Request for Quote (RFQ)**.

1.2 Contracting Opportunities for SBs and SDBs

The potential for SB and SDB participation in Commonwealth contracting opportunities depends significantly on the procurement methods used. Employing a procurement method that allows for direct consideration of SB or SDB participation dramatically increases the likelihood that such participation will occur. Common current uses of IFBs and RFPs within different expenditure categories are outlined below with an explanation of how each is related to SB and SDB opportunities.

1.0 Procurement Policy Overview

IFB

In general, when the Commonwealth issues an IFB for the procurement of supplies or services, SB and SDB participation are irrelevant to the award decision; only price is considered. SBs and SDBs may compete in IFBs, but they receive no formal preference. They must compete as a prime contractor and submit the lowest price to win. SBs or SDBs may participate as subcontractors in contracts awarded to other firms through IFBs, but the Commonwealth has no current mechanism to reward or even track that participation. The Commonwealth is in the process of researching methods to allow tracking of such participation.

Construction IFB

When the Commonwealth issues an IFB for construction, contract awards are still based on price alone. However, in order to be deemed responsive and responsible, construction contractors must meet certain requirements related to SDB participation. These requirements apply only to SDBs, not to SBs. The Department establishes a general minimum participation level (MPL) for the utilization of SDB subcontractors, manufacturers, and suppliers for each of the four disciplines: general construction, HVAC, plumbing, and electrical. During FY 2015-16 DGS maintained an MPL of 7.5%. Awarded prime contractors must choose either to "Opt-In" and meet the MPL or to make "Good Faith Efforts" (GFE) to include SDB participation. When the GFE option is chosen, contractors are subject to more stringent



documentation requirements. Percentages are calculated based upon the dollar amounts credited toward the MPL. The amount of contract spend credited toward meeting the MPL depends upon the type of contract spend: 100% subcontractor or manufacturer, 60% stocking supplier and the commission fee up to 10% for non-stocking suppliers.

RFP

The general RFP process allows for direct consideration of SDB participation as a criterion for award. SDB participation may account for as much as 20% of award decisions, with the remaining 80% dependent upon price and technical factors. During FY 2015-16, the Commonwealth only considered SDB participation as part of the RFP process. Last year, we reported that there was no built in preference for SBs that were not also diverse. At the end of this reporting period and in an effort to increase payments to both SDBs and SBs, DGS revised the Commonwealth's RFP process to include both SDB and SB participation as criteria for award. We anticipate seeing the effects of this change in next year's report.

ITQ

The ITQ is the name given to certain multiple-award contracts issued by the Commonwealth pursuant to Section 517 of the Procurement Code. ITQ contracts may be solicited by an IFB or RFP. Award of work to individual contractors is done on a best value basis, which may consist of elements in addition to cost.

The ITQ Process is a two-step process utilized by the Commonwealth to provide various types of services to Commonwealth agencies. The first step is a pre-qualification process to qualify suppliers for specific services described in the ITQ. To qualify for an ITQ contract, a supplier must meet the qualification requirements prescribed in each ITQ solicitation. This is done by submitting an electronic proposal via the PA Supplier Portal. Each submittal is evaluated, and if the proposal meets the minimum scoring criteria, the supplier is qualified and placed on a statewide contract along with other qualified suppliers. The second step is an RFQ in which agencies with specific requirements request quotations from the qualified suppliers. A quotation may be a simple price or it may include a technical proposal with pricing.

The ITQ process does not guarantee business to an individual supplier. Suppliers are encouraged to market their services to the agencies and to respond to as many RFQs as possible.

1.0 Procurement Policy Overview

Small Business Reserve IFB and ITQ processes

In accordance with DGS policy, some Commonwealth agencies designate a small number of IFBs and ITQs as “Small Business Reserve” opportunities. For these contracts, competition is formally restricted only to self-certified SBs (including SDBs). Larger firms are not permitted to bid. Small

Business Reserve IFBs treat all SBs similarly. They do not incorporate any preference for SDBs. Small Business Reserve IFBs and ITQs are an effective way to ensure the award of contracts to SBs, but have been used infrequently. According to the data, more Commonwealth business is awarded to SBs each year through general procurement methods than through these set-asides. The Commonwealth is exploring methods to

improve upon the Small Business Reserve process in order to be more effective throughout the various agencies.

Summary

The table below briefly summarizes the Commonwealth’s available procurement methods during FY 2015-16, and the degree to which they each included potential preferences for SB/SDB contracting.



PROCUREMENT METHOD	SB PREFERENCE	SDB PREFERENCE
IFB	None	None
Construction IFB	None	MPLs required
RFP	None	Up to 20%
ITQ-RFQ/Expedited RFP	None	Up to 20%
Small Business Reserve	Competition restricted to SBs, including SDBs.	

2.0 Small Businesses (SB) and Small Diverse Businesses (SDB) in Pennsylvania

The DGS Bureau of Diversity, Inclusion and Small Business Opportunities (BDISBO) develops and oversees programs intended to promote participation by SBs and SDBs in Commonwealth contracting opportunities. The population of businesses served is broken down into primary categories as follows:

2.1 Small Businesses – To be designated by the Commonwealth as an SB, vendors must self-certify their eligibility to participate in the small business contracting program annually through an online application. Any independently-owned, for-profit small business that is not dominant in its field, has 100 or fewer full-time employees, and does not exceed maximum revenue requirements may certify itself with the Commonwealth through the DGS website.

Self-certification as an SB is also the first step in the process of becoming a verified SDB in Pennsylvania. As such, the two categories are not mutually exclusive. The SB totals reported below include SDBs as a subset.

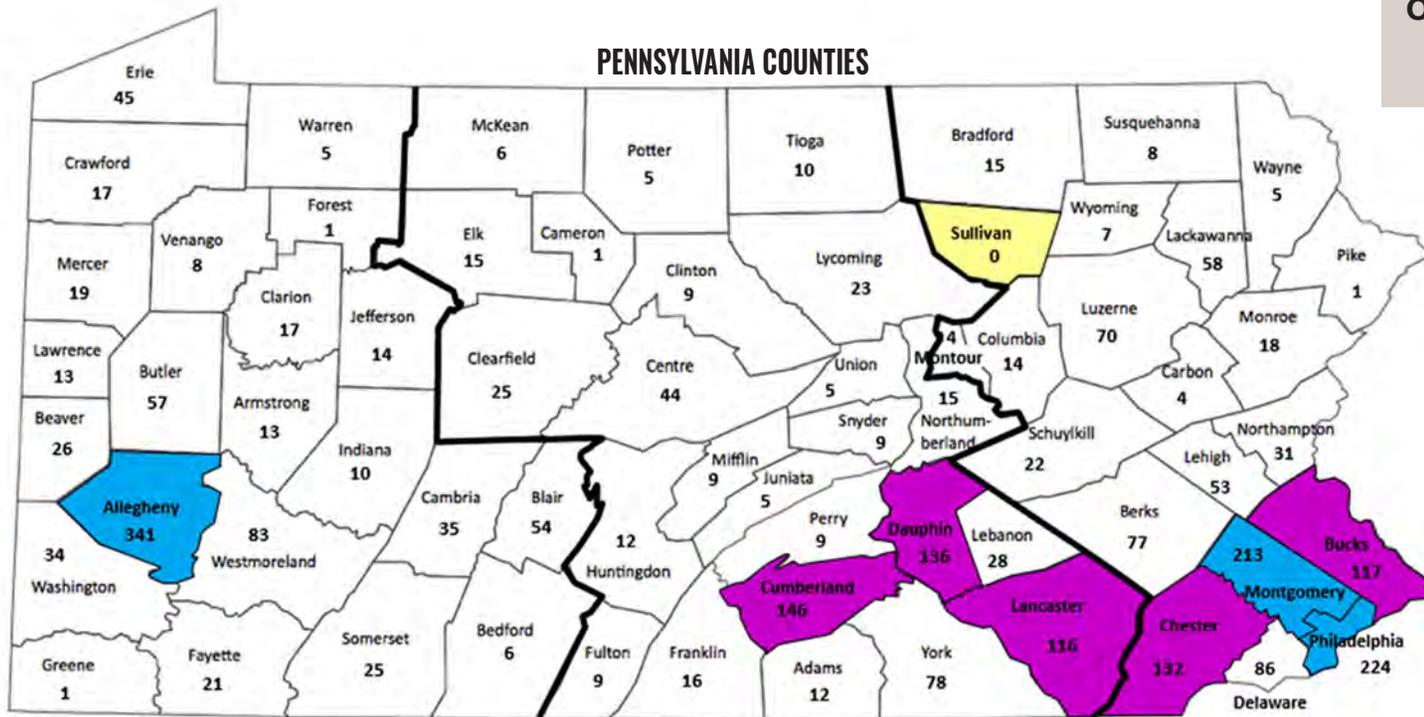
During FY 2015-16, 937 new SBs self-certified with the Commonwealth, bringing the total number of SBs to 3,523. Self-certified SBs in the database provide an array of goods and services, such as staffing, software, information technology consulting, project management, construction services and supplies, legal services, office supplies and hazardous material abatement.

