



Bureau of Diversity, Inclusion and Small Business Opportunities

SMALL DIVERSE BUSINESS AND VETERAN SMALL BUSINESS

ANNUAL REPORT

FISCAL YEAR 2016-2017



pennsylvania
DEPARTMENT OF GENERAL SERVICES

Tom Wolf, Governor | Curt Topper, Secretary

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List of Abbreviations and Acronyms in Report



(BDISBO) Bureau of Diversity, Inclusion and Small Business Opportunities
(DBE) Disadvantaged Business Enterprise
(DGS) Department of General Services
(DOBE or D) Disability-Owned Business Enterprise
(FY) Fiscal Year
(GFE) Good Faith Efforts
(IFB) Invitation for Bids
(ITQ) Invitation to Qualify
(JOC) Job Order Contracting
(LGBT) Lesbian, Gay, Bisexual or Transgender
(LGBTBE or G) LGBT Business Enterprise

(MBE or M) Minority Business Enterprise
(MG) Minority, LGBT Business Enterprise
(MPL) Minimum Participation Level
(MSDV or MS) Minority Service Disabled Veteran
(MVBE or MV) Minority Veteran Business Enterprise
(MWBE or MW) Minority Women Business Enterprise
(MWVE or MWV) Minority Women Veteran Enterprise
(NGLCC) National Gay & Lesbian Chamber of Commerce
(NMSDC) National Minority Supplier Development Council
(RFP) Request for Proposals
(RFQ) Request for Quotes
(SB) Small Business

(SBA) United States Small Business Administration 8(a) Program
(SDB) Small Diverse Business
(SDVE or S) Service Disabled Veteran Business Enterprise
(UCP) Unified Certification Program
(USBLN) US Business Leadership Network
(VBE or V) Veteran Business Enterprise
(VetBiz) Vets First Verification Program
(WBE or W) Woman Business Enterprise
(WBENC) Women's Business Enterprise National Council
(WD) Woman, Disability-Owned Business Enterprise
(WVBE or WV) Woman Veteran Business Enterprise

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 2016-17”.



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 2016-17.

During the last year, DGS continued its effort to promote greater diversity and inclusion in how the Commonwealth does business. 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.

Within this year’s report, we have included expenditure data from PennDOT’s federally supported highway construction program for the first time. It’s just one indication of the progress that the Wolf administration is making in our effort to deliver more comprehensive reporting and to ensure that all agencies under the Governor’s jurisdiction are collaborating effectively to drive greater small business and small diverse business participation. That collaboration is also evident in the Commonwealth’s new Agency Liaison Program and in the first-ever comprehensive disparity study,

which is currently underway and scheduled to be completed during the summer of 2018.

The data in this report suggest that the steps we’re taking are having an impact. Overall small business participation grew marginally, as did the frequency of best value procurement methods. However, we still have a long way to go if we are to fulfill the recommendations of the Governor’s Advisory Council on Diversity, Inclusion and Small Business Opportunities and the requirements of Executive Order 2015-11. The entire administration is committed to making steady improvements throughout the year ahead.

Sincerely,

A handwritten signature in black ink, appearing to read 'Curt Topper', with a stylized flourish at the end.

Curt Topper
Secretary of the Department of General Services

Message from Secretary Leslie S. Richards



In 2016, the Pennsylvania Department of Transportation developed its 20/20 Strategic Direction Plan to guide the department as it prepares for the future while at the same time delivering the best possible services and facilities. Strategies of building and maintaining an innovative, smart and diverse organization are key, and at the same time, extending this to how PennDOT does business with a more diverse contracting community. We are focused on increasing diversity within our own team

and on expanding opportunities to work with our team. This includes increased outreach to diverse audiences of various ages, reinforcing and enhancing business practices, and bringing our diverse business partners together in new ways.

I'm very pleased with the progress we made this year. For example, our Bureau of Equal Opportunity launched a new advisory council focused on improving the diversity of contractors and small businesses with whom we partner. The council's mission is to foster a collaborative environment for all potential business partners and Department leaders. The council identifies issues and challenges faced by industry and Disadvantaged Business Enterprises/Small Business Enterprises in order to find mutually workable solutions thereby enhancing cooperation and diversity in PennDOT highway and bridge projects. The Advisory Council includes consultants, contractors, the Federal Highway Administration, and the PA Turnpike Commission and serves as an outreach and educational tool.

In October, we held Construction Contractors Diversity Forums in cooperation with Cheyney University Economic and Workforce

Development Center and the Associated Pennsylvania Constructors. The forums, held at Cheyney University, the PA Farm Show Complex, and the Indiana University of Pennsylvania, were aimed at road and bridge construction prime and subcontractors, Disadvantaged Business Enterprise (DBE) and Diverse Business (DB) construction firms and suppliers, and other construction contractors looking to do business with PennDOT. Nearly 300 representatives within the contracting community attended the forums including sessions on topics such as: PennDOT's DBE/DB eligibility certification processes; Commonwealth, PennDOT, and PA Turnpike Commission vendor registration procedures; navigating PennDOT's Engineering and Construction Management System (ECMS); tips for bidding on projects; an overview of payment processes; marketing and relationship-building strategies; upcoming PennDOT projects; and, upcoming PA Turnpike projects, as well as an overview of their Business Supplier Diversity Program.

One of the cornerstones programs at PennDOT is the DBE program. The DBE program is a federal program that removes barriers and levels the playing field in transportation contracting for socially and economically disadvantaged business owners. PennDOT proactively supports and develops DBE firms in an effort to open the contract landscape for them.

I am committed to continued progress on increasing female and minority representation within PennDOT and in our contracting community, and look forward to continued collaboration.

Sincerely,

Leslie S. Richards,
Secretary of Transportation

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, service-disabled veterans, LGBT, and disabled business owners in Commonwealth contracting opportunities during Fiscal Year (FY) 2016-17, as required by Section 2107 of the Commonwealth Procurement Code, 62 Pa. C.S. §2701 and as required by the Military Affairs Code, 51 Pa. C.S. §9607. 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 2016-17.

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 2016-17, certified minority-owned businesses, woman-owned businesses, veteran-owned businesses, service-disabled veteran-owned businesses, and new this year, LGBT-owned businesses and disabled-owned businesses, were recognized as SDBs. 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 2016-17. 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 2016-17. 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 data from the PA Department of Transportation Federal Disadvantaged Business Enterprise (DBE) Program for Federal Fiscal Year 2016.

Section Seven 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, and further for veterans and service-disabled veterans in the Military Affairs Code at 51 Pa.C.S. §9604. 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.

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 continues to research 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 2016-17 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 2016-17, the Commonwealth considered SB and SDB participation as part of the RFP process. DGS revised the Commonwealth's RFP process at the end of FY 2015-16 to include both SDB and SB participation as criteria for award.

Implemented this year utilizing the RFP procurement method, the Job Order Contracting (JOC) Program is used by agencies to complete small construction projects with a total value of \$10,000 to

\$300,000. To facilitate the completion of these projects DGS established four Prime Professional Construction Service contracts for the disciplines of General Construction, HVAC, Plumbing, and Electrical services in each of the three regions: Central, East, and West. Job Orders are distributed to the prime contractors who are then expected to engage SB and SDB subcontractors for construction and professional design opportunities for agencies undertaking construction, renovation, and maintenance projects that fall within the established value parameters.

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.

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 2016-17, 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	20%	20%
ITQ – RFQ/Expedited RFP	20%	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, which recently changed from one to two years, 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.

