

2018

SUPPORTING ECONOMIC INCLUSION IN DISADVANTAGED COMMUNITIES

A Case for Inclusive Public Procurement Policies

Foreword



MILKEN INSTITUTE

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Dear Reader,

Minority-owned small businesses play an important role in the nation's economic health by driving job creation, raising wages, and elevating better standards of living in urban and rural communities throughout the United States. Business ownership is also a critical pathway for Blacks and Hispanics to close the racial wealth gap—an increase in entrepreneurship among people of color can create income for both entrepreneurs and the people of color who work at the businesses.

And yet, Black and Hispanic entrepreneurs and small business owners have a much harder time securing capital to start and grow their businesses. To understand and address minority capital access barriers, the Milken Institute and the U.S. Small Business Administration created the Partnership for Lending in Underserved Markets (PLUM). We convened financial institutions, lenders, elected officials, regulatory agencies and other policymakers, and community organizations to unpack the challenges, identify solutions, and initiate execution. In addition to national efforts, we organized local pilots in Baltimore and Los Angeles to distill local market dynamics and assess regional capital access and small business ecosystems.

The report that follows is a product of the PLUM Los Angeles Policy Working Group, tasked with identifying and promoting concrete recommendations for Los Angeles and statewide policymakers. Under the leadership of Tunua Thrash-Ntuk, Executive Director of Los Angeles Local Initiatives Support Corporation (LISC), representatives from public, private, and nonprofit organizations identified several areas on which to focus including county and city contracting, coordination of federal resources, automation of public sector administration, and innovative capital programs to finance minority small businesses.

In “Supporting Economic Inclusion in Disadvantaged Communities: A Case for Inclusive Public Procurement Policies,” LISC takes on county and city contracting. The report identifies major challenges to increasing the participation of small, local, and diverse businesses in the public procurement process in Los Angeles and offers practical recommendations to create a more inclusive procurement environment based on regional strategies and best practices that agencies and municipalities have used to address similar challenges.

Sincerely,

Carolyn Schulman

Director, Center for Regional Economics
Milken Institute

Introduction

The County and City of Los Angeles and the affiliated proprietary agencies spend multi-billions of dollars annually on products and services necessary for functional viability. Given the growing understanding of the need to close persistent racial wealth gaps, municipalities and agencies have begun to take a look at how contracts are distributed to reach Black and Hispanic owned companies. It has been well documented that success among entrepreneurs of color increase wealth and strengthen employment prospects of people of color overall.

With a clear resource in financial spend and a highly effective target strategy, why is it still so hard to connect businesses led by people of color to the opportunity? LISC Los Angeles is particularly curious about the fact that the value of contracts received by businesses within the South Los Angeles Transit Empowerment Zone (SLATE Z) represents less than one-tenth of one percent of the annual procurement spend. This is despite the fact that 30% of the 800 firms in SLATE Z are certified to do business with the City of Los Angeles.

Through this report we outline strategies that municipalities and agencies could take to bring more Black and Hispanic owned businesses into the circle of contracts won. Among several areas, we found that certification reciprocity between agencies is critical along with adding resources to support micro-business. We could find only a few stated goals to reach diverse and/or small businesses in general and there were many incomplete datasets. In other words, measurement and accountability are nearly nonexistent. Once a contract was awarded and a self-statement of good faith effort was completed by a prime firm, few to no agencies had formal mechanisms to analyze the results of that effort. And finally, our analysis further underscores the need to put these businesses first in designing a system that supports the eco-system of smaller, diverse businesses to get the technical assistance needed to effectively navigate winning municipal contracts.

Even after a contract is secured small businesses still need prompt payment and systems that allow and encourage coordination between agencies. This is necessary for small firms to manage adequate cash flow and will give firms an understanding of like services that could be procured by one agency or another.

LISC Los Angeles is grateful to the subject matter experts on small and diverse firm procurement best practices in the Los Angeles landscape who contributed to this analysis. This includes the SLATE Z Economic Activity Work Group, Kecia Washington, Los Angeles Department of Water and Power, the Milken Institute's Partnership for Lending in Underserved Markets (PLUM) Leadership team, PLUM Policy Committee members: Ron Lowe and Robin Billups and the City of Los Angeles Procurement team.

This report comes as a moment when there is growing support for public policy to support strengthening the pipeline of Black and Hispanic businesses accessing municipal supply chain contracts. We are already seeing local market public/private partnerships and policy leaders seeking greater accountability. I want to thank LISC team members Miranda Rodriguez and Zacharias Gardea for their countless hours of interviews, research, writing and editing of this report.

We hope that at the end of the document you will join us in "Supporting Economic Inclusion in Disadvantaged Communities" with inclusive public procurement policies.