Although the majority of self-certified SBs are located within the Commonwealth, self-certification is not restricted to SBs or SDBs incorporated or residing in Pennsylvania. During the reporting period, 22% of SBs in the DGS database were headquartered out-of-state. The following map provides a breakdown of self-certified Pennsylvania SBs by county.



2.0 Small Businesses (SB) and Small Diverse Businesses (SDB) in Pennsylvania

2.1 Small Businesses



**OUT-OF-STATE
776**

WESTERN REGIONS = 845 VENDORS

CENTRAL REGIONS = 743 VENDORS

EASTERN REGIONS = 1,159 VENDORS

LEGEND

- NO SELF-CERTIFIED VENDORS
- 1 TO 99 SELF-CERTIFIED VENDORS
- 100 TO 199 SELF-CERTIFIED VENDORS
- 200 OR MORE SELF-CERTIFIED VENDORS

2.0 Small Businesses (SB) and Small Diverse Businesses (SDB) in Pennsylvania

2.2 Small Diverse Businesses – In addition to self-certifying as an SB, eligible firms may also be designated as SDBs.

To be designated by the Commonwealth as SDBs, vendors must self-certify their eligibility to participate in the small business contracting program annually through an online application. The vendor must then submit proof of active certification as a minority-owned, women-owned, or veteran owned business from one of five approved third party entities: The Unified Certification Program (UCP), The National Minority Supplier Development Council (NMSDC), The Women's Business Enterprise National Council (WBENC), The United States Small Business Administration (SBA) 8(A) Business Development Program, or The Vets First Verification Program (Vetbiz). Once BDISBO verifies the certification, the SDB receives a certificate.

At the end of the reporting period, DGS added two new certification entities: The US Business Leader's Network (USBLN) for Disability-Owned Business Enterprises (DOBE) and the National Gay & Lesbian Chamber of Commerce (NGLCC) for LGBT Business Enterprises (LGBTBE).

During FY 2015-16, 204 new SDBs were verified by the Commonwealth, bringing the total number of verified SDBs to 1,249.

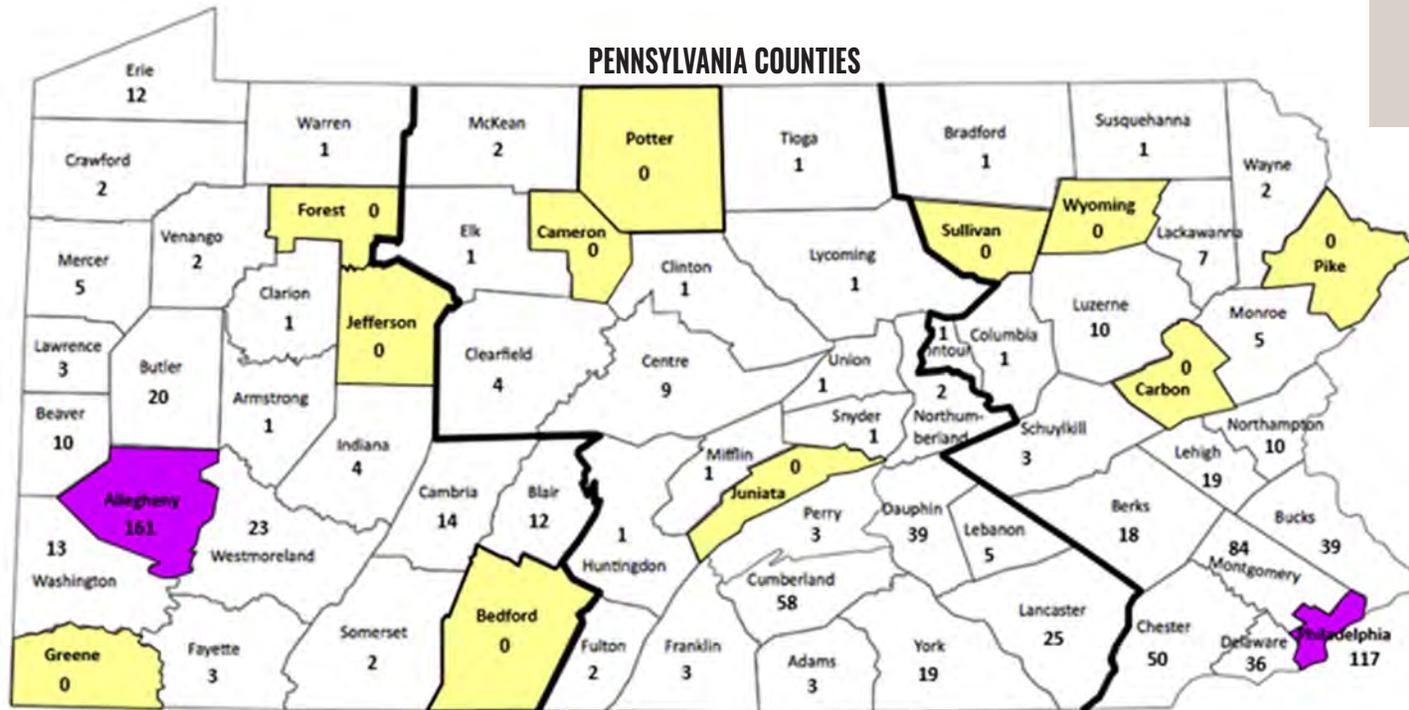
Although the majority of verified SDBs are located within the Commonwealth, participation is not restricted to businesses incorporated or residing in Pennsylvania. Approximately 30% of SDBs in the DGS database are headquartered out-of-state. The following map provides a breakdown of Pennsylvania SDBs by county.



2.0 Small Businesses (SB) and Small Diverse Businesses (SDB) in Pennsylvania

2.2 Small Diverse Businesses

**OUT-OF-STATE
DGS SDBs
VERIFIED IN
PA 374**



WESTERN REGIONS = 289 VENDORS

CENTRAL REGIONS = 182 VENDORS

EASTERN REGIONS = 404 VENDORS

LEGEND

- NO DGS VERIFIED VENDORS= 11 COUNTIES
- 1 TO 99 PA DGS VERIFIED VENDORS=54 COUNTIES
- 100 OR GREATER PA DGS VERIFIED VENDORS = 2 COUNTIES

2.0 Small Businesses (SB) and Small Diverse Businesses (SDB) in Pennsylvania

The charts below provide a further breakdown, including regional and county data on SDBs verified by DGS. Regionally, 289 or 23.14% of these SDBs were headquartered in **Western PA**; 182 or 14.57% in **Central PA**; and 404 or 32.35% in **Eastern PA**;

PA. The remaining 374 or 29.94% are considered **“Out-of-State”**. MBEs represented 29.70%; WBEs 52.20%; MWBEs 7.61%; and VBEs/SDVEs 10.49% of the total 1,249 SDB population.