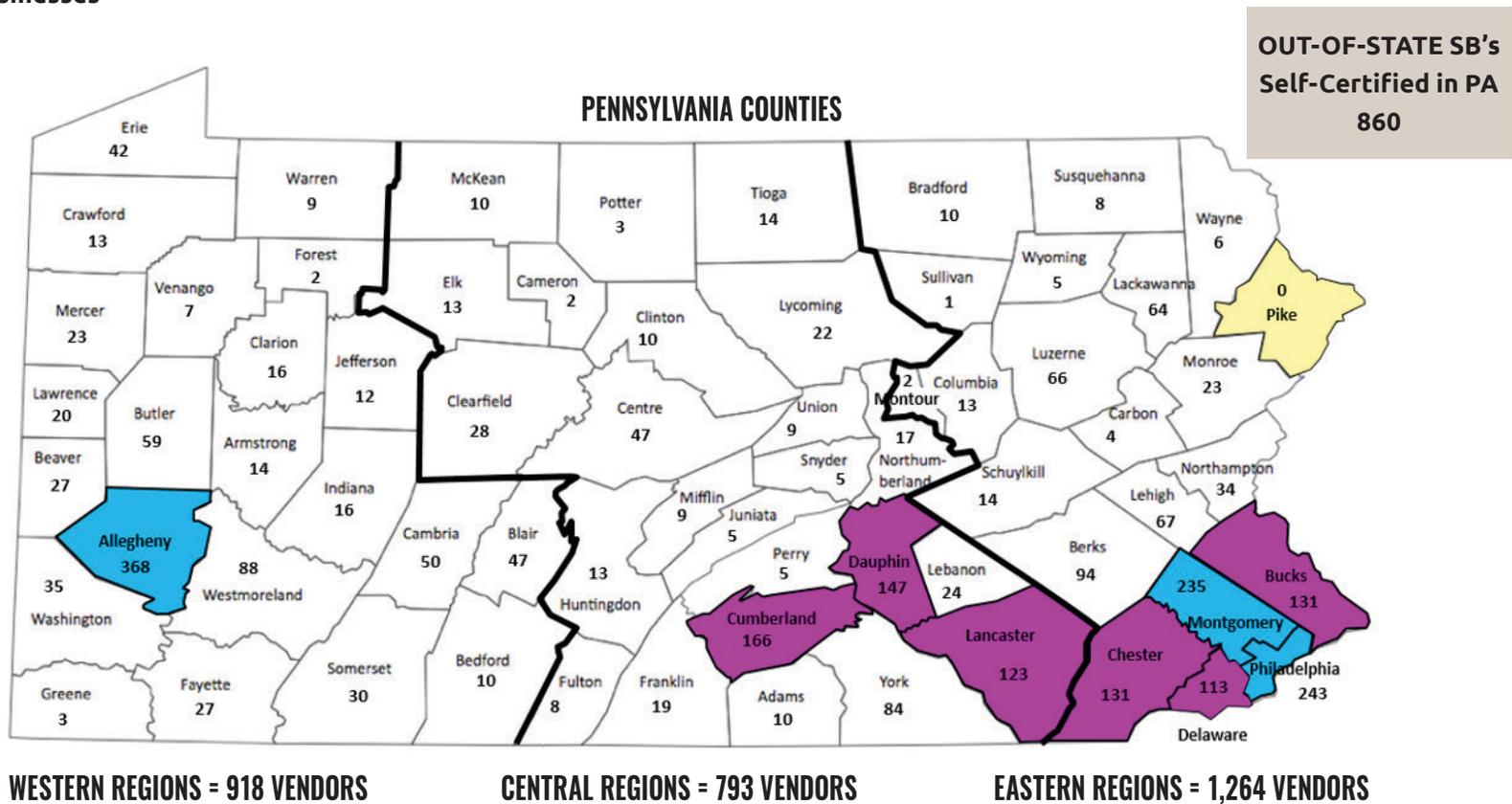
Self-certification as an SB is also the first step in the process of becoming a verified SDB in Pennsylvania. As such, the two categories are not mutually exclusive. The SB totals reported below include SDBs as a subset.

During FY 2016-17, 1,105 new SBs self-certified with the Commonwealth, bringing the total number of SBs to 3,835. 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.



2.1 Small Businesses



LEGEND

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

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 periodically self-certify their eligibility to participate in the small business contracting program through an online application. The vendor must then submit proof of active certification as a minority-owned, women-owned, veteran-owned, service disabled veteran-owned, LGBT-owned, or disabled-owned business from one of seven 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, The Vets First Verification Program (Vetbiz), The National Gay & Lesbian Chamber of Commerce (NGLCC), or The US Business Leadership Network (USBLN). Once BDISBO verifies the certification, the SDB receives a certificate. NGLCC and USBLN are two new certification entities added at the end of the 2015-2016 fiscal year.

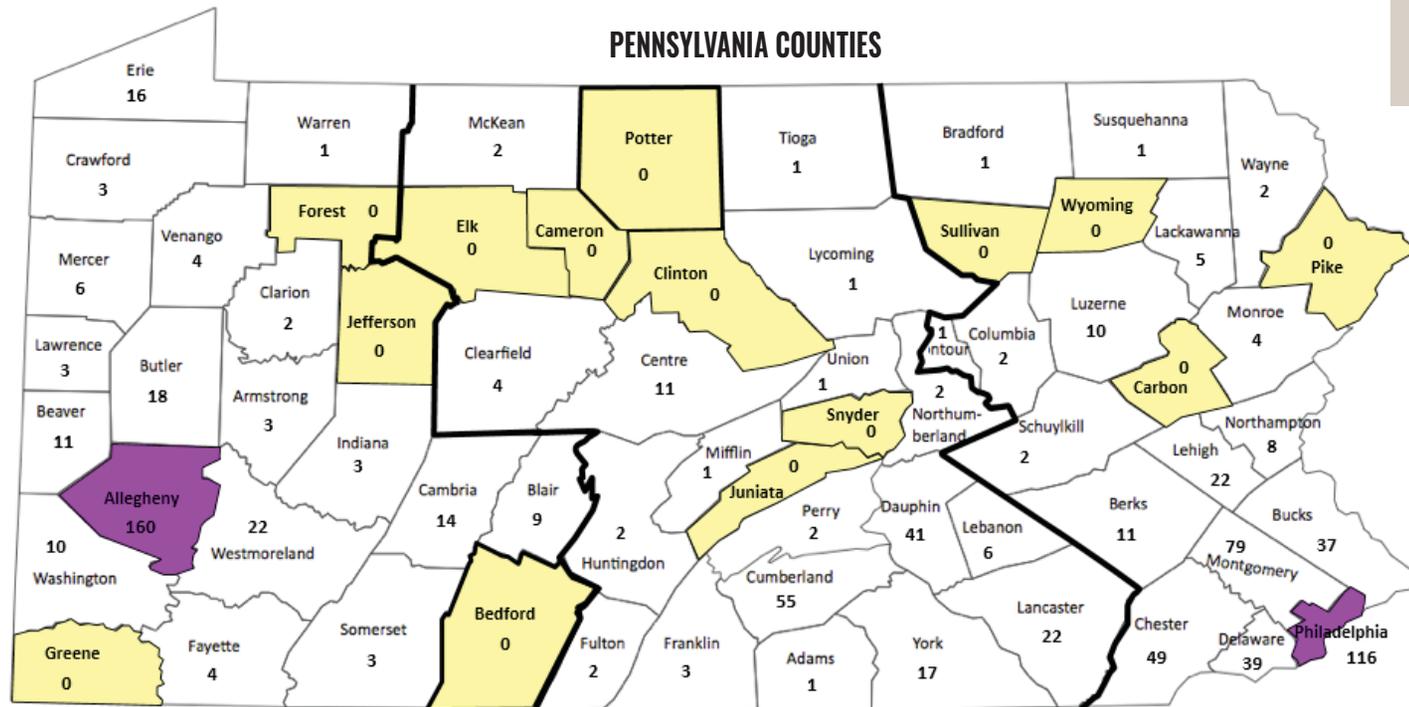
During FY 2016-17, the total number of verified SDBs grew to 1,256 including 13 SDBs verifying under the two new designations: 6 LGBTBEs and 7 DOBEs.

Although the majority of verified SDBs are located within the Commonwealth, participation is not restricted to businesses incorporated or residing in Pennsylvania. Approximately 32 % of SDBs in the DGS database are headquartered out-of-state. The following map provides a breakdown of Pennsylvania SDBs by county.



2.2 Small Diverse Businesses

**OUT-OF-STATE
PA DGS SDBs
VERIFIED IN
PA 401**



WESTERN REGIONS = 292 VENDORS

CENTRAL REGIONS = 174 VENDORS

EASTERN REGIONS = 389 VENDORS

LEGEND

- NO DGS VERIFIED VENDORS
- 1 TO 99 DGS VERIFIED VENDORS
- 100 OR MORE DGS VERIFIED VENDORS

The charts below provide a further breakdown, including regional and county data on SDBs verified by DGS. Regionally, 292 or 23.25% of these SDBs were headquartered in Western PA; 174 or 13.85% in Central PA; and 389 or 30.97% in Eastern PA. The remaining 401 or

31.93% are considered "Out-of-State". MBEs represented 29.30%; WBEs 52.31%; MWBEs 7.17%; VBEs/SDVEs 10.19%; DOBEs 0.56%; and LGBTBEs 0.48% of the total 1,256 SDB population.