Sincerely,



Tunua Thrash-Ntuk
Executive Director
LISC Los Angeles



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Selected by the Citi Foundation to Accelerate Economic Opportunity

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Overview

Public procurement is one of the most powerful tools that local governments can employ to foster more equitable local economies. With the billions of dollars of public works projects slated for development in the next 10 years we are at a pivotal moment as a region. The City of Los Angeles and other public agencies have the opportunity to improve the current procurement system in order to promote inclusive contracting opportunities and diversify the pool of local enterprises that do business with the public sector. LISC LA is interested in helping to create an inclusive small business ecosystem that will allow small and local minority-owned and women-owned businesses (MWBs) or disadvantaged businesses (DBEs) to better compete for these contracts.

It is widely known that small businesses are the pillars of any strong urban economy and play a crucial role in providing jobs for local residents. This is particularly true for historically underserved communities. It is essential that local leaders develop strategies and resources to leverage the public spend in order to support the growth and resilience of small businesses throughout the region, especially in economically depressed neighborhoods that experience chronic disinvestment and high rates of unemployment.

This report highlights some of the challenges that hinder both the public procurement system and small businesses, as well as national strategies and best practices that agencies and municipalities across the country have used to address those challenges to create a more inclusive procurement environment. The strategies focus on eliminating the structural barriers and complexities of the public procurement system that often place small firms at a competitive disadvantage, while also increasing incentives for local and diverse small business participation in the bidding process.

The Need

The City of Los Angeles procures roughly \$8 billion in commodities, construction, and professional services on an annual basis. From 2014-2016, Los Angeles-based businesses were awarded less than 20% of all contracts disbursed.^[1] Additionally, the City reported that small business owners, particularly those of color, received less than 10 percent of the \$1.5 billion General Fund departments spent on professional services in 2015-2016.^[2] Unfortunately, complete data for the other \$6.5B is not readily available or easily tracked within the City's current system, but the number is indicative of a larger issue given that in the City of Los Angeles over 70% of the population identifies as a racial minority and over 55% of businesses are minority-owned.^[3] The contracting numbers are especially troubling when we drill down to some of our most historically underserved communities. Take for instance South Los Angeles, where in a recent study, it was reported that businesses located in the South Los Angeles Transit Empowerment Zone (also known as Slate Z, a federally designated Promise Zone) received less than half of one percent of City contracts between fiscal years 2014 and 2016.^[4] **The value of those contracts represents less than one-tenth of one percent of the total money allocated by the City.**^[5] In an economically disadvantaged area like Slate-Z, where there are 800 businesses that employ roughly 15,000 workers^[6] 30% of which are currently certified to do business with the City- the contracting disparity is shocking.

At the same time, we believe that the low participation of these small, local, and diverse businesses in the City's procurement system presents a very real opportunity for the public and private sector to come together to ideate and test new inclusive public contracting strategies and programs. Leveraging the public spend to increase revenue prospects for disadvantaged enterprises is one way to address historical disinvestment, and create and preserve jobs in a high unemployment area like South LA, all while supporting a robust local economy.

Methodology

To determine best practices for improving the procurement ecosystem in Los Angeles, we conducted a thorough examination of agency preference programs including participation goals, departmental threshold spending, and certification processes across the region. (See Appendix). We focused on key public agencies that have large annual procurement spends and/or projects in the pipeline due to the passing of recent municipal bonds, including: State of California, County of Los Angeles, City of Los Angeles, Los Angeles Community College District (LACCD), Los Angeles Unified School District (LAUSD), Los Angeles World Airports (LAWA), Los Angeles Metropolitan Transportation Authority (Metro), and the Port of Los Angeles (POLA). In some circumstances, we were able to connect with and interview key agency leadership and staff about the topic. Lastly, we drew upon existing research to highlight successful proven models and promising pilot programs from both local agencies and other cities across the country.

During the research phase, we discovered that there are several P3 initiatives underway that are looking to go beyond a “good faith effort” and improve the public and private procurement landscape for small businesses in Los Angeles. Most notably:

The City of Los Angeles received a grant from Living Cities and is a part of the [City Accelerator Program](#) to improve supplier diversity in the region. The City hired its first Chief Procurement Officer to lead the initiative in fall of 2017.

Following a [motion](#) passed by the LA County Board of Supervisors, the County also recently made a strong commitment to contracting with small and local enterprises. With the support of Citi Foundation, they created a new Office of Small Business, set aggressive contracting goals, launched a new small business portal that connects small businesses with technical assistance and procurement information, trained small business advocates in various contract departments, and will soon open several small business contracting centers throughout the County.

Additionally, the [Los Angeles Business Council](#) is currently leading an initiative that is looking at how to increase small, local, and MWBE business participation in public and private procurement as it relates to the upcoming mega-events in the region, namely the 2028 Olympics. Their upcoming report will highlight best practices from the 2012 London games and make recommendations on how we might bring those to Los Angeles. LABC efforts are particularly interesting as they are also thinking about how to best engage the private sector Prime contractors in the efforts and support a regional system.