WESTERN PA REGION					
COUNTY	MBE	WBE	M/WBE	VBE SDVE	TOTAL
Allegheny	36	93	14	18	161
Armstrong	0	1	0	0	1
Beaver	1	9	0	0	10
Bedford	0	0	0	0	0
Blair	0	10	0	2	12
Butler	1	16	1	2	20
Cambria	2	12	0	0	14
Clarion	0	1	0	0	1
Crawford	0	2	0	0	2
Erie	1	9	0	2	12
Fayette	0	3	0	0	3
Forest	0	0	0	0	0
Greene	0	0	0	0	0
Indiana	0	3	0	1	4
Jefferson	0	0	0	0	0
Lawrence	0	2	0	1	3
Mercer	0	3	0	2	5
Somerset	0	2	0	0	2
Venango	0	2	0	0	2
Warren	0	1	0	0	1
Washington	1	10	0	2	13
Westmoreland	5	15	1	2	23
TOTALS	47	194	16	32	289

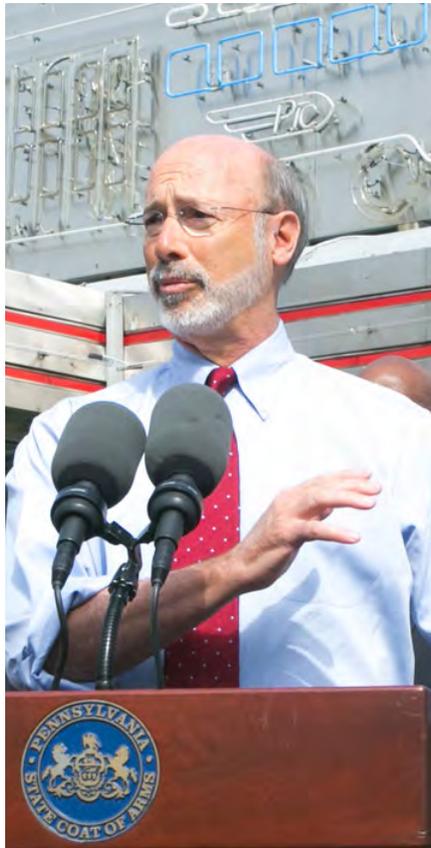
CENTRAL PA REGION					
COUNTY	MBE	WBE	M/WBE	VBE SDVE	TOTAL
Adams	0	2	0	1	3
Cameron	0	0	0	0	0
Centre	1	5	0	3	9
Clearfield	0	2	1	1	4
Clinton	0	0	0	1	1
Cumberland	15	30	8	5	58
Dauphin	11	25	2	1	39
Elk	0	1	0	0	1
Franklin	0	3	0	0	3
Fulton	0	2	0	0	2
Huntingdon	0	1	0	0	1
Juniata	0	0	0	0	0
Lancaster	8	13	2	2	25
Lebanon	1	2	0	2	5
Lycoming	1	0	0	0	1
McKean	0	2	0	0	2
Mifflin	0	0	0	1	1
Northumberland	1	1	0	0	2
Perry	0	2	0	1	3
Potter	0	0	0	0	0
Snyder	0	0	0	1	1
Tioga	0	1	0	0	1
Union	0	0	0	1	1
York	1	13	1	4	19
TOTALS	39	105	14	24	182

EASTERN PA REGION					
COUNTY	MBE	WBE	M/WBE	VBE SDVE	TOTAL
Berks	3	12	0	3	18
Bradford	0	1	0	0	1
Bucks	10	25	1	3	39
Carbon	0	0	0	0	0
Chester	13	25	2	10	50
Columbia	1	0	0	0	1
Delaware	9	20	3	4	36
Lackawanna	1	5	1	0	7
Lehigh	4	13	0	2	19
Luzerne	1	3	0	6	10
Monroe	2	0	1	2	5
Montgomery	23	54	3	4	84
Montour	0	1	0	0	1
Northampton	2	4	2	2	10
Philadelphia	54	44	16	3	117
Pike	0	0	0	0	0
Schuylkill	1	1	0	1	3
Sullivan	0	0	0	0	0
Susquehanna	0	1	0	0	1
Wayne	0	1	0	1	2
Wyoming	0	0	0	0	0
TOTALS	124	210	29	41	404

OUT-OF-STATE - SDBs					
COUNTY	MBE	WBE	M/WBE	VBE SDVE	TOTAL
Out-of-State	161	143	36	34	374

TOTAL PA VERIFIED SDBs PER CLASSIFICATION	# OF SDBs	% OF SDBs
Minority Business Enterprises (MBEs)	371	30%
Women Business Enterprises (WBEs)	652	52%
Minority Women Business Enterprises (MWBEs)	95	8%
Veteran and Service Disabled Veteran Business Enterprises (VBEs/SDVEs)	131	10%
GRAND TOTAL	1,249	100%

2.0 Small Businesses (SB) and Small Diverse Businesses (SDB) in Pennsylvania



ALL SMALL DIVERSE BUSINESS CLASSIFICATION TYPES - FISCAL YEAR 2015-16		
SDB VENDOR CLASSIFICATION	COMPANIES VERIFIED	PERCENTAGE OF TOTAL POPULATION
Minority Business Enterprises (MBE)	371	29.70%
Minority Veteran Business Enterprises (MVBE)	2	0.16%
Minority Service Disabled Veteran (MSDV)	5	0.40%
Woman Business Enterprises (WBE)	652	52.20%
Woman Veteran Business Enterprises (WVBE)	0	0.00%
Woman Service Disabled Veteran (WSDV)	0	0.00%
Minority Women Business Enterprises (MWBE)	95	7.61%
Minority Women Veteran Enterprises (MWVE)	0	0.00%
Minority Women Service Disabled Veteran (MWSD)	0	0.00%
Veteran Business Enterprises (VBE)	46	3.68%
Service Disabled Veteran Business Enterprises (SDVE)	78	6.25%
TOTAL	1,249	100.00%

3.0 Distribution of SB and SDB Payments for FY 2015-2016

3.1 Payments to Small Businesses

During FY 2015-16, 651 self-certified SBs received a total of \$108,679,236 in payments for goods, services and construction, a 4.5% decrease from the previous fiscal year which was slightly less than the 5% decrease in overall Commonwealth spending.

The chart below presents the distribution of SB payments by Commonwealth agency. SDBs are not included here but are covered in Section 3.2. Only payments made to SB prime contractors are included in the data. DGS did not track SB participation in Commonwealth subcontracts during the reporting period. Also excluded from the data are payments made to any SBs who did not self-certify or register in the DGS database. As such, the data likely understates the overall level of SB participation in Commonwealth contracting to some degree.



AGENCY	PAYMENTS
Aging	\$6,000
Agriculture	\$959,006
Attorney General	\$141,748
Auditor General	\$149,484
Banking & Securities	\$100,982
Civil Service Commission	\$3,438
Community & Economic Develop	\$840,883
Conservation & Natural Resources	\$6,653,912
Corrections	\$11,355,977
Education	\$207,772
Environmental Hearing Board	\$8,822
Environmental Protection	\$7,329,598
Executive Offices	\$1,893,775

AGENCY	PAYMENTS
Fish & Boat Commission	\$78,180
Game Commission	\$1,223,009
General Services	\$41,706,443
Health	\$53,477
Historical & Museum Commission	\$1,205,870
Human Services	\$7,509,554
Insurance	\$275,566
Labor & Industry	\$5,336,831
Military & Veterans Affairs	\$2,481,481
PA eHealth Partnership Authority	\$14,500
PA Emergency Management Agency	\$77,252
PA Gaming Control Board	\$13,387
PA Infrastructure Investment	\$25,130

AGENCY	PAYMENTS
PA Municipal Retirement Board	\$212
PA Port Authorities	\$12,300
PA School Employees' Retirement	\$146,053
Probation & Parole	\$224,896
Public Utility Commission	\$69,527
Revenue	\$302,857
State Department	\$18,001
State Employees' Retirement System	\$1,600
State Police	\$2,432,934
Transportation	\$15,818,779
TOTAL	\$108,679,236

3.0 Distribution of SB and SDB Payments for FY 2015-2016

3.2 Payments to Small Diverse Businesses

During FY 2015-16, 441 SDBs received a total of \$245,652,204 in payments for goods, services and construction. This represents a decrease of 13% from the previous year. The decrease is associated with two factors, the 5% reduction in overall Commonwealth expenditures for goods and services and the significant reduction in SDB expenditures associated with the SCI Phoenix construction project.