TOTAL PA VERIFIED SDBs PER CLASSIFICATION	# of SDBs	% of SDB
Minority Business Enterprises (MBEs)	368	29%
Women Business Enterprises (WBEs)	657	52%
Minority Women Business Enterprises (MWBEs)	90	7%
Veteran and Service Disabled Veteran Business Enterprises (VBEs/SDVBEs)	128	10%
Disability-Owned Business Enterprises (DOBEs)	7	1%
LGBT Business Enterprises (LGBTBEs)	6	1%
Grand Total	1,256	100%

WESTERN PA REGION

COUNTY	MBE	WBE	MWBE	VBE SDVBE	DOBE	LGBTBE	TOTAL
Allegheny	40	94	11	13	2	0	160
Armstrong	0	3	0	0	0	0	3
Beaver	0	9	0	2	0	0	11
Bedford	0	0	0	0	0	0	0
Blair	0	6	0	3	0	0	9
Butler	1	16	0	1	0	0	18
Cambria	3	10	1	0	0	0	14
Clarion	0	1	1	0	0	0	2
Crawford	0	3	0	0	0	0	3
Erie	1	13	0	2	0	0	16
Fayette	0	4	0	0	0	0	4
Forest	0	0	0	0	0	0	0
Greene	0	0	0	0	0	0	0
Indiana	0	2	0	1	0	0	3
Jefferson	0	0	0	0	0	0	0
Lawrence	0	2	0	1	0	0	3
Mercer	0	4	0	2	0	0	6
Somerset	0	3	0	0	0	0	3

WESTERN PA REGION

COUNTY	MBE	WBE	MWBE	VBE SDVBE	DOBE	LGBTBE	TOTAL
Venango	0	4	0	0	0	0	4
Warren	0	1	0	0	0	0	1
Washington	1	7	0	2	0	0	10
Westmoreland	3	14	2	3	0	0	22
TOTALS	49	196	15	30	2	0	292

CENTRAL PA REGION

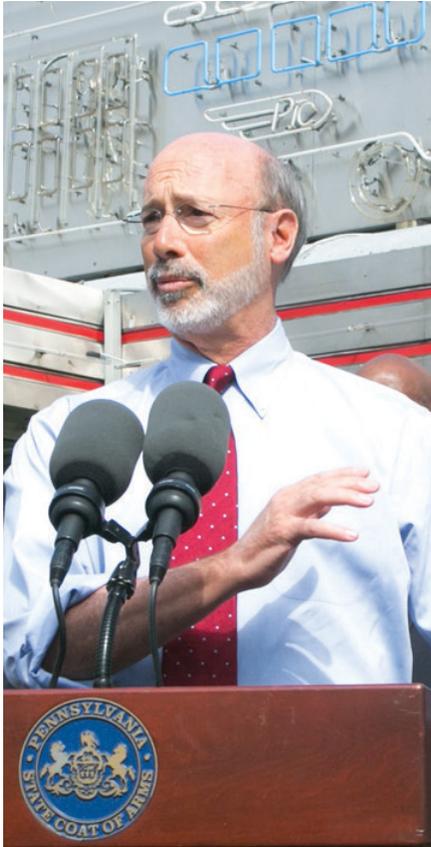
COUNTY	MBE	WBE	MWBE	VBE SDVBE	DOBE	LGBTBE	TOTAL
Adams	0	1	0	0	0	0	1
Cameron	0	0	0	0	0	0	0
Centre	0	6	0	5	0	0	11
Clearfield	0	2	1	1	0	0	4
Clinton	0	0	0	0	0	0	0
Cumberland	13	27	10	5	0	0	55
Dauphin	17	18	3	2	0	1	41
Elk	0	0	0	0	0	0	0
Franklin	0	2	1	0	0	0	3
Fulton	0	2	0	0	0	0	2
Huntingdon	0	2	0	0	0	0	2
Juniata	0	0	0	0	0	0	0
Lancaster	5	13	2	2	0	0	22
Lebanon	1	3	0	2	0	0	6
Lycoming	1	0	0	0	0	0	1
McKean	0	2	0	0	0	0	2
Mifflin	0	0	0	1	0	0	1
Northumberland	1	1	0	0	0	0	2
Perry	0	1	0	1	0	0	2
Potter	0	0	0	0	0	0	0
Snyder	0	0	0	0	0	0	0
Tioga	0	1	0	0	0	0	1
Union	0	0	0	1	0	0	1
York	2	10	1	4	0	0	17
TOTALS	40	91	18	24	0	1	174

EASTERN PA REGION

COUNTY	MBE	WBE	MWBE	VBE SDVBE	DOBE	LGBTBE	TOTAL
Berks	1	8	0	2	0	0	11
Bradford	0	1	0	0	0	0	1
Bucks	10	21	1	4	1	0	37
Carbon	0	0	0	0	0	0	0
Chester	11	26	5	7	0	0	49
Columbia	1	1	0	0	0	0	2
Delaware	10	23	3	2	0	1	39
Lackawanna	0	4	1	0	0	0	5
Lehigh	3	16	0	3	0	0	22
Luzerne	1	4	0	5	0	0	10
Monroe	1	0	1	2	0	0	4
Montgomery	18	52	3	6	0	0	79
Montour	0	1	0	0	0	0	1
Northampton	3	5	0	0	0	0	8
Philadelphia	47	47	11	6	1	4	116
Pike	0	0	0	0	0	0	0
Schuylkill	1	1	0	0	0	0	2
Sullivan	0	0	0	0	0	0	0
Susquehanna	0	1	0	0	0	0	1
Wayne	0	1	0	1	0	0	2
Wyoming	0	0	0	0	0	0	0
TOTALS	107	212	25	38	2	5	389

OUT-OF-STATE

	MBE	WBE	MWBE	VBE SDVBE	DOBE	LGBTBE	TOTAL
TOTALS	172	158	32	36	3	0	401



SMALL DIVERSE BUSINESS CLASSIFICATION TYPES – FISCAL YEAR 2016-17

SDB Vendor Classification	Companies Verified	Percentage of Total Population
Minority Business Enterprise (M)	368	29.30%
Minority, LGBT Business Enterprise (MG)	1	0.08%
Minority, Service-Disabled Veteran Business Enterprise (MS)	3	0.24%
Minority, Veteran Business Enterprise (MV)	7	0.56%
Woman Business Enterprise (W)	657	52.31%
Woman, Disabled-Owned Business Enterprise (WD)	1	0.08%
Woman, Veteran Business Enterprise (WV)	1	0.08%
Minority, Woman Business Enterprise (MW)	90	7.17%
Minority, Woman, Veteran Business Enterprise (MWV)	1	0.08%
LGBT Business Enterprise (G)	5	0.39%
Disabled-Owned Business Enterprise (D)	6	0.48%
Service-Disabled Veteran Business Enterprise (S)	74	5.89%
Veteran Business Enterprise (V)	42	3.34%
TOTAL	1,256	100%

Note: Due to rounding of percentages, data may not add up to 100%. DGS has not listed SDB designations with no registered vendors

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

3.1 Payments to Small Businesses

During FY 2016-17, 730 self-certified SBs received a total of \$162,101,041 in payments for goods, services and construction, a 49.16% increase from the previous fiscal year which far exceeds the 2% increase 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. DGS began tracking SB participation in Commonwealth subcontracts during the reporting period. Payments made to SB prime contractors and subcontractors are included in the data. Excluded from the data are payments made to any uncertified SBs. As such, the data likely understates the overall level of SB participation in Commonwealth contracting to some degree.