These efforts are important to note, as it demonstrates active leadership and political will to leverage the public spend to support local small business preservation and growth. Reforming the procurement landscape in a City, and more ambitiously in a region, is no small feat. It will take an incredible amount of time, dedication of resources, and a culture shift within the public agencies. It is essential that as a field, we build upon the momentum and continue to advocate for strategies and programs that simplify procurement systems, prioritize small, local, and diverse business participation and encourage regional alignment.

This particular case reflects the average spend of the City of Los Angeles and its proprietary departments:

- Los Angeles Department of Water and Power (LADWP)
- Port of Los Angeles (POLA)
- Los Angeles World Airports (LAWA)

It does not include the procurement needs of other major regional agencies like:

- Los Angeles County
- LA Unified School District
- Metro
- the LA Community College District

This report primarily focuses in on the City of Los Angeles due to the sheer size of its annual spend, availability of data, and current City-led efforts to address them.

However, anecdotal reports from the field and various publicly-led initiatives at not only the City of LA, but throughout the County, suggest that similar issues are pervasive across agencies throughout the region.

This report identifies three major challenges to increasing the participation of small, local, and diverse businesses in the public procurement process.

#1

Cumbersome Systems- The process to do business with a public agency is incredibly daunting and seemingly complex. Within the City of LA alone, the contracting processes and timelines, business certification programs, contract bid thresholds, and preference points are disparate and vary by department.

- **Certifications-** While there is some reciprocity as it relates to business certification programs among departments and across various public agencies, the lack of a centralized information system that is user-friendly and transparent makes it difficult for any average business to navigate (as evidenced in this report's Appendix). Additionally, many of the certifications define a "small business/enterprise" as one that has less than 100 employees and \$15M in revenue, which does not necessarily reflect the small, local, diverse businesses in our disadvantaged neighborhoods. For example, 57% of business in Slate Z are categorized as micro-business (less than 5 employees) and have revenues of less than \$500,000^[7].
- **Contracting & Payment Processes-** It takes a professional services contract, on average, more than 400 days to pass through the Los Angeles procurement system^[8] and if awarded, another 180 days to receive payment after invoicing. Prompt payment directly impacts the practicality of small business competitiveness in the procurement marketplace since they are less able to wait for payment, putting larger businesses at a competitive lead. Insurance and bonding requirements for larger contracts also present challenges for small businesses. Additionally, businesses often still need to submit multiple hard copies of bid packages, as the contracting process is not digitized in the majority of departments. Many small businesses lack the financial and organizational ability to endure this prolonged process due to fewer resources in capital.
- **Agency/Department Coordination-** There are no robust systems in place for the various departments and agencies to share information about vendors, contracting needs, and/or best practices. Within the City of LA, the programs and requirements are not standardized across departments (including proprietaries). Looking beyond the city, requirements for-like services, goods, and contracting needs are also not standardized across agencies. This is especially true for tail spend and goods procurement. This lack of regional coordination and opaque systems leads to inefficiencies and makes it extremely difficult for the average business to navigate.

#2

Poor Data and Metrics- The City of LA does not have a central database or system to aggregate, collect, or analyze vendor data. Without this data, there is no good way to set baseline metrics as it relates to contracting with small, local, and diverse businesses. Additionally, the lack of complete data sets and a system to collect and manage said data, makes it difficult to then set and enforce supplier diversity goals and metrics. The lack of data collection and data sharing across departments and agencies also makes it difficult to understand possible vendor overlap. Given the lack of available published vendor data, this is an issue that affects several of the public agencies across the region. Without reliable data, there can be no true accountability of public funds.

#3

Low Capacity of Business Ecosystem- Small business enterprises in communities of color tend to face other significant structural barriers to winning government contracts. Lack of access to capital to grow or sustain their business while delivering on a public contract is one of the biggest issues reported by small minority-owned businesses. Additionally, minority business owners traditionally have smaller professional networks and hold more debt than their white counterparts.^[9]

Many entrepreneurs also lack the ability to navigate agency procedures and requirements due to fewer organizational resources and user-unfriendly websites that make doing business more difficult. In certain instances, small business owners may have trouble simply finding information on available contracts. The small business technical assistance landscape is also difficult to navigate as there are a variety of organizations and public agencies offering programs or industry specific technical assistance, with no central database readily available, nor one that is connected to the relevant contracting portals and/or opportunities.

Adding to the aforementioned structural obstacles for firms and public agencies, the City of LA along with other jurisdictions in the State of California are prohibited by Proposition 209^[10] from providing race and gender conscious preference programs for minority-owned and women-owned business enterprises (MWBs). It is found that Los Angeles-based MWBs lose nearly \$4 million in potential contracts with the city annually due to this law.^[11] As a result, this proposition represents yet another institutional barrier that places greater burden for MWBs as they navigate the city's complex procurement process. Identifying case-law that could help agencies legally circumvent the Proposition would be a worthy pursuit for another research paper.

