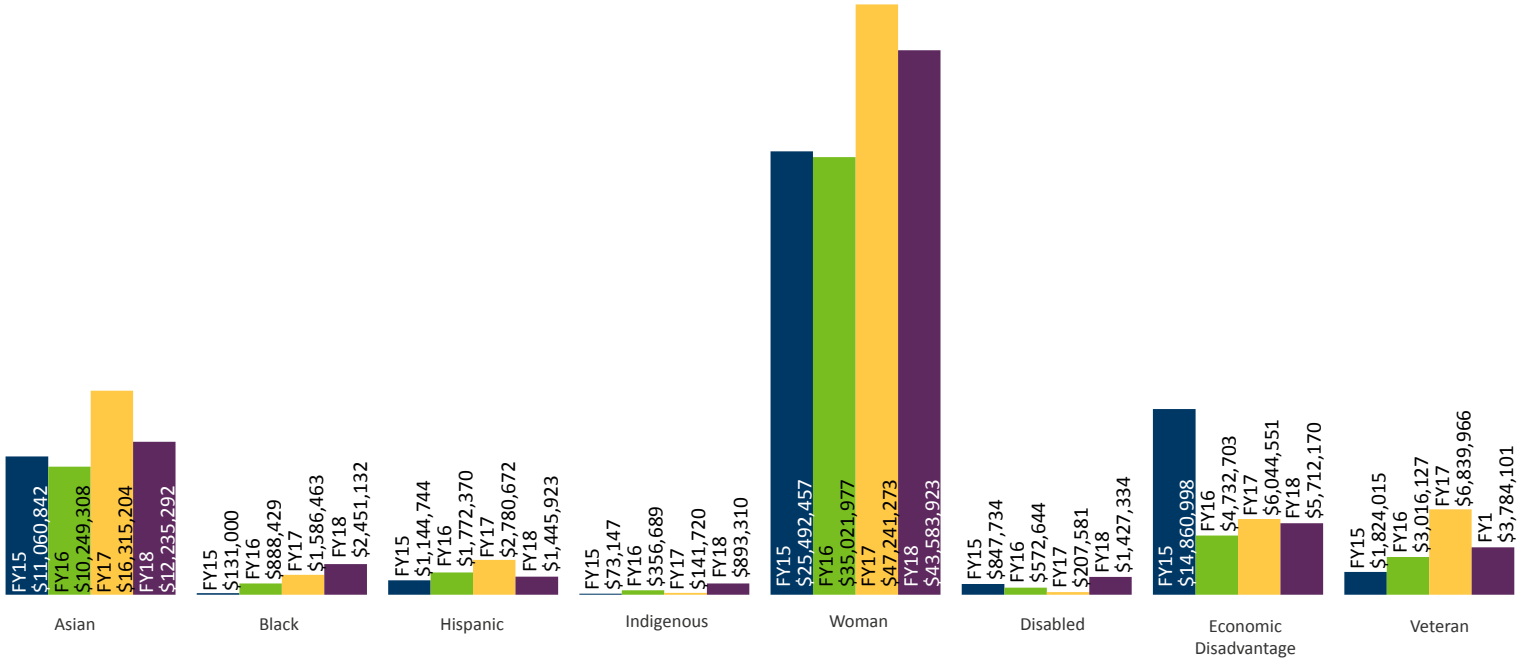
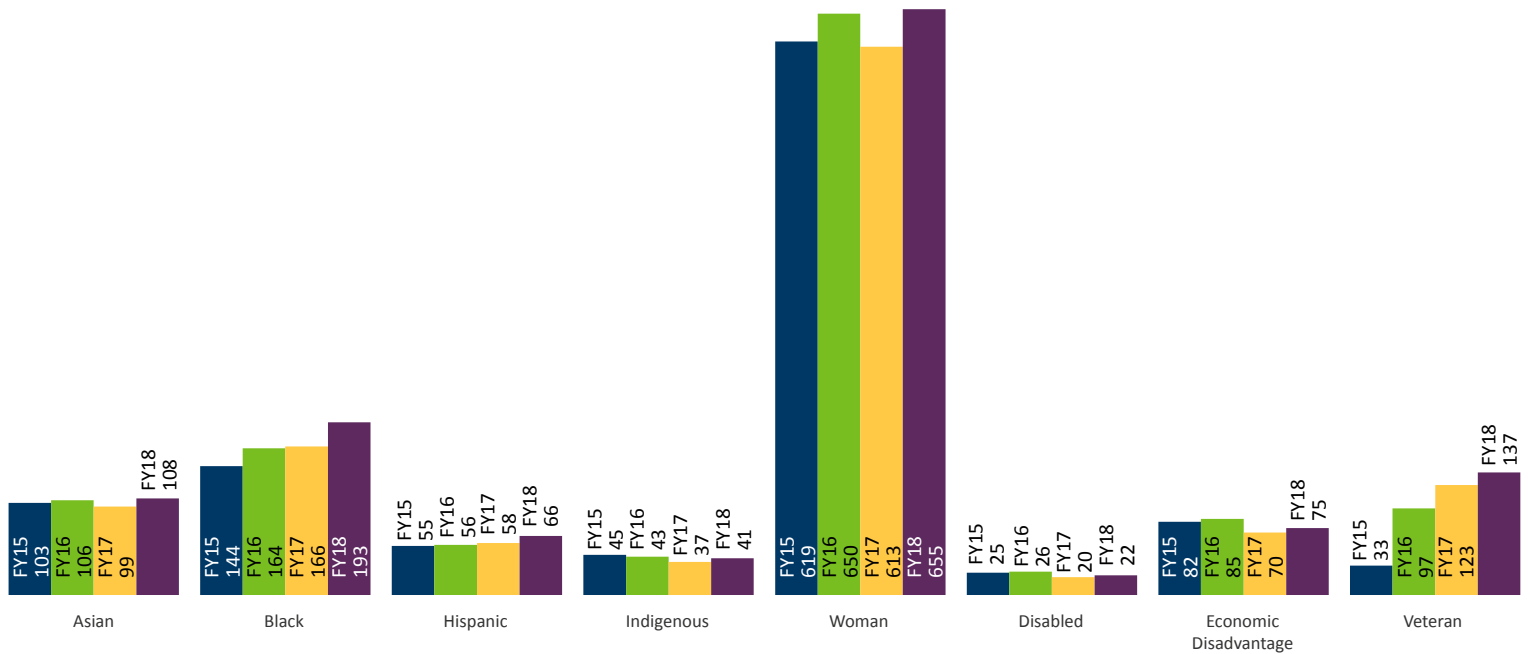