Agency	Contractor Type	SB
Agriculture	Prime Contractor	\$1,007,123
	Subcontractor	\$0
Attorney General	Prime Contractor	\$346,745
	Subcontractor	\$0
Auditor General	Prime Contractor	\$167,057
	Subcontractor	\$0
Banking & Securities	Prime Contractor	\$33,960
	Subcontractor	\$0
Civil Service Commission	Prime Contractor	\$660
	Subcontractor	\$0
Community & Economic Development	Prime Contractor	\$590,049
	Subcontractor	\$0
Conservation & Natural Resources	Prime Contractor	\$25,062,411
	Subcontractor	\$0
Corrections	Prime Contractor	\$11,315,034
	Subcontractor	\$0
Drug and Alcohol Programs	Prime Contractor	\$502
	Subcontractor	\$0
Education	Prime Contractor	\$165,941
	Subcontractor	\$0

Agency	Contractor Type	SB
Environmental Hearing Board	Prime Contractor	\$29,148
	Subcontractor	\$0
Environmental Protection	Prime Contractor	\$20,674,670
	Subcontractor	\$101,177
Ethics Commission	Prime Contractor	\$39,826
	Subcontractor	\$0
Executive Offices	Prime Contractor	\$3,066,195
	Subcontractor	\$0
Fish & Boat Commission	Prime Contractor	\$386,534
	Subcontractor	\$0
Game Commission	Prime Contractor	\$2,887,155
	Subcontractor	\$0
General Services	Prime Contractor	\$25,976,436
	Subcontractor	\$1,755,078
Health	Prime Contractor	\$717,622
	Subcontractor	\$0
Historical & Museum Commission	Prime Contractor	\$1,594,868
	Subcontractor	\$0
Human Services	Prime Contractor	\$5,110,452
	Subcontractor	\$0

Agency	Contractor Type	SB
Insurance	Prime Contractor	\$365,828
	bco ac o	\$0
Labor & Industry	Prime Contractor	\$6,124,897
	Subcontractor	\$0
Liquor Cont ol Board	Prime Contractor	\$4,800
	Subcontractor	\$0
Military & V terans Affairs	P m o ac o	\$5,399,156
	bco ac o	\$0
Milk Marketing Board	P m o ac o	\$37
	Subcontractor	\$0
Office of Administration	Prime Contractor	\$0
	Subcontractor	\$83,121
PA Emergency Management Agency	Prime Contractor	\$301,537
	Subcontractor	\$0
PA Gaming Control Board	Prime Contractor	\$9,414
	Subcontractor	\$0
PA Municipal Retirement Board	Prime Contractor	\$37,222
	Subcontractor	\$0
PA Port Authorities	Prime Contractor	\$25,850
	Subcontractor	\$0

Agency	Contractor Type	SB
Probation & Parole	Prime Contractor	\$519,873
	Subcontractor	\$0
Public School Employees Retirement System	Prime Contractor	\$146,016
	Subcontractor	\$0
Public Utility Commission	Prime Contractor	\$97,941
	Subcontractor	\$0
Revenue	Prime Contractor	\$328,399
	Subcontractor	\$0
State Department	Prime Contractor	\$64,085
	Subcontractor	\$0
State Employees Retirement System	Prime Contractor	\$2,088
	Subcontractor	\$0
State Police	Prime Contractor	\$7,244,633
	Subcontractor	\$0
Transportation	Prime Contractor	\$40,317,501
	Subcontractor	\$0
TOTALS	Prime Contractor	\$160,161,665
	Subcontractor	\$1,939,376
	Grand Total	\$162,101,041

The following chart presents the distribution of payments to SB non-construction subcontractors by the counties in which they are headquartered. Awards with SB participation were first made, and DGS began tracking SB participation in Commonwealth subcontracts, half-way through FY 2016-17. Thus, utilization and payments were only beginning to be made to SBs when this data was obtained. A total of \$83,121 was paid to three SB non-construction subcontractors and \$1,856,255 to twenty-two construction subcontractors.

FY 2016-17 DISTRIBUTION OF SB SUBCONTRACT PAYMENTS BY COUNTY

COUNTY	Value	Percentage	Count	Percentage
Allegheny	\$2,700	0.14%	1	4.00%
Bedford	\$159,483	8.22%	3	12.00%
Berks	\$7,400	0.38%	1	4.00%
Cambria	\$194,413	10.02%	3	12.00%
Clarion	\$92,928	4.79%	1	4.00%
Cumberland	\$557	0.03%	1	4.00%
Dauphin	\$18,820	0.97%	2	8.00%
Delaware	\$3,440	0.18%	1	4.00%
Lancaster	\$89,036	4.59%	1	4.00%
Lawrence	\$138,796	7.16%	1	4.00%
Lehigh	\$14,746	0.76%	1	4.00%
Luzerne	\$203,910	10.51%	1	4.00%
Northumberland	\$54,375	2.80%	1	4.00%
Susquehanna	\$36,126	1.86%	1	4.00%
York	\$194,680	10.04%	1	4.00%
Out-of-State	\$727,966	37.54%	5	20.00%
TOTAL	\$1,939,376	100%	25	100%

Note: Due to rounding of percentages, data may not add up to 100%. DGS has not listed counties where no SBs received payments.

3.2 Payments to Small Diverse Businesses

During FY 2016 17, 464 SDBs received a total of \$243,826,552 in payments for goods, services, and construction. This represents a decrease of less than 1% from the previous year. The decrease is associated in part with the continued reduction in SDB expenditures associated with the SCI Phoenix construction project and a decrease in overall payments to SDBs and construction SDB subcontractors in particular.

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

SDB Classification	Value	Percentage	Count	Percentage
Minority Business	\$77,281,570	31.70%	121	26.08%
Minority Service Disabled Veteran Business	\$2,711,803	1.11%	1	0.22%
Women Business	\$104,134,143	42.71%	261	56.25%
Women Veteran Business	\$20,248	0.01%	1	0.22%
Minority/Women Business	\$34,643,448	14.21%	40	8.62%
Veteran Business	\$22,165,786	9.09%	17	3.66%
Service Disabled Veteran Business	\$2,866,969	1.18%	22	4.74%
LGBT Business	\$2,585	0.00%	1	0.22%
TOTAL	\$243,826,552	100.00%	464	100.00%

Note: Due to rounding of percentages, data may not add up to 100%

The next chart provides a more detailed breakdown of payments by contract type (i.e. Prime or Subcontract), Commonwealth agency, and SDB classification.

Agency	Contractor Type	M	MS	W	WV	MW	V	S	G	Grand Total
Aging	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$102,297	\$0	\$3,141,247	\$0	\$0	\$0	\$0	\$0	\$3,243,544
Agriculture	Prime Contractor	\$15,000	\$0	\$164,050	\$0	\$0	\$0	\$0	\$0	\$179,050
	Subcontractor	\$14,428	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,428
Attorney General	Prime Contractor	\$0	\$0	\$17,655	\$0	\$0	\$0	\$0	\$2,585	\$20,240
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Auditor General	Prime Contractor	\$105,987	\$0	\$76,200	\$0	\$0	\$0	\$0	\$0	\$182,187
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Civil Service Commission	Prime Contractor	\$0	\$0	\$121,564	\$0	\$0	\$0	\$0	\$0	\$121,564
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commission on Crime & Delinquency	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$0	\$0	\$586,179	\$0	\$0	\$0	\$0	\$0	\$586,179
Community & Economic Development	Prime Contractor	\$946,000	\$0	\$417,903	\$0	\$10,000	\$0	\$0	\$0	\$1,373,903
	Subcontractor	\$0	\$0	\$598,320	\$0	\$0	\$0	\$13,450	\$0	\$611,770
Conservation & Natural Resources	Prime Contractor	\$866,790	\$0	\$216,191	\$0	\$0	\$0	\$556,262	\$0	\$1,639,243
	Subcontractor	\$129,933	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$129,933
Corrections	Prime Contractor	\$10,867	\$0	\$854,569	\$0	\$5,929	\$84,137	\$450,682	\$0	\$1,406,184