The chart below summarizes the distribution of all SDB payments by SDB classification:

SDB CLASSIFICATION	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Minority Business	\$68,657,136	27.95%	109	24.71
Minority Veteran Business	\$8,160,292	3.32%	1	0.23%
Minority Service Disabled Veteran Business	\$2,529,918	1.03%	1	0.23%
Women Business	\$108,838,886	44.31%	252	57.14%
Minority/Women Business	\$52,238,621	21.26%	40	9.07%
Veteran Business	\$3,685,529	1.50%	15	3.40%
Service Disabled Veteran Business	\$1,541,822	0.63%	23	5.22%
TOTAL	\$245,652,204	100.00%	441	100.00%

The chart below summarizes the distribution of all SDB payments by SDB classification:

AGENCY	CONTRACT TYPE	MBE	MVBE	MSDV	WBE	MWBE	VBE	SDVE	TOTAL
Administrative Office of the PA Courts	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$0	\$0	\$0	\$1,357	\$0	\$0	\$0	\$1,357
Agriculture	Prime Contractor	\$0	\$0	\$0	\$3,628	\$7,500	\$0	\$0	\$11,128
	Subcontractor	\$683,700	\$0	\$0	\$0	\$0	\$0	\$0	\$683,700
Attorney General	Prime Contractor	\$11,125	\$0	\$0	\$18,474	\$0	\$0	\$0	\$29,599
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Auditor General	Prime Contractor	\$32,718	\$0	\$0	\$5,803	\$0	\$0	\$0	\$38,521
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Banking & Securities	Prime Contractor	\$0	\$0	\$0	\$12,002	\$0	\$0	\$0	\$12,002
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Civil Service Commission	Prime Contractor	\$260	\$0	\$0	\$24,155	\$0	\$0	\$0	\$24,415
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Community & Economic Development	Prime Contractor	\$427,263	\$0	\$0	\$299,087	\$0	\$1,685	\$0	\$728,035
	Subcontractor	\$0	\$0	\$0	\$516,791	\$0	\$0	\$60,635	\$577,426
Conservation & Natural Resources	Prime Contractor	\$1,247,936	\$0	\$0	\$292,463	\$7,993	\$847	\$93,199	\$1,642,438
	Subcontractor	\$384,950	\$0	\$0	\$85,230	\$71,129	\$0	\$280,000	\$821,309

3.0 Distribution of SB and SDB Payments for FY 2015-2016

AGENCY	CONTRACT TYPE	MBE	MVBE	MSDV	WBE	MWBE	VBE	SDVE	TOTAL
Corrections	Prime Contractor	\$0	\$0	\$0	\$1,181,637	\$0	\$94,161	\$12,178	\$1,287,976
	Subcontractor	\$4,132,671	\$8,160,292	\$0	\$9,008,193	\$3,199,256	\$0	\$18,075	\$24,518,487
Education	Prime Contractor	\$53,562	\$0	\$0	\$38,634	\$0	\$453,375	\$0	\$545,571
	Subcontractor	\$295,540	\$0	\$0	\$63,522	\$271,170	\$0	\$0	\$630,232
Environmental Hearing Board	Prime Contractor	\$1,380	\$0	\$0	\$5,415	\$0	\$0	\$0	\$6,795
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Environmental Protection	Prime Contractor	\$1,694,398	\$0	\$0	\$1,791,088	\$0	\$0	\$0	\$3,485,486
	Subcontractor	\$106,285	\$0	\$0	\$144,543	\$0	\$0	\$4,420	\$255,248
Executive Offices	Prime Contractor	\$781,449	\$0	\$2,529,918	\$367,913	\$0	\$0	\$0	\$3,679,280
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fish & Boat Commission	Prime Contractor	\$0	\$0	\$0	\$252,263	\$0	\$0	\$0	\$252,263
	Subcontractor	\$8,021	\$0	\$0	\$353,990	\$0	\$0	\$0	\$362,011
Game Commission	Prime Contractor	\$93,840	\$0	\$0	\$83,383	\$0	\$35,006	\$0	\$212,229
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Services	Prime Contractor	\$3,116,237	\$0	\$0	\$3,175,995	\$129,119	\$33,841	\$518,458	\$6,973,650
	Subcontractor	\$18,248,993	\$0	\$0	\$15,811,814	\$11,592,981	\$0	\$39,353	\$45,693,141
Health	Prime Contractor	\$0	\$0	\$0	\$1,164,503	\$0	\$0	\$0	\$1,164,503
	Subcontractor	\$168,594	\$0	\$0	\$155,092	\$47,487	\$0	\$0	\$371,173
Historical & Museum Commission	Prime Contractor	\$0	\$0	\$0	\$30,403	\$0	\$0	\$98,914	\$129,317
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Human Services	Prime Contractor	\$134,847	\$0	\$0	\$732,126	\$428,636	\$1,158,232	\$294,040	\$2,747,881
	Subcontractor	\$22,952,820	\$0	\$0	\$27,852,922	\$30,910,230	\$0	\$11,284	\$81,727,256
Insurance	Prime Contractor	\$0	\$0	\$0	\$89,762	\$0	\$0	\$0	\$89,762
	Subcontractor	\$113,942	\$0	\$0	\$381,351	\$0	\$0	\$0	\$495,293
Labor & Industry	Prime Contractor	\$317,958	\$0	\$0	\$2,826,542	\$51,859	\$7,993	\$0	\$3,204,352
	Subcontractor	\$992,083	\$0	\$0	\$4,365,335	\$1,855,729	\$0	\$0	\$7,213,147

3.0 Distribution of SB and SDB Payments for FY 2015-2016

AGENCY	CONTRACT TYPE	MBE	MVBE	MSDV	WBE	MWBE	VBE	SDVE	TOTAL
Liquor Control Board	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$118,964	\$0	\$0	\$454,022	\$753,999	\$0	\$0	\$1,326,985
Military & Veterans Affairs	Prime Contractor	\$3,000	\$0	\$0	\$107,564	\$10,279	\$149,353	\$20,511	\$290,707
	Subcontractor	\$363,340	\$0	\$0	\$1,943,158	\$134,662	\$0	\$3,203	\$2,444,363
Milk Marketing Board	Prime Contractor	\$0	\$0	\$0	\$964	\$0	\$0	\$0	\$964
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office of Administration	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$4,973,575	\$0	\$0	\$15,487,363	\$517,631	\$967,934	\$0	\$21,946,503
Office of the Budget	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$21,465	\$0	\$0	\$284,035	\$0	\$0	\$0	\$305,500
Office of General Counsel	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$18,793	\$0	\$0	\$0	\$0	\$0	\$0	\$18,793
Office of Lieutenant Governor	Prime Contractor	\$8,557	\$0	\$0	\$0	\$0	\$0	\$0	\$8,557
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PA Commission on Crime and Delinquency	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$0	\$0	\$0	\$150,516	\$0	\$0	\$0	\$150,516
PA eHealth Partnership	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PA Emergency Management Agency	Prime Contractor	\$53,908	\$0	\$0	\$0	\$0	\$0	\$0	\$53,908
	Subcontractor	\$196,717	\$0	\$0	\$328,311	\$1,478,256	\$0	\$0	\$2,003,284
PA Gaming Control Board	Prime Contractor	\$4,932	\$0	\$0	\$131,945	\$0	\$0	\$0	\$136,877
	Subcontractor	\$0	\$0	\$0	\$38,466	\$0	\$0	\$0	\$38,466
PA Infrastructure Investment	Prime Contractor	\$25,787	\$0	\$0	\$5,125	\$0	\$3,620	\$0	\$34,532
	Subcontractor	\$0	\$0	\$0	\$10,226	\$0	\$0	\$0	\$10,226
PA Port Authorities	Prime Contractor	\$2,660	\$0	\$0	\$0	\$0	\$0	\$0	\$2,660
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