Strategies to Increase Small and Diverse Business Participation in Public Procurement

The sheer complexity of the public procurement ecosystem cannot be overstated. The various agency requirements, certification programs, contracting systems and processes make it difficult for small businesses to navigate. The following recommendations are intended to help address these structural challenges that small businesses, particularly local and MWBEs, face when looking to do business with the public sector. We believe that in order to support a more inclusive business ecosystem for these enterprises, the first step is to simplify the process so that the average business can participate. It is also imperative that the public and private sector come together to develop targeted policies, partnerships, and resources to prioritize and support small, local, diverse business participation.

Develop a Regional Certification and Contracting System

The City of Los Angeles, not including the proprietaries (LADWP, LAWA, POLA), currently has 8 different certification programs for small businesses. Of the 8 programs, 6 are race and gender neutral, while one of the race-based certifications is only applicable for businesses working on federally funded DOT contracts^[12]. The proprietaries each have their own separate Small Business Enterprise Certifications. Additionally, preference points, participation goals, and restricted bidding sizes are not standardized across departments or among the proprietaries. The City does have the Business Assistance Virtual Network (BAVN), where contracts, technical assistance opportunities and subcontractor information is publicly available. But businesses cannot submit bids on BAVN, nor does the platform track contracting or vendor data in aggregate. When looking to do business beyond the City of Los Angeles and the proprietaries, it gets even more complex as each agency has a different business portal that advertises open contracts and small business certification programs. Most agencies have an online certification process and have reciprocity agreements in place with other programs. However, the key is to simplify the process so that the vendor data is localized in one system and available across agencies.

In almost all cases these agency websites are not very user-friendly, the information is not centralized and processes are not streamlined. As a small business, you have to first register to do business with the agency in one place. Then you often have to go to another page or site to review the various small business certification eligibility programs and submission requirements. Once you've submitted those in order to get preference points or another competitive advantage, you go to another site to find and download or review open contracting opportunities, to then finally submit your bid. Some agencies require both digital and hard copy bid packages, which in some cases can be hundreds of pages.

The City of Los Angeles could help pave the way towards a regional online system that is a one-stop shop for small business certification, contracting and bidding opportunities. By moving to an integrated regional system, MWBE/SBEs/DBEs could register online with multiple agencies at once, thus taking the burden of the certification processes off the small businesses, while increasing the vendor pool for all agencies. If the system also released all public contracts and accepted bids, tracking and reporting on vendor data would be much more efficient. A regional system would require a level of inter-agency cooperation that takes significant time, resources, and political will. However, a modern online certification system, would reduce the time commitment and cost for both the agencies and the small businesses, as well as eliminate the need for hard-copy submissions and unnecessary data entry.

BEST PRACTICE: METRO

Metro's Small Business (SB) Prime Program is an innovative initiative that makes it easier for small businesses to bid on and win contracts as prime contractors.

SB Prime sets aside applicable contracts and enables small businesses to compete only against other small businesses for projects up to \$5 million as well as informal projects under \$100,000. Only Metro-certified SBEs can participate in the SB Prime Program. Metro identified three categories of work and relevant small business NAICS codes for the SB Prime Program.

BEST PRACTICE: NEW ORLEANS

The Office of Supplier Diversity (OSD) is the City of New Orleans' department responsible for certifying, recruiting, and training local small and disadvantaged businesses. This office also monitors compliance of prime contractors' efforts to utilize certified DBEs on City contracts. The OSD has Compliance Officers that monitor and report DBE participation on City contracts. In addition, the compliance staff also:

- Reviews DBE utilization plans proposed by contractors
- Makes recommendations to approve or reject DBE participation waivers, substitutions, or modifications on City contracts
- Conducts random on-site visits to monitor contract compliance

Create and Track Participation Goals and Incentives for all Certification Programs

As demonstrated, all of the relevant large public agencies in the region have small DBE certification programs in place that are aimed at providing small and disadvantaged businesses with a competitive advantage in the public procurement process. However by and large, small business participation goals are not rigorously set, incentivized, or enforced for the programs or across departments. Agencies could create or enhance both prime-contracting and sub-contracting goals by "right-sizing contracts" or including contract set-asides at all levels. This would increase and create specific opportunities for small businesses, while also helping the agencies reach their participation goals. This would also strengthen the ability of small businesses to identify opportunities and competitively compete for contracts.

Making these goals and incentives very public can also increase staff's buy-in and commitment to contracting with diverse small businesses. Additionally, the transparency better enables the field to evaluate the various programs' effectiveness and work with the agencies to create strategies to support the capacity of DBEs to win and complete the contracts.

In a local example, Metro completed a disparity study which showed that DBEs were not being awarded their fair share of contracts. After that study, Metro set ambitious and transparent participation goals for DBEs (26% participation goal)^[13] and created a new small business technical assistance program, Metro Connect, as well as the Small Business Prime Program in order to create more opportunities for DBEs to be successful.