Agency	Contractor Type	M	MS	W	WV	MW	V	S	G	Grand Total
	Subcontractor	\$5,996,261	\$0	\$12,670,932	\$0	\$14,063	\$14,837,995	\$0	\$0	\$33,519,251
Education	Prime Contractor	\$52,033	\$0	\$5,028	\$0	\$5,792	\$1,138,770	\$0	\$0	\$1,201,623
	Subcontractor	\$2,424,457	\$0	\$2,192,282	\$0	\$0	\$0	\$133,794	\$0	\$4,750,533
Environmental Hearing Board	Prime Contractor	\$2,381	\$0	\$17,832	\$0	\$0	\$0	\$0	\$0	\$20,213
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Environmental Protection	Prime Contractor	\$500,098	\$0	\$1,975,129	\$0	\$0	\$71,444	\$0	\$0	\$2,546,671
	Subcontractor	\$75,213	\$0	\$158,467	\$0	\$90,361	\$0	\$0	\$0	\$324,041
Executive Offices	Prime Contractor	\$764,037	\$2,711,803	\$374,368	\$0	\$2,500	\$285,667	\$0	\$0	\$4,138,375
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fish & Boat Commission	Prime Contractor	\$0	\$0	\$110,116	\$0	\$0	\$0	\$227,509	\$0	\$337,625
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Game Commission	Prime Contractor	\$23,276	\$0	\$15,469	\$0	\$0	\$5,429	\$0	\$0	\$44,174
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Services	Prime Contractor	\$603,136	\$0	\$1,563,146	\$0	\$0	\$700,493	\$118,506	\$0	\$2,985,281
	Subcontractor	\$10,224,615	\$0	\$6,922,252	\$0	\$14,710,332	\$0	\$797,806	\$0	\$32,655,005
Governor's Office	Prime Contractor	\$4,543	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,543
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Health	Prime Contractor	\$0	\$0	\$699,588	\$0	\$0	\$0	\$0	\$0	\$699,588
	Subcontractor	\$851,698	\$0	\$284,094	\$0	\$0	\$0	\$0	\$0	\$1,135,792
Historical & Museum Commission	Prime Contractor	\$0	\$0	\$19,754	\$0	\$0	\$0	\$31,282	\$0	\$51,036
	Subcontractor	\$94,848	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$94,848
Human Services	Prime Contractor	\$5,457	\$0	\$1,014,159	\$0	\$888,319	\$1,127,139	\$222,038	\$0	\$3,257,112
	Subcontractor	\$24,450,523	\$0	\$32,911,717	\$0	\$15,994,542	\$286,877	\$0	\$0	\$73,643,659
Insurance	Prime Contractor	\$0	\$0	\$63,332	\$0	\$577	\$0	\$0	\$0	\$63,909
	Subcontractor	\$160,488	\$0	\$99,294	\$20,248	\$0	\$0	\$0	\$0	\$280,030
Labor & Industry	Prime Contractor	\$305,146	\$0	\$1,576,241	\$0	\$38,802	\$0	\$0	\$0	\$1,920,189
	Subcontractor	\$1,035,312	\$0	\$1,127,344	\$0	\$442,278	\$0	\$0	\$0	\$2,604,934
Lieutenant Governor	Prime Contractor	\$56,162	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$56,162
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Liquor Control Board	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$993,819	\$0	\$701,731	\$0	\$7,315	\$0	\$0	\$0	\$1,702,865
Military & Veterans Affairs	Prime Contractor	\$0	\$0	\$326,678	\$0	\$1,139	\$317,089	\$86,879	\$0	\$731,785

Agency	Contractor Type	M	MS	W	WV	MW	V	S	G	Grand Total
	Subcontractor	\$519,645	\$0	\$816,665	\$0	\$0	\$59,995	\$0	\$0	\$1,396,305
Milk Marketing Board	Prime Contractor	\$0	\$0	\$1,945	\$0	\$0	\$0	\$0	\$0	\$1,945
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office of Administration	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$13,003,437	\$0	\$11,768,416	\$0	\$1,413,052	\$780,466	\$0	\$0	\$26,965,371
Office of General Counsel	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$111,895	\$0	\$223,760	\$0	\$42,252	\$0	\$0	\$0	\$377,907
Office of the Budget	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$398	\$0	\$27,280	\$0	\$29,920	\$0	\$0	\$0	\$57,598
PA Emergency Management Agency	Prime Contractor	\$0	\$0	\$828	\$0	\$0	\$0	\$0	\$0	\$828
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PA Gaming Control Board	Prime Contractor	\$33,149	\$0	\$138,299	\$0	\$0	\$0	\$0	\$0	\$171,448
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PA Infrastructure Investment	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$0	\$0	\$16,994	\$0	\$0	\$0	\$0	\$0	\$16,994
PA Municipal Retirement Board	Prime Contractor	\$132,024	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$132,024
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PA Port Authorities	Prime Contractor	\$27,628	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,628
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Probation & Parole	Prime Contractor	\$0	\$0	\$192,000	\$0	\$0	\$0	\$0	\$0	\$192,000
	Subcontractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Public School Employees Retirement System	Prime Contractor	\$118,080	\$0	\$4,260	\$0	\$0	\$0	\$0	\$0	\$122,340
	Subcontractor	\$934,283	\$0	\$1,254,021	\$0	\$0	\$0	\$0	\$0	\$2,188,304
Public Utility Commission	Prime Contractor	\$0	\$0	\$65,286	\$0	\$0	\$355,892	\$0	\$0	\$421,178
	Subcontractor	\$1,597	\$0	\$984,123	\$0	\$2,000	\$0	\$121,360	\$0	\$1,109,080
Revenue	Prime Contractor	\$32,082	\$0	\$787,728	\$0	\$0	\$0	\$0	\$0	\$819,810
	Subcontractor	\$8,403,955	\$0	\$773,710	\$0	\$358,632	\$0	\$0	\$0	\$9,536,297
State Department	Prime Contractor	\$850,631	\$0	\$106,433	\$0	\$11,342	\$900	\$0	\$0	\$969,306
	Subcontractor	\$0	\$0	\$493,375	\$0	\$81,248	\$0	\$0	\$0	\$574,623
State Employees Retirement System	Prime Contractor	\$61	\$0	\$24,647	\$0	\$0	\$0	\$0	\$0	\$24,708
	Subcontractor	\$0	\$0	\$99,893	\$0	\$0	\$0	\$0	\$0	\$99,893
State Police	Prime Contractor	\$1,345,056	\$0	\$74,151	\$0	\$0	\$0	\$42,657	\$0	\$1,461,864

Agency	Contractor Type	M	MS	W	WV	MW	V	S	G	Grand Total
	Subcontractor	\$69,651	\$0	\$180,332	\$0	\$58,450	\$1,196,090	\$0	\$0	\$1,504,523
State System of Higher Education	Prime Contractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subcontractor	\$328,604	\$0	\$267,583	\$0	\$30,927	\$0	\$0	\$0	\$627,114
Transportation	Prime Contractor	\$467,178	\$0	\$10,390,028	\$0	\$403,676	\$917,403	\$64,744	\$0	\$12,243,029
	Subcontractor	\$87,411	\$0	\$4,419,555	\$0	\$0	\$0	\$0	\$0	\$4,506,966
TOTALS	Prime Contractor	\$7,266,802	\$2,711,803	\$21,414,577	\$0	\$1,368,076	\$5,004,363	\$1,800,559	\$2,585	\$39,568,765
	Subcontractor	\$70,009,236	\$0	\$82,673,339	\$20,248	\$33,185,110	\$17,161,423	\$1,066,410	\$0	\$204,257,787
	Grand Total	\$77,281,570	\$2,711,803	\$104,134,143	\$20,248	\$34,643,448	\$22,165,786	\$2,866,969	\$2,585	\$243,826,552

Most of the Commonwealth's spending with SDBs during FY 2016-17 was associated with subcontracts \$39.6 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 2016 17 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY CLASSIFICATION
NON-CONSTRUCTION**

SDB Classification	Value	Percentage	Count	Percentage
Minority Business	\$67,089,580	35.30%	90	33.33%
Women Business	\$74,264,213	39.08%	142	52.60%
Women/Veteran Business	\$20,248	0.01%	1	0.37%
Minority/Women Business	\$32,987,212	17.36%	30	11.11%
Veteran Business	\$15,297,390	8.05%	3	1.11%
Service Disabled Veteran Business	\$375,366	0.20%	4	1.48%
TOTAL	\$190,034,009	100%	270	100%

Note: Due to rounding of percentages, data may not add up to 100%.