3.0 Distribution of SB and SDB Payments for FY 2015-2016

AGENCY	CONTRACT TYPE	MBE	MVBE	MSDV	WBE	MWBE	VBE	SDVE	TOTAL
Probation and Parole	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Public School Employees' Retirement System	Prime Contractor	\$122,764	\$0	\$0	\$28,379	\$0	\$0	\$0	\$151,143
	Subcontractor	\$187,823	\$0	\$0	\$610,734	\$0	\$0	\$0	\$798,557
Public Utility Commission	Prime Contractor	\$0	\$0	\$0	\$65,109	\$0	\$187,444	\$0	\$252,553
	Subcontractor	\$5,669	\$0	\$0	\$302,772	\$1,000	\$0	\$67,277	\$376,718
Revenue	Prime Contractor	\$33,986	\$0	\$0	\$252,541	\$0	\$0	\$0	\$286,527
	Subcontractor	\$162,097	\$0	\$0	\$824,638	\$8,993	\$0	\$0	\$995,728
State Department	Prime Contractor	\$889,437	\$0	\$0	\$48,585	\$0	\$0	\$0	\$938,022
	Subcontractor	\$0	\$0	\$0	\$541,099	\$90,860	\$0	\$0	\$631,959
State Employees' Retirement System	Prime Contractor	\$0	\$0	\$0	\$111,384	\$0	\$0	\$0	\$111,384
	Subcontractor	\$0	\$0	\$0	\$106,708	\$0	\$0	\$0	\$106,708
State Police	Prime Contractor	\$1,945,695	\$0	\$0	\$231,827	\$5,250	\$0	\$20,275	\$2,203,047
	Subcontractor	\$869,505	\$0	\$0	\$1,253,307	\$35,575	\$0	\$0	\$2,158,387
State System of Higher Education	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$1,295,997	\$0	\$0	\$2,912,913	\$243,614	\$0	\$0	\$4,452,524
Transportation	Prime Contractor	\$1,193,826	\$0	\$0	\$7,583,008	\$385,413	\$592,038	\$0	\$9,754,285
	Subcontractor	\$158,067	\$0	\$0	\$3,888,771	\$0	\$0	\$0	\$4,046,838
TOTALS	Prime Contractor	\$12,197,525	\$0	\$2,529,918	\$20,961,707	\$1,026,049	\$2,717,595	\$1,057,575	\$40,490,369
	Subcontractor	\$56,459,611	\$8,160,292	\$0	\$87,877,179	\$51,212,572	\$967,934	\$484,247	\$205,161,835
	GRAND TOTAL	\$68,657,136	\$8,160,292	\$2,529,918	\$108,838,886	\$52,238,621	\$3,685,529	\$1,541,822	\$245,652,204

3.0 Distribution of SB and SDB Payments for FY 2015-2016

The vast majority of the Commonwealth's spending with SDBs during FY 2015-16 was associated with subcontracts. \$40 million, or 16% of the total dollars paid to SDBs, were paid to SDBs as prime contractors. Since the Commonwealth employs different procurement methods for construction and for non-construction related expenditures, the following charts present additional detailed data on SDB subcontract expenditures in these two categories.

FY 2015-2016 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY CLASSIFICATION - NON-CONSTRUCTION

SDB CLASSIFICATION	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Minority Business	\$45,653,513	25.87%	64	29.09%
Minority Veteran Business	\$8,160,292	4.62%	1	0.46%
Women Business	\$72,450,766	41.05%	122	55.45%
Minority/Women Business	\$49,123,303	27.83%	29	13.18%
Veteran Business	\$967,934	0.55%	1	0.46%
Service Disabled Veteran Business	\$132,332	0.08%	3	1.36%
TOTAL	\$176,488,140	100%	220	100%

FY 2015-2016 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY COUNTY - NON-CONSTRUCTION

COUNTY	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Adams	\$1,000	0.00%	1	0.45%
Allegheny	\$16,663,063	9.44%	29	13.18%
Armstrong	\$0	0.00%	0	0.00%
Beaver	\$0	0.00%	0	0.00%
Bedford	\$0	0.00%	0	0.00%
Berks	\$153,540	0.09%	2	0.91%
Blair	\$0	0.00%	0	0.00%
Bradford	\$0	0.00%	0	0.00%
Bucks	\$2,034,556	1.15%	4	1.82%
Butler	\$287,304	0.16%	2	0.91%
Cambria	\$2,230,470	1.26%	3	1.37%
Cameron	\$0	0.00%	0	0.00%
Carbon	\$0	0.00%	0	0.00%
Centre	\$0	0.00%	0	0.00%

COUNTY	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Chester	\$360,965	0.21%	4	1.82%
Clarion	\$0	0.00%	0	0.00%
Clearfield	\$0	0.00%	0	0.00%
Clinton	\$0	0.00%	0	0.00%
Columbia	\$0	0.00%	0	0.00%
Crawford	\$118,481	0.07%	1	0.45%
Cumberland	\$30,547,896	17.31%	28	12.73%
Dauphin	\$17,294,131	9.80%	15	6.82%
Delaware	\$2,148,327	1.22%	8	3.64%
Elk	\$0	0.00%	0	0.00%
Erie	\$167	0.00%	1	0.45%
Fayette	\$42,905	0.02%	1	0.45%
Forest	\$0	0.00%	0	0.00%
Franklin	\$0	0.00%	0	0.00%

3.0 Distribution of SB and SDB Payments for FY 2015-2016

COUNTY	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Fulton	\$0	0.00%	0	0.00%
Greene	\$0	0.00%	0	0.00%
Huntingdon	\$0	0.00%	0	0.00%
Indiana	\$0	0.00%	0	0.00%
Jefferson	\$0	0.00%	0	0.00%
Juniata	\$0	0.00%	0	0.00%
Lackawanna	\$1,967,207	1.12%	4	1.82%
Lancaster	\$1,689,025	0.96%	6	2.73%
Lawrence	\$0	0.00%	0	0.00%
Lebanon	\$40,127	0.02%	2	0.91%
Lehigh	\$56,276	0.03%	1	0.45%
Luzerne	\$299,600	0.17%	3	1.37%
Lycoming	\$768	0.00%	1	0.45%
McKean	\$0	0.00%	0	0.00%
Mercer	\$0	0.00%	0	0.00%
Mifflin	\$0	0.00%	0	0.00%
Monroe	\$4,420	0.00%	1	0.45%
Montgomery	\$10,434,634	5.91%	11	5.00%
Montour	\$0	0.00%	0	0.00%
Northampton	\$273,151	0.15%	1	0.45%
Northumberland	\$0	0.00%	0	0.00%

COUNTY	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Perry	\$70,607	0.04%	1	0.45%
Philadelphia	\$12,601,481	7.14%	21	9.55%
Pike	\$0	0.00%	0	0.00%
Potter	\$0	0.00%	0	0.00%
Schuylkill	\$0	0.00%	0	0.00%
Snyder	\$0	0.00%	0	0.00%
Somerset	\$244,026	0.14%	1	0.45%
Sullivan	\$0	0.00%	0	0.00%
Susquehanna	\$0	0.00%	0	0.00%
Tioga	\$0	0.00%	0	0.00%
Union	\$0	0.00%	0	0.00%
Venango	\$0	0.00%	0	0.00%
Warren	\$0	0.00%	0	0.00%
Washington	\$408,567	0.23%	3	1.37%
Wayne	\$0	0.00%	0	0.00%
Westmoreland	\$1,056,254	0.60%	4	1.82%
Wyoming	\$0	0.00%	0	0.00%
York	\$9,425	0.01%	2	0.91%
Out-of-State	\$75,449,767	42.75%	59	26.82%
TOTAL	\$176,488,140	100.00%	220	100.00%

3.0 Distribution of SB and SDB Payments for FY 2015-2016

FY 2015-2016 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY CLASSIFICATION - CONSTRUCTION