Enforce Current Sub-Contracting Goals & Prime Contract Requirements

Large public works projects set legally established goals for the utilization of local small and disadvantaged businesses as well as local labor. Additional points are awarded to prime contractor's bids if they have a strong set of local and disadvantaged subcontractors and a stated goal to exceed local hire commitments in the bid package. A prime's ability to meet or not meet these goals are often referred to as "Good Faith Efforts." While each contract is different, almost all large public RFPs include these participation requirements along with a set of reporting guidelines that require the Prime contractor to show that they have made a "good faith effort" to meet the participation goals.

In our research, we discovered that the City of Los Angeles, among others, do not have a department or dedicated staff that monitor prime contractor compliance or stated “good faith efforts” during the contract period. They do also do not complete an evaluation of the Prime bid commitments after the contract has ended.

Without dedicated staff to carry out systematic and mandatory reviews of the Primes bid agreements, Primes cannot be held accountable for the stated subcontracting and local hire participation goals put forth in their bid package. They also suffer no legal recourse or financial penalties for not upholding their commitments. Without this enforcement, participation goals among local small and disadvantaged firms on these multimillion dollar projects will remain obscure.

It is essential that public agencies hold Prime Contractors accountable for the commitments they make in their bid package in order to ensure that local small DBE/MWBE get their fair share of contracts. A separate office or department should be created at each agency in order to help track and enforce contracting goals and metrics. New Orleans has created compliance officers in their Office of Supplier diversity that works alongside the City's comprehensive training and development program for small DBEs, [BuildNOLA](#), to ensure that local small DBEs are successfully completing their contracts.^[14]

Create Departmental Small Business Advocates & Technical Assistance Programs

Small businesses have fewer resources to access available government contracts, putting them at a weaker competitive standing in the pre-bid process. Technical assistance is a critical resource in closing the knowledge/information gap that these firms experience.

To address this concern, Los Angeles County has recently created departmental small business advocates to educate and train SBEs in applying for contracts with that specific department. Every County department now employs an advocate that serves to promote SBE utilization and helps develop strategies aimed at increasing SBE participation in the agency's contracting. While this program is still in pilot mode, the dedication of training and resources of County staff shows a commitment to the County's new participation goals and will likely help create the necessary culture-shift within the departments to reach those goals.

In some cases, agencies may not have the resources to create a new position within each department, but can leverage the current systems available to create a small business navigator or advocate. For example, the City of LA's Business Source Centers could be more vigorously utilized to focus on connecting small MWBEs to procurement opportunities. Business Source Center staff could be trained by the City's contracting staff to act as an additional liaison to assist local, small firms through the bid process.

BEST PRACTICE: LA COUNTY

The County Office of Small Business Services has recently moved to hold quarterly workshops so that small businesses can interact more personally with County procurement personnel from various departments. The purpose of the workshops are to assist vendors with current or future contract opportunities in County departments.

In addition, the County has set up Procurement Technical Assistance Centers (PTAC) to further service local, small firms with finding available contracts. LA County PTAC provides information, support, and training to businesses on selling goods and services to public agencies.

Prompt Payment to all SBEs

Many local small DBEs are discouraged from doing business with public agencies or as sub-contractors to primes as they often have to wait several months to receive payment for services rendered. In many cases, the subcontractors can often be the last ones paid and are least able to afford the prolonged wait.^[15] Both the County of Los Angeles and Metro have adopted prompt payment policies in order to attract a more diverse vendor pool and make it easier for DBEs to do business with the City. Metro requires their Prime contractors to pay their DBE sub-contractors within 7 days of receiving payments from Metro.^[16]

Additionally, they require their Primes to complete a monthly expenditure plan for their DBEs and track the actual payments through a proprietary compliance system. This helps to ensure that the Primes are meeting their DBE participation goals and compensating them at the levels and on the schedule approved by Metro. The City of Seattle goes a step further and requires primes to pay subs before the primes can invoice and get paid themselves.^[17] The County of Los Angeles makes prompt payment one of the benefits of their Local Small Business Certification program and guarantees payment within 15 days on undisputed invoices to the County themselves^[18].

Timely payments are critical for the financial health of small businesses. Embedding a prompt payment clause in all SBE/DBE/MWBEs programs and prime contracts would enable these businesses to take on public contracts and possibly grow their businesses without the fear of significant financial instability.

Conclusion

Now is the time for the public and private sector to come together to pilot new programs and partnerships aimed at addressing the barriers that prevent equity in procurement. Economic inclusion strategies need to be prioritized to strengthen the competitive viability of small DBEs/MWBEs throughout the city, and especially in our most disadvantaged communities.