FY 2016-17 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY COUNTY NON-CONSTRUCTION

COUNTY	Value	Percentage	Count	Percentage
Adams	\$28,092	0.01%	1	0.37%
Allegheny	\$15,842,559	8.34%	40	14.82%
Armstrong	\$21,793	0.01%	1	0.37%
Beaver	\$0	0.00%	0	0.00%
Bedford	\$0	0.00%	0	0.00%
Berks	\$146,375	0.08%	1	0.37%
Blair	\$519,465	0.27%	1	0.37%
Bradford	\$0	0.00%	0	0.00%
Bucks	\$3,024,714	1.59%	5	1.85%
Butler	\$211,723	0.11%	2	0.74%
Cambria	\$2,115,545	1.11%	4	1.48%
Cameron	\$0	0.00%	0	0.00%
Carbon	\$0	0.00%	0	0.00%
Centre	\$3,650	0.00%	1	0.37%
Chester	\$307,992	0.16%	3	1.11%
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	\$441,827	0.23%	1	0.37%
Cumberland	\$34,333,543	18.07%	33	12.22%
Dauphin	\$18,081,171	9.51%	22	8.15%
Delaware	\$1,517,154	0.80%	6	2.22%
Elk	\$0	0.00%	0	0.00%
Erie	\$979	0.00%	1	0.37%
Fayette	\$69,877	0.04%	1	0.37%
Forest	\$0	0.00%	0	0.00%
Franklin	\$0	0.00%	0	0.00%
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%

COUNTY	Value	Percentage	Count	Percentage
Lackawanna	\$2,098,480	1.10%	4	1.48%
Lancaster	\$10,190,087	5.36%	7	2.60%
Lawrence	\$0	0.00%	0	0.00%
Lebanon	\$318,460	0.17%	3	1.11%
Lehigh	\$86,875	0.05%	1	0.37%
Luzerne	\$183,558	0.10%	2	0.74%
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	\$8,063,169	4.24%	9	3.33%
Montour	\$0	0.00%	0	0.00%
Northampton	\$6,484	0.00%	1	0.37%
Northumberland	\$0	0.00%	0	0.00%
Perry	\$105,986	0.06%	1	0.37%
Philadelphia	\$10,483,838	5.52%	26	9.63%
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	\$327,071	0.17%	1	0.37%
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	\$662,918	0.35%	3	1.11%
Wayne	\$0	0.00%	0	0.00%
Westmoreland	\$621,036	0.33%	3	1.11%
Wyoming	\$0	0.00%	0	0.00%
York	\$104,050	0.06%	3	1.11%
Out-of-state	\$80,115,538	42.16%	83	30.75%
TOTAL	\$190,034,009	100%	270	100%

Note: Due to rounding of percentages, data may not add up to 100%.

FY 2016-17 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY CLASSIFICATION

CONSTRUCTION

SDB Classification	Value	Percentage	Count	Percentage
Minority Business	\$2,925,188	20.57%	19	22.62%
Women Business	\$8,455,353	59.45%	53	63.10%
Minority/Women Business	\$288,160	2.03%	5	5.95%
Veteran Business	\$1,864,033	13.11%	4	4.96%
Service Disabled Veteran Business	\$691,044	4.86%	3	3.50%
TOTAL	\$14,223,778	100%	84	100%

Note: Due to rounding of percentages, data may not add up to 100%.

FY 2016-17 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY COUNTY CONSTRUCTION

COUNTY	Value	Percentage	Count	Percentage
Adams	\$0	0.00%	0	0.00%
Allegheny	\$2,461,660	17.31%	18	21.43%
Armstrong	\$2,690	0.02%	1	1.19%
Beaver	\$0	0.00%	0	0.00%
Bedford	\$0	0.00%	0	0.00%
Berks	\$0	0.00%	0	0.00%
Blair	\$87,051	0.61%	1	1.19%
Bradford	\$134,394	0.94%	1	1.19%
Bucks	\$421,292	2.96%	4	4.76%
Butler	\$189,090	1.33%	4	4.76%
Cambria	\$19,764	0.14%	1	1.19%
Cameron	\$0	0.00%	0	0.00%
Carbon	\$0	0.00%	0	0.00%
Centre	\$0	0.00%	0	0.00%
Chester	\$1,266,476	8.90%	3	3.57%
Clarion	\$0	0.00%	0	0.00%
Clearfield	\$61,546	0.43%	1	1.19%

COUNTY	Value	Percentage	Count	Percentage
Clinton	\$0	0.00%	0	0.00%
Columbia	\$0	0.00%	0	0.00%
Crawford	\$0	0.00%	0	0.00%
Cumberland	\$11,582	0.08%	2	2.38%
Dauphin	\$536,776	3.77%	7	8.33%
Delaware	\$211,476	1.49%	3	3.57%
Elk	\$0	0.00%	0	0.00%
Erie	\$5,837	0.04%	1	1.19%
Fayette	\$0	0.00%	0	0.00%
Forest	\$0	0.00%	0	0.00%
Franklin	\$3,395	0.02%	1	1.19%
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%

FY 2016-17 DISTRIBUTION OF SDB SUBCONTRACT PAYMENTS BY COUNTY CONSTRUCTION

COUNTY	Value	Percentage	Count	Percentage
Lackawanna	\$0	0.00%	0	0.00%
Lancaster	\$651,967	4.58%	4	4.76%
Lawrence	\$0	0.00%	0	0.00%
Lebanon	\$5,773	0.04%	1	1.19%
Lehigh	\$27,623	0.19%	1	1.19%
Luzerne	\$699,715	4.92%	3	3.57%
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	\$3,445	0.02%		1.1%
Montgomery	\$385,115	2.71%	4	4.76%
Montour	\$0	0.00%	0	0.00%
Northampton	\$0	0.00%	0	0.00%
Northumberland	\$0	0.00%	0	0.00%
Perry	\$0	0.00%	0	0.00%
Philadelphia	\$2,882,078	20.26%	5	5.95%

COUNTY	Value	Percentage	Count	Percentage
Pike	\$0	0.00%	0	0.00%
Potter	\$0	0.00%	0	0.00%
Schuylkill	\$0	0.00%	0	0.00%
Snyder	\$1,196,090	8.41%	1	1.19%
Somerset	\$90,978	0.64%	1	1.19%
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	\$7,860	0.06%	1	1.19%
Washington	\$195,120	1.37%	1	1.19%
Wayne	\$0	0.00%	0	0.00%
Westmoreland	\$6,215	0.04%	2	2.38%
Wyoming	\$0	0.00%	0	0.00%
York	\$235,832	1.66%	3	3.57%
Out-of-state SDBs	\$2,422,938	17.03%	8	9.52%
TOTAL	\$14,223,778	100%	84	100%

Note: Due to rounding of percentages, data may not add up to 100%.

4.0 Contract Commitments to Small Businesses and Small Diverse Businesses during FY 2016-17

4.1 Commitments to Small Businesses

During FY 2016-17, the Commonwealth continued the 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 (which by definition also includes SDBs). 164 contracts with a total value of \$6,303,267 were the result of the Small Business Contracting Program.

The Commonwealth formally promoted and tracked subcontracting with SBs beginning FY 2016-17. One non-construction RFP that was not part of the reserved program was awarded to a non-SB prime with a commitment to an SB for an annualized value of \$2,930,838. Similarly, two RFQs were awarded with commitments to SBs for an annualized value of \$70,974. Three Construction RFPs were awarded to SB primes with a combined annualized value of \$13,210,474.

In addition, during FY 2016-17, SBs were awarded 2 prime contracts totaling \$393,000 from non-construction RFPs that were not part of the reserved program. They had an annualized total value of \$123,250, which may be lower than the actual value, because one is an as-needed contract which may or may not be used.

4.2 Commitments to Small Diverse Businesses

During FY 2016-17, the Commonwealth awarded 120 contracts pursuant to non-construction RFPs/RFQs, a decrease from 126 contracts awarded last year. These best value procurements, with a total projected value of \$379,423,751, resulted in total subcontract commitments to SDBs and SBs of \$55,712,818 or 15% of the total projected value. The spend resulting from these commitments should be reflected in the next fiscal year reporting period for 2017-18. Of the awarded contracts, 58 were as-needed contracts where the contract value and, subsequently, the dollar value of the percentage commitments could not be determined.

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. Of five Construction RFPs that were awarded during FY 2016-17, one was awarded for \$2,256,976 to an SDB prime.

During FY 2016-17, 60 construction contracts were awarded using the IFB method. Twenty-one contractors, which is fewer than half of the contractors awarded prime contracts, opted in to the MPL program by making 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 21 MPL based construction contracts awarded in FY 2016-17 had a total projected value of \$15,840,151, representing an SDB commitment of \$1,188,011 or 7% of the total projected value.

Beginning in FY 2016-17, the Commonwealth began awarding construction contracts through the best value method resulting in 18 RFP awards with a total projected value of \$57,065,350 and SDB/SB commitments of \$30,932,642 or 54% of the total projected value.