SDB CLASSIFICATION	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Minority Business	\$10,806,098	37.69%	27	28.12%
Minority Veteran Business	\$0	0.00%	0	0.00%
Women Business	\$15,426,413	53.80%	59	61.46%
Minority/Women Business	\$2,089,269	7.28%	5	5.21%
Veteran Business	\$0	0.00%	0	0.00%
Service Disabled Veteran Business	\$351,915	1.23%	5	5.21%
TOTAL	\$28,673,695	100%	96	100%

FY 2015-2016 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY COUNTY - CONSTRUCTION

COUNTY	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Adams	\$0	0.00%	0	0.00%
Allegheny	\$7,843,010	27.14%	22	22.92%
Armstrong	\$0	0.00%	0	0.00%
Beaver	\$0	0.00%	0	0.00%
Bedford	\$1,850	0.01%	1	1.04%
Berks	\$9,050	0.03%	1	1.04%
Blair	\$407,329	1.42%	2	2.08%
Bradford	\$0	0.00%	0	0.00%
Bucks	\$376,490	1.31%	6	6.25%
Butler	\$1,175,561	4.10%	3	3.13%
Cambria	\$104,078	0.36%	1	1.04%
Cameron	\$0	0.00%	0	0.00%

COUNTY	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Carbon	\$0	0.00%	0	0.00%
Centre	\$2,205,971	7.69%	3	3.13%
Chester	\$1,328,315	4.63%	5	5.21%
Clarion	\$0	0.00%	0	0.00%
Clearfield	\$4,927	0.02%	1	1.04%
Clinton	\$0	0.00%	0	0.00%
Columbia	\$0	0.00%	0	0.00%
Crawford	\$18,733	0.07%	1	1.04%
Cumberland	\$2,330,634	8.13%	2	2.08%
Dauphin	\$153,538	0.75%	7	7.29%
Delaware	\$814,736	2.84%	4	4.17%
Elk	\$0	0.00%	0	0.00%

3.0 Distribution of SB and SDB Payments for FY 2015-2016

COUNTY	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Erie	\$8,383	0.03%	2	2.08%
Fayette	\$0	0.00%	0	0.00%
Forest	\$0	0.00%	0	0.00%
Franklin	\$0	0.00%	0	0.00%
Fulton	\$317,951	1.11%	1	1.04%
Greene	\$0	0.00%	0	0.00%
Huntingdon	\$0	0.00%	0	0.00%
Indiana	\$0	0.00%	0	0.00%
Jefferson	\$0	0.00%	0	0.00%
Juniata	\$0	0.00%	0	0.00%
Lackawanna	\$0	0.00%	0	0.00%
Lancaster	\$2,237,294	7.80%	4	4.17%
Lawrence	\$0	0.00%	0	0.00%
Lebanon	\$19,766	0.07%	1	1.04%
Lehigh	\$356,613	1.24%	3	3.13%
Luzerne	\$9,892	0.04%	2	2.08%
Lycoming	\$0	0.00%	0	0.00%
McKean	\$0	0.00%	0	0.00%
Mercer	\$0	0.00%	0	0.00%
Mifflin	\$0	0.00%	0	0.00%
Monroe	\$0	0.00%	0	0.00%
Montgomery	\$4,644,595	16.20%	7	7.29%
Montour	\$0	0.00%	0	0.00%

COUNTY	VALUE	PERCENTAGE	COUNT	PERCENTAGE
Northampton	\$0	0.00%	0	0.00%
Northumberland	\$0	0.00%	0	0.00%
Perry	\$0	0.00%	0	0.00%
Philadelphia	\$2,283,510	7.96%	6	6.25%
Pike	\$0	0.00%	0	0.00%
Potter	\$0	0.00%	0	0.00%
Schuylkill	\$0	0.00%	0	0.00%
Snyder	\$0	0.00%	0	0.00%
Somerset	\$0	0.00%	0	0.00%
Sullivan	\$0	0.00%	0	0.00%
Susquehanna	\$0	0.00%	0	0.00%
Tioga	\$0	0.00%	0	0.00%
Union	\$0	0.00%	0	0.00%
Venango	\$10,553	0.04%	1	1.04%
Warren	\$0	0.00%	0	0.00%
Washington	\$0	0.00%	0	0.00%
Wayne	\$0	0.00%	0	0.00%
Westmoreland	\$544,288	1.90%	2	2.08%
Wyoming	\$0	0.00%	0	0.00%
York	\$132,310	0.46%	4	4.17%
Out-of-state SDBs	\$1,334,318	4.65%	4	4.17%
TOTAL	\$28,673,695	100.00%	96	100.00%

4.0 Contract Commitments to Small Businesses and Small Diverse Businesses during FY 2015-16



4.1 Commitments to Small Businesses

During FY 2015-16, the Commonwealth had just one policy initiative designed to promote the use of SBs in Commonwealth contracting. That program encouraged Commonwealth agencies to create race and gender-neutral set-asides for small businesses known as the Small Business Contracting Program. These procurements focused exclusively on creating prime contracting opportunities for SBs. The Commonwealth did not formally promote or track subcontracting with SBs during FY 2015-16, only SDBs.

During FY 2015-16, SBs were awarded 269 prime contracts as result of the Small Business Contracting Program with an annualized total value of \$10,334,198.67, across construction and non-construction categories.



4.2 Commitments to Small Diverse Businesses

During FY 2015-16, the Commonwealth awarded contracts pursuant to 126 non-construction RFPs, a considerable increase from just 51 last year, with a total projected value of \$1,062,781,005. These best value procurements resulted in subcontract commitments to SDBs with a total projected value of \$347,711,728. Depending on the time of award the annualized spend resulting from these commitments

should be reflected in the next fiscal year reporting period for 2016-17.

For DGS construction procurements with a value greater than \$50,000, the Department set an MPL of 7.5% for participation of SDBs as subcontractors, suppliers, and professional service providers. Prime contractors could opt-in to the MPL program at the time of each IFB, or they could choose a GFE-based alternative program established by DGS.

During FY 2015-16, 62 construction contracts were awarded using the IFB method. Fewer than half of the contractors awarded prime contracts opted in to the MPL program and made firm commitments to subcontract at least 7.5% of the contract value with SDB firms. The majority chose the GFE alternative. Since the GFE approach does not result in specific commitments to SDBs at the time of award, GFE based contracts are not counted in the SDB commitments data. Payments resulting from both GFE and MPL based contracts are, however, captured in the payments data.

The 17 MPL based construction contracts awarded in FY 2015-16, had a total projected value of \$12,502,933, representing an SDB commitment of \$937,720. A summary of FY 2015-16 SDB commitments is provided in the following chart:

SUMMARY OF SDB COMMITMENTS - FY 2015-16

CATEGORY	TOTAL PROJECTED VALUE	TOTAL SDB COMMITMENT	ANNUALIZED PROJECTED VALUE	ANNUALIZED SDB COMMITMENT
General RFPs	\$912,781,005	\$205,211,728	\$227,593,526	\$47,477,224
Staff Augmentation	\$150,000,000	\$142,500,000	\$75,000,000	\$71,250,000
SUBTOTAL	\$1,062,781,005	\$347,711,728	\$302,593,526	\$118,727,225
Construction IFBs	\$12,502,933	\$937,720	\$5,945,491	\$445,912
GRAND TOTAL	\$1,075,283,938	\$348,649,448	\$308,539,017	\$119,173,136