We know that this kind of systems-change is never quick or easy and requires committed partners, resources, and new ideas in order to be successful. As a member of several economic inclusion initiatives throughout the County, LISC LA is actively investing in partnerships and programs that are working to strengthen the ecosystem for small and local MWBEs. Currently, we are working with public and private partners in Slate Z to analyze the capacity of the businesses in the Slate Z footprint, with the hopes of identifying a cohort of businesses to compete for public contracts or sub-contracting opportunities in the next 12-18 months. Concurrently, we are working with our public partners to analyze vendor data and departmental procurement needs to identify upcoming contract opportunities that track with the capacity of the businesses in the area. Working with technical assistance providers, we then seek to provide the applicable training and capacity building that is needed for the businesses to complete their certifications, identify appropriate opportunities, and submit a successful bid package. LISC LA has also capitalized a special purpose loan fund specifically to provide access to capital to businesses that have contracts with municipalities or anchor institutions.

We hope that this P3 pilot will create new opportunities for the field to capitalize on best practices, iterate new processes and programs throughout the region, and ultimately continue to help connect the local DBEs/MWBEs with public contracts that will allow them to grow, create local jobs, and build wealth in our most disadvantaged communities.

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Table 1: City of Los Angeles Race & Gender Based Programs



CITY OF LOS ANGELES CERTIFICATION INFORMATION

RACE & GENDER BASED PROGRAMS

Minority/Women Business Enterprise (MBE/WBE) • Disadvantaged Business Enterprise (DBE) Airport Concessions Disadvantaged Business Enterprise (ACDBE)

	MBE/WBE	DBE	ACDBE
Legal Authority	Executive Directive No. 2001-26	Code of Federal Regulations 49 CFR Part 26	Code of Federal Regulations 49 CFR Part 23
How Do You Apply Submit Paper Application to one of the agencies listed under the certification type	Business Inclusion Section/Centralized Certification Administration (BIS/CCA), Bureau of Contract Administration (BCA) https://bca.lacity.org California Public Utilities Commission (CPUC) through The Supplier Clearinghouse http://www.supplierclearinghouse.com/ Southern California Minority Supplier Development Council (SCMSDC) – For MBE only http://www.scmsdc.org/ Women's Business Enterprise Council- West (WBEC-West) – For WBE only http://www.wbec-west.com/	Business Inclusion Section/Centralized Certification Administration (BIS/CCA), Bureau of Contract Administration (BCA) https://bca.lacity.org Or any California Unified Certification Program (CUCP) Certifying Agency http://californiaucp.org	Business Inclusion Section/Centralized Certification Administration (BIS/CCA), Bureau of Contract Administration (BCA) https://bca.lacity.org Or any California Unified Certification Program (CUCP) Certifying Agency http://californiaucp.org
Certification Recognition/Reciprocity	CUCP Certifying Member Agencies Caltrans SMBE/SWBE SCMSDC for MBE only WBEC-West WBE only CPUC www.the-supplierclearinghouse.com	California Unified Certification Program CUCP Certifying Member Agencies	
Ownership & Control	At least 51% owned <u>and</u> controlled by one or more minority ¹ individuals or women	At least 51% owned <u>and</u> controlled by one or more socially and economically disadvantaged individuals ²	
Qualifying Owner's Personal Net Worth	Not applicable	Less than \$1,320,000 (excluding equity in primary residence and applicant business)	Less than \$1,320,000 (excluding equity in primary residence and applicant business)

¹ Black American, Hispanic American, Native American, Asian-Pacific American, or Subcontinent Asian American;

² Members of the minority groups listed above and women are presumed to be disadvantaged. Any other individual may be determined to be socially and economically disadvantaged on a case-by-case basis.

Race & Gender Based Programs
Certification Criteria
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	MBE/WBE	DBE	ACDBE
Size Standards (Avg. of 3 yrs. gross receipts, including affiliates)	Not applicable	Small Business Administration (SBA) Size Standards up to \$23.98 million	Less than \$56.42 million Less than \$75.23 million for car rental companies \$1 billion in assets for Banks 1500 Employees for Pay Telephone Services 350 employees Automobile Dealers
Type of Business	Any for-profit, independent business pursuing business on City-funded contracts	Any for-profit, independent business doing business on Federal DOT funded contracts (e.g. highway, bridge, or transit construction)	A business that is: (a) located on the airport selling consumer goods or services to the public (excludes taxi, custodial & security services, and aeronautical activities) OR (b) Suppliers of goods and services to concessionaires (includes management, advertising, & web-based contractors)
Business Location*	Not applicable*	Not applicable*	Not applicable*
Number of Employees and % of Total Hours Worked	Not applicable	Only applicable if SBA Size Standard is based on # of employees	Only applicable if Size Standard is based on # of employees
Licenses and Taxes	All applicable licenses required for the type of work performed	All applicable licenses required for the type of work performed	All applicable licenses required for the type of work performed
Expiration Date	No Expiration Date (Certified Until Decertified)	No Expiration Date (Certified Until Decertified) Annual Updates Required	

*CCA Certification Application Review Policy is that the firm must be located in Southern California, within distance that staff can conduct site visit during normal working hours.