A summary of FY 2016-17 SDB commitments is provided in the following chart:

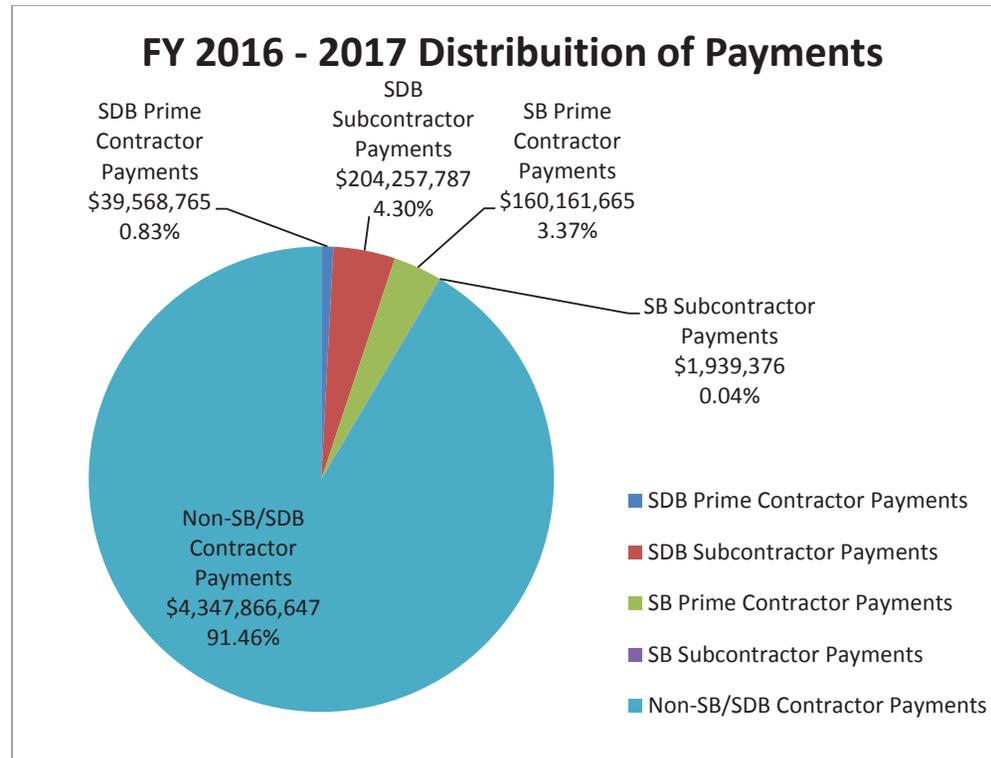
SUMMARY OF SDB/SB COMMITMENTS – FY 2016-17

CATEGORY	TOTAL PROJECTED VALUE	TOTAL SDB/SB COMMITMENT	ANNUALIZED PROJECTED VALUE	ANNUALIZED SDB/SB COMMITMENT
General RFPs	\$356,505,924	\$49,524,744	\$106,008,114	\$15,629,604
IT/RFQs	\$22,917,827	\$6,188,074	\$9,365,615	\$3,342,009
SUBTOTAL	\$379,423,751	\$55,712,818	\$115,373,729	\$18,971,613
Construction IFBs	\$15,840,151	\$1,118,011	\$14,999,237	\$1,259,402
Construction RFPs	\$34,365,350	\$23,586,642	\$25,970,358	\$15,438,634
Job Order Contracting (JOC) RFP	\$22,700,000	\$7,346,000	\$11,350,000	\$3,673,000
SUBTOTAL	\$72,905,501	\$32,050,653	\$52,319,595	\$20,371,036
GRAND TOTAL	\$452,329,252	\$87,763,471	\$167,693,324	\$41,775,977

5.0 Analysis

5.1 Payments Analysis

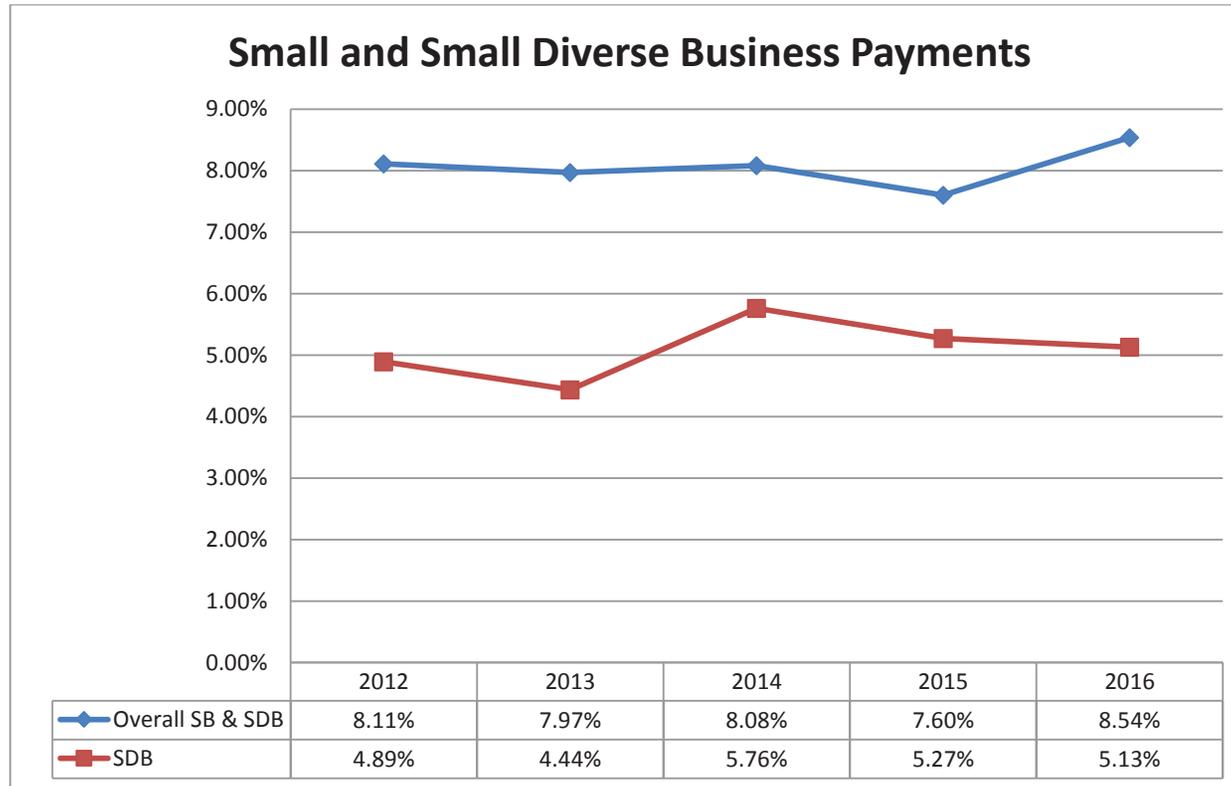
During FY 2016-17, total Commonwealth expenditures for goods, services and construction totaled \$4,753,794,240, up 2% from FY 2015-16. Together, registered SBs and SDBs received \$405,927,593 or 8.54% of these dollars.



These data likely undercount both SB and SDB participation, at least to some degree. Even with the increase in the population of 3,835 self-certified SBs and 1,256 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 2016-17 but went uncounted because they were not registered.

More significantly, the Commonwealth did not collect information on the 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. While 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.