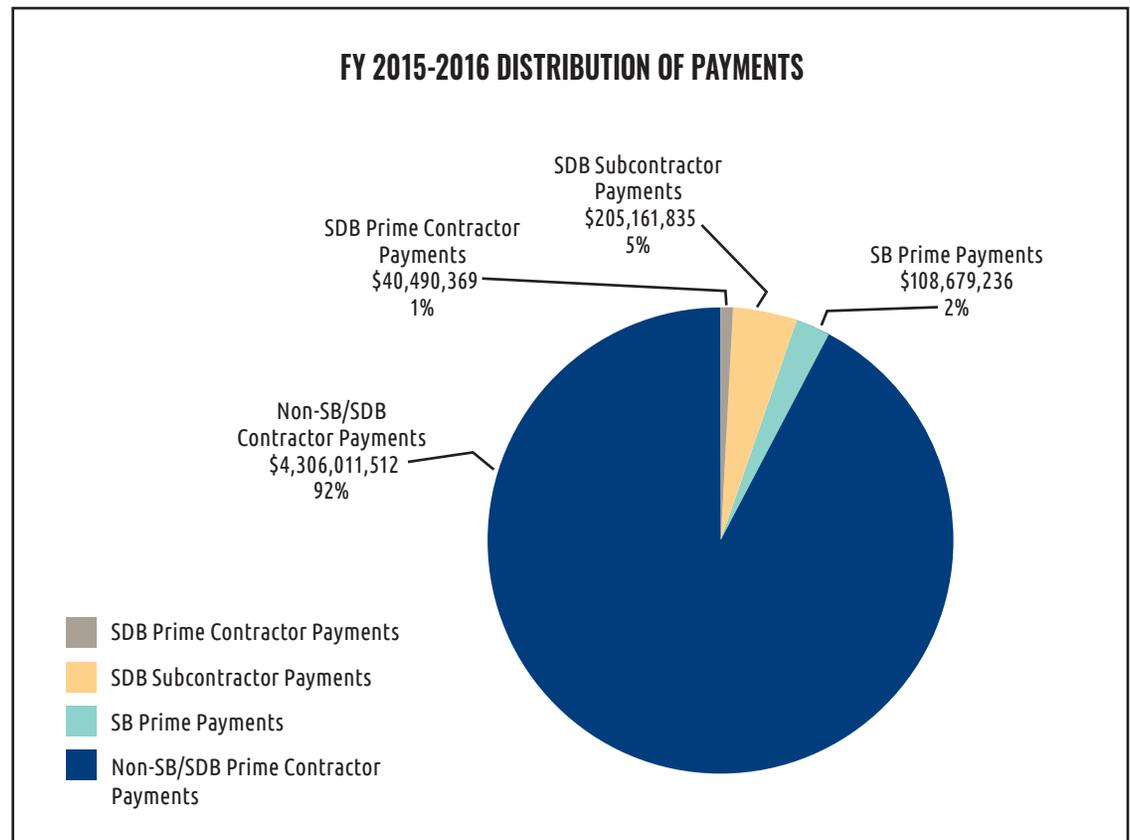
5.0 Analysis

5.1 Payments Analysis

During FY 2015-16, total Commonwealth expenditures for goods, services and construction totaled \$4,660,342,952, down 5% from FY 2014-15. Together, registered SBs and SDBs received \$354,331,440 or 8% of these dollars.

These data likely undercount both SB and SDB participation, at least to some degree. Even with the increase in the population of 3,523 self-certified SBs and just 1,249 DGS-verified SDBs, the DGS database represents a small fraction of all eligible SBs and SDBs in Pennsylvania. It is very likely that some number of SBs and SDBs benefitted from Commonwealth contracts during FY 2015-16 but went uncounted because they were not registered.

More significantly, the Commonwealth did not collect information on the vast majority of the subcontracting activity that occurred during the year. Since SB and SDB participation were not considered as part of the award process in the majority of procurements, the Commonwealth did not track participation levels in the majority of contracts. DGS is evaluating options to improve systems for data collection and the Commonwealth's increasing utilization of best value methods represents a partial remedy but the numbers above remain an underestimate. Notwithstanding these data collection challenges, the Commonwealth continues to under-perform in comparison with neighboring states such as New York and Maryland, who both report SDB participation in excess of 20 percent and SDB expenditures well over \$1 billion.



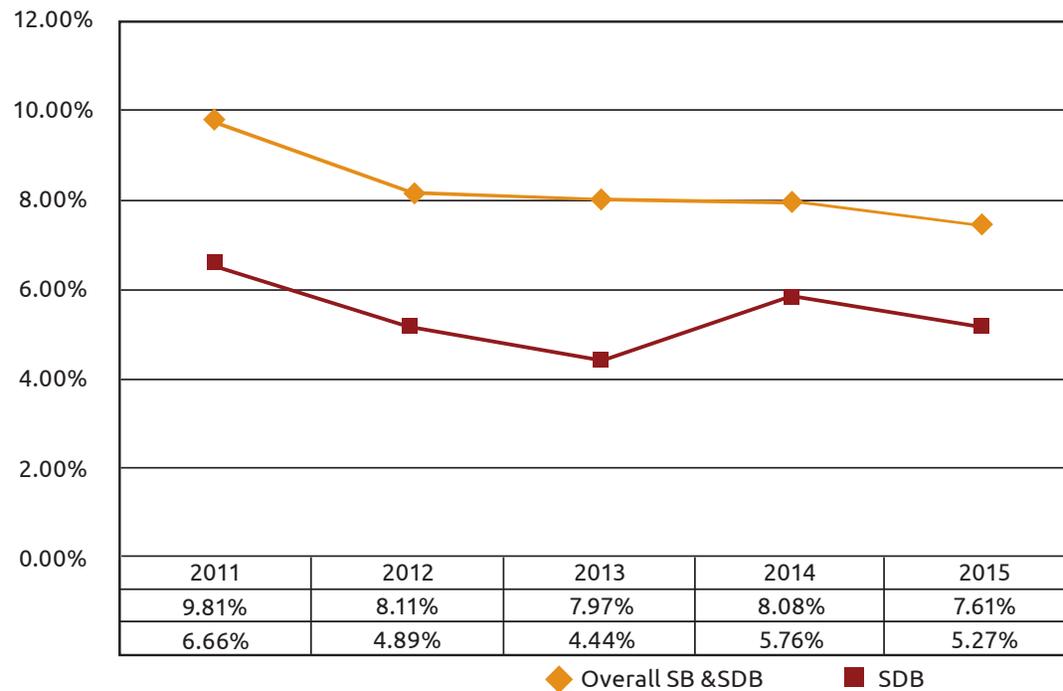
5.0 Analysis

The chart below presents the trend in SB and SDB percentages over the last five years.

Overall, SB and SDB participation declined in Pennsylvania between 2011 and 2014. However, with the addition of data from the current reporting period, it appears that this trend has been interrupted especially when the spike in SDB spending that occurred in 2014 due to the SCI Phoenix construction project is controlled for. Overall, the Commonwealth has just begun moving back in the right direction and providing more contracting opportunities for SBs and SDBs as a percentage of total Commonwealth expenditures.