Effective March 1st, 2012, CCA will only accept DBE, MBE and WBE applications from City of Los Angeles based firms (Exceptions are made for all LAWA and DWP referred applications). Los Angeles based applicants bidding on City of Los Angeles projects will receive priority handling.

If a company does not meet this criterion, we encourage them to send their application to California Unified Certification Program (CUCP) at <http://californiaucp.org> for Disadvantaged Business Enterprise (DBE) certification; Southern California Minority Supplier Development Council (SCMSDC) for Minority Business Enterprise (MBE) certification <http://www.scmsdc.org/>, or Women's Business Enterprise Council-West at <http://www.wbec-west.com/> for Women Business Enterprise (WBE) certification, or California Public Utilities Commission (CPUC) through The Supplier Clearinghouse <http://www.the-supplierclearinghouse.com/>

APPENDIX

Table 2: City of Los Angeles Race & Gender Neutral Programs



CITY OF LOS ANGELES CERTIFICATION INFORMATION

RACE & GENDER NEUTRAL PROGRAMS

Small Business Enterprise (SBE) • Emerging Business Enterprise (EBE)
 Disabled Veteran Business Enterprise (DVBE) • Local Business Preference (LBE) • Transitional Job Opportunities Program (TJOP)
 • Small Local Business Enterprise (SLB) • Small Business Enterprise-Proprietary (SBE-Proprietary)

	SBE	EBE	DVBE	LBE	TJOP	SLB	SBE-Proprietary (DWP, POLA, LAWA)
Legal Authority	Executive Directive 14/ Business Inclusion Program (ED 14/BIP)	Executive Directive 14/ Business Inclusion Program (ED 14/BIP)	Executive Directive 14/ Business Inclusion Program (ED 14/BIP)	Local Business Preference Program (LBPP Ordinance #181910)	Transitional Job Opportunities Program Ordinance and Admin Code (TJOP Ordinance #176959 and Article 5, Sections 10.31 to 10.31.7)	Small Local Business Ordinance and Admin Code (SLB Ordinance #174048 and Article 4, Sections 10.25 to 10.30)	Resolution of the respective Department's Board of Commissioners
How Do You Apply	www.caleprocure.ca.gov State of California Dept. of General Services (CA-DGS) then request verification at http://www.labavn.org or City of Los Angeles (CLA) - Small Local Business (SLB)	www.caleprocure.ca.gov State of California Dept. of General Services (CA-DGS) or as SBE and be certified as an SB(Micro) or City of Los Angeles (CLA) - Small Local Business (SLB) then request verification at http://www.labavn.org	www.caleprocure.ca.gov State of California Dept. of General Services (CA-DGS) then request verification at http://www.labavn.org U.S. Dept. of Veterans Affairs Office of Small & Disadvantaged Business Utilization https://www.vip.vetbiz.gov	Online through LABAVN http://www.labavn.org	Paper application submitted to: BIS/CCA, Bureau of Contract Administration https://bca.lacity.org (Click on Certification Applications for more information)	Paper application submitted to: BIS/CCA, Bureau of Contract Administration https://bca.lacity.org (Click on Certification Applications for more information)	On line through LABAVN http://www.labavn.org for verification of certification from a recognized agency; or Paper application submitted to: BIS/CCA, Bureau of Contract Administration https://bca.lacity.org (Click on Certification Applications for more information)
Certification Recognition	State of CA Dept. of General Services (DGS) - Small Business (SB) City of Los Angeles (CLA) - Small Local Business (SLB)	State of CA Dept. of General Services (DGS) - Small Business Micro (SB-Micro) City of Los Angeles (CLA) - Small Local Business (SLB)	State of CA Dept. of General Services (DGS) - Disabled Veteran Business Enterprise (DVBE) U.S. Dept. of Veterans Affairs Service-Disabled Veteran-Owned Small Business (SDVOSB) Must be headquartered in California	Not applicable	Not applicable	Not applicable	DGS - SB & SB-Micro; CLA - SLB and SBE-LA; SBA - 8(a); METRO - SBE; Caltrans - SBE/SWBE; CUCP - DBE; US Women's Chamber of Commerce (USWCC) - Women-Owned Small Business (WOSB) & Economically Disadvantaged Women-owned Business (EDWOSB); National Women Business Owners Corp (NWBOC) - Women-owned Small Business (WOSB) & Economically Disadvantaged Women-owned Business (EDWOSB); Women's Business Enterprise National Council (WBENC) - Women-owned Small Business (WOSB)

