

\$30M more state supplier spending on MBEs

Supplier Diversity Program increases benchmarks, streamlines certification

Jule Pattison-Gordon | 11/11/2015, 10:57 a.m. | Bay State Banner

Patty Bruce and other representatives of small and diverse businesses managed tables at the gym-turned-exhibition-center at Roxbury Community College's Reggie Lewis Center last Thursday. Bruce was networking at the Massachusetts Supplier Diversity Regional Series event on behalf of Bay State Envelope, a printing services company owned and operated by women. The turnout for this exhibition, she said, was significantly higher than the last such event she attended, and she was able to get many promising sizeable prospects.

Bruce credited the high attendance to the expansion of the state's supplier diversity program benchmarks, announced by Governor Charlie Baker the day before.

"With Baker's announcement last night, there's three times the turnout of the last meeting," she said.

Baker expanded the minimum percent of state government spending designated for Massachusetts-based small businesses, Minority-owned Business Enterprises and Women-owned Business Enterprises; a streamlining of the certification processes and new certifications to acknowledge businesses owned by veterans, LGBT people and people with disabilities.

Women and minorities get \$60 million boost

This marks the first expansion of MBE and WBE state procurement and discretionary spending benchmarks in four years.

The benchmark for MBE's rose from 6 to 7 percent of agency spending; for WBE's it moved from 12 to 13 percent.

"When we moved the 1 percent, we're talking about additional \$30 million for folks of color and women [each]," said State Rep. Russell Holmes.

Benchmarks refer to the amount of state spending that goes to businesses in each diversity category, regardless of whether the businesses is the general contractor on a selected bid.

A large business that does not fit the benchmark categories — for instance, is primarily owned by white, straight men — can win a state contract and fulfill the supplier diversity quotas by subcontracting to small businesses or those with diverse ownership.

“We’re trying to incentivize all businesses, including minority- and women-owned, to subcontract with diverse businesses,” said Bill McAvoy deputy state purchasing agent and legal counsel for the state’s Operational Services Division.

Contracts sized manageably

More minority-owned businesses may become the primary names on bids. Traditionally, MBE’s have received fewer opportunities and so have stayed small. To put more jobs within such businesses’ reach and help them grow, the city now is focusing on breaking down single large contracts into several smaller ones, Holmes said.

“Let’s say, for example, you have a contract to clean ten buildings across the city. We can unbundle that so it is manageable for more small business. Instead of ten on one, we can put it as five contracts, two on each, to allow businesses to build capacity and grow over time,” he said.

Certification barriers drop

In order to qualify for the diversity spending dollars, businesses have to attain certification attesting that they do, indeed, fit the diversity categories. Until now, this has meant filing a 42-page application with the state, even for businesses already certified with the city or respected regional or national organizations.

This daunting amount of paperwork, especially burdensome to the small businesses the Supplier Diversity Office seeks, deterred many qualified candidates, said Holmes.

“I understand that people were not going through the effort of what it takes to get certified,” he said. “We’re talking about small business owners just trying to get their contract done and go on to the next projects — the size and workload to get the application down was certainly blocking out lots of folks.”

Now the administration has trimmed 25 pages from its application and has made partnerships with other organization whose certifications it will accept.

On and after January 1, 2016 MBE applications approved by the Greater New England Minority Supplier Development Council and WBE applications approved by the Center for Women and Enterprise will be accepted by the state. Next year the state also will recognize MBE’s and WBE’s certified with the city.

“More successful MBEs can clearly reduce the wealth and income gap for their owners and their employees. The Council, along with our MBDA Center here in Boston, are excited about working with the Commonwealth to eliminate barriers to economic

development for MBEs,” said Peter Hurst, President and CEO of the Greater New England Minority Supplier Development Council in a press release.

Greater accountability

The state will refine its methods to ensure that a business qualifying for multiple diversity designations is not double counted. For instance, spending that goes to a business owned by a black woman should be counted either under the MBE or the WBE benchmark spending, but under not both.

When businesses apply for a bid, they may be considered under any diversity categories in which they are certified. However, under the new system, the administration will assign to businesses unique identifiers in its databases, said Holmes. Any business selected and counted toward agency spending under one benchmark will not be considered under other benchmarks for that particular bid.

Additionally, there will be greater record-sharing on where spending goes. Holmes said that on a quarterly basis the governor will provide the Black and Latino Caucus with lists denoting which MBEs are receiving benchmark spending and how much.

LGBT, veterans and people with disabilities get a share

For the first time, the state is certifying businesses owned by people with disabilities and people who identify as LGBT. The focus is on nurturing these businesses and boosting their ability to fulfill contracts over two to three years before creating benchmark spending for them.

Two and half years ago the state set aside a 3 percent benchmark for businesses owned by service-disabled veterans. Only 64 such Massachusetts businesses are registered with the federal government’s VetBiz certification, presenting deep challenges to achieving the spending goal. To better enable the requirement, all veteran-owned businesses are being folded into this benchmark.