SMALL AND SMALL DIVERSE BUSINESS PAYMENTS

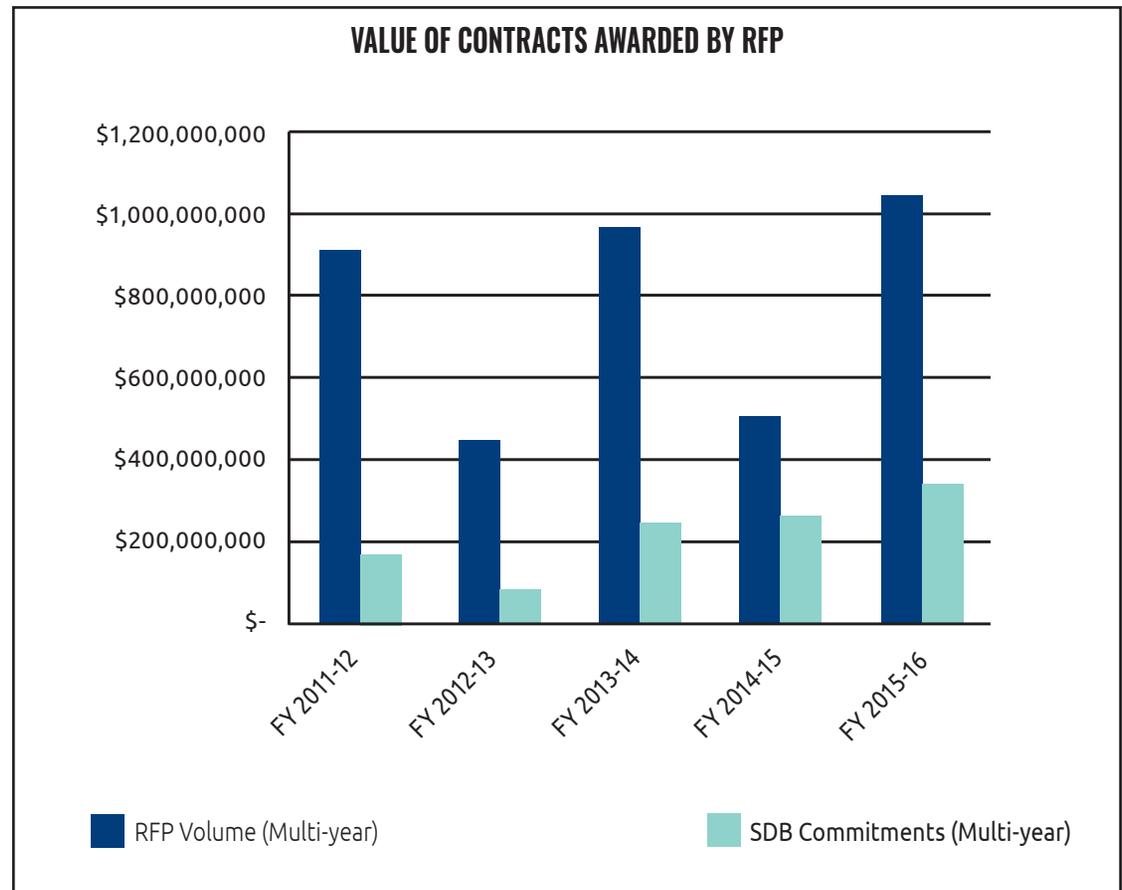


5.0 Analysis

5.2 Commitments Analysis

During the reporting period, DGS scored 126 agency RFPs, resulting in multi-year contracts with a projected total value of \$1,062,781,005 with total SDB subcontractor commitments of \$347,711,728, or nearly 33%. In comparison with the prior year, the number volume of RFPs more than doubled.

Of all procurement methods currently in use by the Commonwealth, the RFP remains the most effective at achieving SDB participation. With the recent addition of SB commitments to the RFP evaluation process, DGS anticipates that RFPs will be similarly effective for SB participation in future years. DGS views this year's increase in RFP usage as a sign of progress. We continue to work with Commonwealth agencies to streamline and simplify the RFP process to encourage still more RFP use and ultimately increased SB and SDB participation.



6.0 Accomplishments



During FY 2015-16, the Commonwealth has implemented the following organizational program and policy changes:

- Established a rigorous, empirically valid metric for SB and SDB participation in state contracting, based on payments. Prior to 2016, DGS did not report on SB participation, and its approach to reporting SDB participation was based solely on financial commitments made to SDBs in a fiscal year as a percentage of the value of state contracts awarded using RFPs during the corresponding fiscal year. Since RFPs represent just a small fraction of all state contracts and state spending, the old approach tended to overstate SDB participation levels. Working with the Governor's Advisory Council on Diversity, Inclusion and Small Business Opportunities

(Advisory Council), DGS adopted a new, more accurate and straightforward approach, based on payments to SBs and SDBs within a fiscal year as a percentage of all state spending for goods and services in that fiscal year.

- Inclusion of LGBT and disabled business owners. In accordance with the Executive Order, BDISBO began accepting credentials from certification organizations for LGBT and Disabled Business Owners.
- Inclusion of self-certified small businesses in the Commonwealth's RFP process. For the first time ever, prime contractors who respond to Commonwealth requests for proposals can now earn RFP evaluation points for subcontracting with SBs in addition to the evaluation points they receive for subcontracting with SDBs.

- Improved BDISBO scoring model. Beginning in 2016, DGS implemented a new RFP scoring methodology that increases the competitive importance of SB and SDB participation in the review of RFP responses. The new model is simpler and easier for competing suppliers to understand and follow. Importantly, it also ensures that the RFP respondents who make the most substantive commitments to SBs and SDBs in their proposals will receive full credit, up to 20% of the total available points for RFP evaluations. The new model makes SB and SDB participation in RFP competitions a more important factor in determining winning bids.
- Subcontracting requirement and model subcontract language. Working with the Advisory Council, DGS has developed and implemented (i) a new protocol for prime contractor respondents to certify as part of their RFP response the subcontractors to be used on the project, the work to be performed and the compensation to be received and (ii) new standard contract terms and conditions which have been applied to new RFP-based contracts since July 1, 2016. The new terms require that winning prime contractors must submit signed subcontracts with their SB and SDB partners within 30 days after the prime contract's award. SB and SDB subcontracts must incorporate the work descriptions and compensation set forth in the certifications and all other terms and conditions can be no less favorable than those offered by the Commonwealth to prime contractors.

The Commonwealth also now provides recommended subcontract language as an integral part of the RFP process.

- SB/SDB Participation in commercial leases. DGS is expanding the BDISBO program to include transactions within its portfolio of leased properties (over 7 million square feet) in Pennsylvania. When DGS solicits for new space potential landlords' status as SBs or SDBs and/or their financial commitments to SBs and SDBs will be considered as part of the best value award.
- Greater inclusion in Commonwealth construction contracts. In August of 2016, DGS implemented a new job order contracting (JOC) system using a best-value, multiple-award request for proposals process. The new JOC system is intended for all Commonwealth construction jobs with a value less than \$300,000 (worth

approximately \$20 million annually). By using an RFP, DGS achieved BDISBO commitments more than two times larger than typically achieved in construction contracts.

- New DCED program to provide greater access to working capital. In July 2016, the Pennsylvania Department of Community and Economic Development (DCED) introduced the Small Diverse Business Capital Access Program, administered by the Pennsylvania Industrial Development Authority, which provides low-interest loans of up to \$200,000 and lines of credit of up to \$100,000 to SDBs that commit to creating and retaining full-time jobs within the Commonwealth.
- Competitive Procurement of Legal Services. On January 20, 2015, Governor Wolf issued Executive Order 2015-02, calling for the competitive procurement of legal services.

Since that time, numerous RFPs have been issued for outside legal services and all of them have included within the evaluation criteria 20% of the available points for SDBs as prime vendors as well as for SDB subcontractors in professional or para-professional capacities. The Commonwealth has seen legal service commitment to SDB law firms increase from a historical 0% per engagement, to 5%-40% per engagement for the vast majority of awarded contracts. Additionally, through this procurement process the Commonwealth has seen three SDB law firms, as well as three additional SB law firms, be awarded engagements as a prime contractor. Finally, DGS has seen the number of firms providing legal services that were certified and verified as an SB or SDB increase from less than 5 total to 37 and 51, respectively.

6.1 Recommendations

The Commonwealth should:

- Conduct a disparity study to provide an empirical basis for the SDB contracting program.
 - Work to achieve a 10% SDB participation rate in FY 2017, a 20% SDB participation rate in FY 2018 and a 30% participation rate by SDBs in FY 2019 and beyond.
 - Allow for greater flexibility with respect to size limitations for participating SB and SDB firms.
 - Expand the BDISBO program to promote SB and SDB participation in all contracts, regardless of the procurement method used to initiate the contract.
 - Promote greater SB and SDB participation in grants and other “non-procurement” expenditures.
 - Establish an annual goal for each Executive Agency to increase the number of prime contracts awarded to SB and SDB prime contractors each year.
- Work to improve and expand public and private sector workforce development programs.
 - Develop a more robust system to monitor and report on expenditure data electronically so that program performance and outcomes can be evaluated.
 - Measure success based on participating firms’ relative business growth and stability combined with state spending.
 - Lead with a greater sense of urgency and do more to advocate for the success of the BDISBO program throughout state and local government and in the private sector.
 - Establish a formal mentor/protégé program as called for in Executive Order, 2015-11 by September 30, 2017.