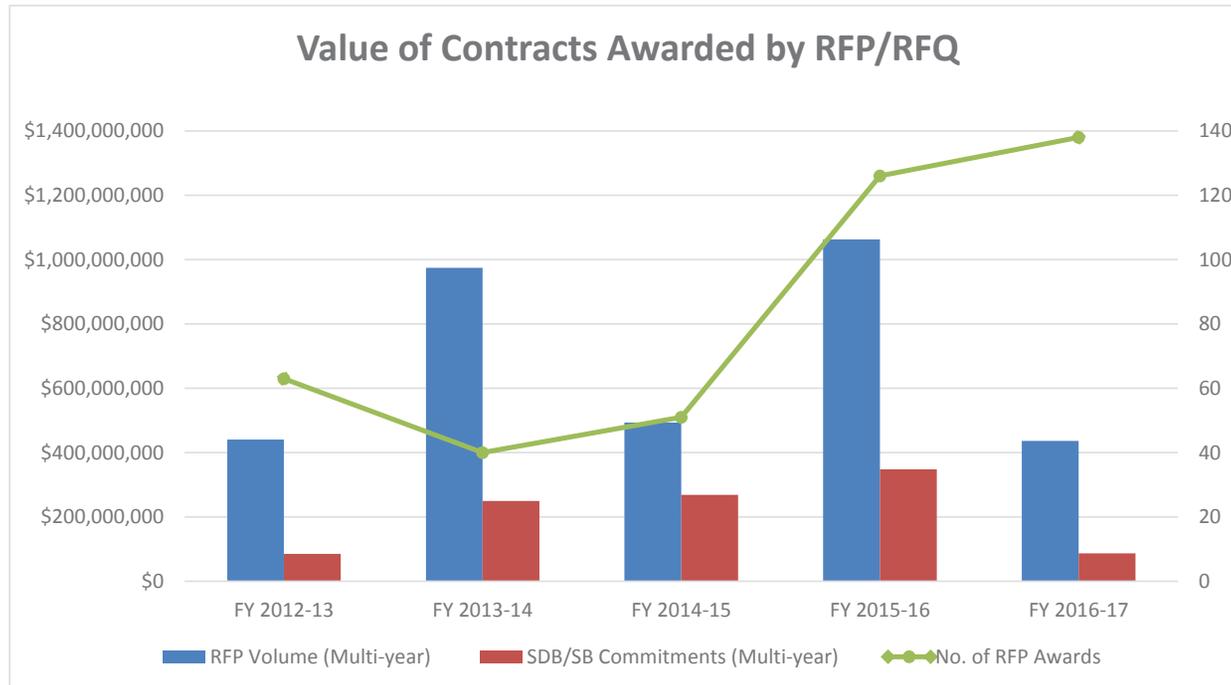
Notwithstanding these data collection challenges, the Commonwealth continues to under-perform in comparison with neighboring states such as New York and Maryland, who both report SDB participation in excess of 20 percent and SDB expenditures well over \$1 billion . The chart below presents the trend in SB and SDB percentages over the last five years.



Overall, SB and SDB participation declined in Pennsylvania between 2012 and 2015. However, with the addition of data from the current reporting period, it appears that this trend has been interrupted especially when controlling for the spike in SDB spending that occurred in 2014 due to the SCI Phoenix construction project. Of the \$28,673 in construction payments during FY 2015-16, 46% of those payments are attributed to the SCI Phoenix construction project. However, within this fiscal year, only 24% of construction payments are attributed to the SCI Phoenix project. Although overall spend for the SCI Phoenix project fell from \$13,072,798 in 2015-16 to \$3,453,527 in 2016-17 (a decrease of 74%), payments to Small and Small Diverse Business grew to 8.54% of total Commonwealth spend. 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.

5.2 Commitments Analysis

During the reporting period, DGS awarded 120 non-construction plus 18 construction agency RFPs/RFQs resulting in multi-year contracts with a projected total value of \$436,489,101 with total SDB subcontractor commitments of \$86,645,460, nearly 20%. The FY 2016-17 projected contract value of \$436,489,101 compared to the last fiscal year's projected contract value of \$1,062,781,005 is a 59% decrease. This decrease in overall contract value is mainly due to the lower volume of fixed-value RFPs that were evaluated and awarded in FY 2016-17.



Of all procurement methods currently in use by the Commonwealth, the RFP remains the most effective at achieving SDB participation. 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. Agencies continued to increase their usage of the RFP method throughout 2016-17.

6.0 PA Department of Transportation Federal Disadvantaged Business Enterprise (DBE) Program for Federal Fiscal Year 2016

The Department of Transportation develops and implements the federally Disadvantaged Business Enterprise (DBE) program. The DBE program is a legislatively mandated USDOT program that applies to Federal-aid highway dollars spent on federally-assisted contracts. PennDOT receives Federal-aid highway dollars in Pennsylvania. U.S. Congress established the DBE program in 1982 to ensure nondiscrimination in the award and administration of any DOT-assisted contracts, to help remove barriers to the participation of DBEs, and to assist the development of firms that can compete successfully in the transportation industry. The program was recently reauthorized through Moving Ahead for Progress in the 21st century (MAP-21) legislation.

A Disadvantaged Business Enterprise is a for profit business, owned and controlled by a socially or economically disadvantaged individual, the personal net worth threshold is 1.32 million dollars. To become a DBE, there is a stringent certification process based on 49 CFR, parts 26 and 23. PennDOT administers the DBE program and must meet the requirements set forth in the regulations. Per this regulation, PennDOT is a DBE certifying entity as a member of the Pennsylvania Unified Certification Program (PA UCP).

The essential elements of the PennDOT DBE program include an approved certification process and a methodology and implementation plan to remove contracting barriers for socially and economically disadvantaged businesses. PennDOT submits a triennial methodology plan to U.S. DOT identifying strategies to address discrimination in contracting with overall and project by project DBE goals. This means that for a percentage of a contract must meet or exceed an established goal of subcontracting and paying DBE firms for portions of the contract. PennDOT Bureau of Equal Opportunity in collaboration with all other PennDOT bureaus and Districts ensures compliance with the federal requirements for the DBE program. The methodology and implementation plans are available at www.penndot.gov at the Equal Opportunity link. To support DBEs, Small Businesses and Diverse Businesses PennDOT partners with Cheyney University to provide extensive supportive services in the form of training, outreach and technical assistance available at www.pennsylvaniadb.com.

6.1 DBE Prime Contract Awards

The chart below is a summary of awards made to prime contractors during the 2016 Federal Fiscal Year ending September 30, 2017.

SUMMARY OF DBE COMMITMENTS/AWARDS

Prime	Award Value	Count
DBE	\$13,556,991.96	28
Non-DBE	\$1,652,598,991.03	734
Total	\$1,666,155,982.99	762

6.2 Distribution of DBE Subcontract Payments

The chart below is a summary of subcontract payments to DBE firms with a breakdown by gender/race/ethnicity during the 2016 Federal Fiscal Year ending September 30, 2017. Out of approximately \$1.6 Billion in Federal highway spend, \$128,446,375.01 or 8.03% was paid to DBE subcontractors. DBE prime contractors do not receive credit for DBE participation.

DISTRIBUTION OF DBE SUBCONTRACT PAYMENTS

Gender	Race/Ethnicity	Value	% Value	Count	% Count
Male	African American	\$11,287,100.15	8.79%	107	6.88%
	Hispanic American	\$12,959,772.68	10.09%	88	5.66%
	Asian-Pacific American	\$4,804,040.19	3.74%	29	1.86%
	Subcontinent Asian Americans	\$3,992,765.24	3.11%	92	5.91%
	Native American	\$165,615.40	0.13%	19	1.22%
	Non-Minority	\$0.00	0.00%	0	0.00%
	Male Total		\$33,209,293.66	25.85%	335
Female	African American	\$456,544.83	0.36%	6	0.39%
	Hispanic American	\$11,400.00	0.01%	1	0.06%
	Asian-Pacific American	\$9,842,946.17	7.66%	24	1.54%
	Subcontinent Asian Americans	\$1,575,507.88	1.23%	12	0.77%
	Native American	\$1,508,862.36	1.17%	27	1.74%
	Non-Minority	\$81,841,820.11	63.72%	1,151	73.97%
	Female Total		\$95,237,081.35	74.15%	1,221
Grand Total		\$128,446,375.01	100.00%	1,556	100.00%

7.0 Accomplishments

During FY 2016-17, the Commonwealth has also implemented the following organizational program and policy changes, all with the ultimate goal of increasing opportunities for SBs and SDBs in Commonwealth contracting:

- Initiated first Agency Small Diverse Business/Small Business Liaison Program for July 1, 2017, implementation.
- Engaged the first ever comprehensive Statewide Disparity Study which is expected to be completed by September 2018.
- Completed comprehensive IT Solution research to allow for robust tracking of SDB and SB spend by the Commonwealth.
- Included SDB/SB Participation in its Construction Contracts, Professional Services Agreements, Guaranteed Energy Savings Agreements, and Real Estate Leases.
- Created a new Deputy Secretary position with a singular focus on Diversity, Inclusion and Small Business Opportunities.
- Instantiated the Development of the first DGS Mentor-Protégé Program for FY 2017-18 implementation.

7.1 Recommendations

The Commonwealth remains committed to working to meet the following recommendations:

- 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.
- Work to improve and expand public and private sector workforce development programs.
- 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.
- The Commonwealth should remove the employee size standard from law and allow this standard to be controlled by the Department of General Services.
- The Commonwealth should create a more realistic tiered gross revenue structure that includes “levels” of small business and also has different gross revenue thresholds for different industries.