# Contracting Practices

## Spend with Certified Businesses



## Number of Certified Businesses



\*Diverse spend and total spend are based on payments made to certified businesses against purchase orders opened in FY17. Interagency payments, highway construction and grants are excluded. This data does include tier two diverse spend, such as construction subcontracting.

## Training

There are 534 state employees with delegated authority from the Department of Administration to make purchases on behalf of their agencies. Admin designed, built and has administered Diversity and Inclusion training focused on purchasing to almost all of those delegated purchasers. This training was mandatory and employees who did not complete the training had their delegated authority revoked by the Commissioner. The training is a practical look at ways to include diverse businesses in the State's supply chain. This includes activities that simulate the frustration that a small business owner might feel as they try to navigate the State's purchasing processes and compete against larger and/or incumbent businesses.

## Prompt(er) Payment

Standard payment terms for state vendors is 30 days after receipt of invoice. The Contracting Practices Committee identified cash flow as a barrier to growth for small businesses. In an effort to ensure that payment from the State for goods and services is not an obstacle to keeping businesses running effectively, certified Targeted Group, Economically Disadvantaged, Veteran-owned and businesses owned by persons with substantial physical disabilities will be paid within 15 days, rather than the standard 30 days.

## Equity Select

Minn. Stat. §16C.16, subdivisions 6, 6a and 7 were amended to allow for the direct selection of a certified targeted group, economically disadvantaged or a veteran-owned business up to a total dollar value of \$25,000. This new procurement option is identified as "Equity Select" in the procurement manuals and policy. This selection option will not only promote greater equity for our targeted, economically-disadvantaged and veteran-owned businesses, but also offers a more efficient and streamlined option for procurement staff.

## Outreach

The establishment of the Office of Equity in Procurement has grown our team working with diverse businesses from less than one full-time employee to six full-time employees. This has created the bandwidth needed to get out into the community and connect with small business owners, work directly with agencies to understand their upcoming procurement needs and create matches between the businesses and the agencies. Historically, we were present at about five events each year. In 2017, we attended or hosted 86 events and will hold our third annual vendor opportunity fair in May 2018.

## Joint Disparity Study

M.S. 16C.16 grants the commissioner of Administration the authority to award up to a six percent preference to businesses owned by women, minorities, veterans, economically disadvantaged and persons with substantial physical disabilities. The legal basis for awarding this preference is demonstrating that there is a disparity between majority owned businesses and businesses owned by underrepresented groups. The last disparity study conducted by the state was completed in 2009. In order to continue the preference program, the state has undertaken a new disparity study. The 2017 Joint Disparity Study is unique in that the state, along with Local Government Units (LGUs) are working together with an independent researcher culminating in a study used by many state and local entities.

## Subcontracting Goals

On September 1, 2016 Admin launched a new methodology for assessing construction projects and assigning subcontracting goals for utilizing minority and woman-owned firms. The new approach includes different calculations for projects in the seven county metro versus Greater Minnesota. Recent successes on state projects have demonstrated the ability for us to create much more aggressive goals that are achievable for our contracting partners. We believe that the new methodology could result in as much as a 60% increase in required subcontracting.

## Set Asides

M.S. 16C allows for the designation of contracts for award only to certified targeted group, economically disadvantaged, or veteran-owned small businesses. Under the statute, if there are at least three certified businesses that are available to bid on a particular good or service, the Commissioner may limit the bidding for that good or service to only certified businesses. This ensures that a certified business will be awarded the contract. This authority was not previously exercised. In June 2016, the Commissioner authorized the first set aside and, to date, we have awarded 16 set asides. Within construction a new process requires all projects to be evaluated for set-aside potential.

## Need help?

Contact the Office of Equity in Procurement:

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