Race & Gender Neutral Programs
 SBE/EBE/DVBE/LBP/TJOP/SLB/SBE-Proprietary
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	SBE	EBE	DVBE	LBE	TJOP	SLB	SBE-Proprietary (DWP, POLA, LAWA)
Ownership & Control	Not Applicable	Not Applicable	Follows the State DGS' criteria: (at least 51% owned and controlled by one or more disabled veterans living in California and headquartered in California)	Not Applicable	Not applicable	Not Applicable	Not Applicable
Qualifying Owner's Personal Net Worth	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Size Standards (Avg. of 3 yrs gross receipts, including affiliates)	State = \$15 Million for all City = < \$15 Million for Construction; < \$7 Million for Non-Construction plus a statement from the firm's CPA or paid tax preparer OR submission of Tax Returns	Less than \$3.5 million	Not applicable	Not applicable	Not applicable	\$3 million or less	U.S. Small Business Administration (SBA) size standards based on North American Industry Classification System (NAICS) codes; or State of CA Dept of General Services (DGS) Small Business (SB) = \$15 million or less Whichever is larger
Type of Business	Any for-profit, independent business pursuing business on City-funded contracts	Any for-profit, independent business pursuing business on City-funded contracts	Any for-profit, independent business pursuing business on City-funded contracts	Any for-profit, independent business pursuing City contracts greater than \$150,000	Any non-profit, independent business pursuing business on City-funded contracts Must have been in operation for at least three (3) years	Any for-profit, independent business pursuing competitively bid City procurement contracts less than \$100,000	Any independently-owned and operated business pursuing construction, non-professional and personal services projects valued over \$150,000

Race & Gender Neutral Programs
SBE/EBE/DVBE/LBP/TJOP/SLB/SBE-Proprietary
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	SBE	EBE	DVBE	LBE	TJOP	SLB	SBE-Proprietary (DWP, POLA, LAWA)
Business Location	Follows the State DGS' criteria (Principal office located in CA)	Follows the State DGS' criteria (Principal office located in CA)	Follows the State DGS' criteria: Headquarters must be located in California Follows the Federal Dept. of Veterans Affairs' criteria: Home office must be located in the U.S. (the home office cannot be a branch or a subsidiary of a foreign corporation, foreign firm, or other foreign-based business)	Workspace within LA County	Must be incorporated or have its principal office in the State of California	Principal Office located within LA County	Not applicable
Number of Employees and % of Total Hours Worked	Not Applicable	Not Applicable	Not Applicable	At least 50 full-time employees perform work within LA County boundaries @ least 60% of their total hrs. worked on annual basis; or at least 50% of full-time employees work within LA County boundaries @ a minimum of 60% of their total regular hrs worked on annual basis OR if not headquartered ² within LA County	Not Applicable	Not Applicable	Only applicable if SBA Size Standard is based on # of employees
Licenses and Taxes	Not Applicable	Not Applicable	Not Applicable	In compliance with all applicable laws relating to licensing and not delinquent on any City of LA or LA County taxes	Not Applicable	City of Los Angeles Business Tax Registration Certificate (BTRC)	Not Applicable
Expiration Date	Follows the State DGS' expiration date - 2 years	Follows the State DGS' expiration date - 2 years	Follows the State DGS' expiration date - 2 years	5 years	2 years	2 years	Follows the recognized agency's expiration date; or BCA's certification expiration date - 2 years

¹ For SLB, take the Gross Receipts from the past fiscal year only.

² Headquartered means that the business physically conducts and manages all of its operations from a location in LA County Revised Jan 25 2018

The City anticipated participation levels are set at 18 percent MBE, 4 percent WBE, 25 percent SBE, 8 percent EBE, and 3 percent DVBE

Based on City ordinances the following certifications have preferences tied to them:

TJOP: 10 percent bid preference to bids of \$100,000 or less.

SLBE: 10 percent bid preference to bids of \$100,000 or less.

LBE: 8 percent preference awarded to LBE Primes, non-LBE Primes can participate by utilizing LBE subcontractors to receive a 1 percent preference for every 10 of their contract pledged to LBE subcontractors, up to a maximum of a 5 percent preference.

Local Small Business Enterprise Goal: Two different ordinances passed, only applies to specific LAWA (LAMP) and Bureau of Sanitation (Hyperion AWPF) projects. Requires companies to be certified as both LBE and SBE to be considered towards meeting the project specific goal. LAWA and Bureau of Sanitation definitions for SBE are different. Each has meeting the set goal a responsiveness issue.

State Local DVBE Goal: Only applies to specific LAWA (LAMP) projects. Requires companies to be certified as DVBE and be certified as meeting "local to the State" criteria in order to be considered towards meeting the goal. For this goal, LAWA will also accept the SBA (8) DVBE self-certifications. Bidders must meet the goal or they will be deemed non-responsive.

APPENDIX

Table 3: Los Angeles World Airports (LAWA), Preference Program Matrix

LAWA[19]	DVBE	DBE	LBE/LSBE	MBE/WBE	SLB	SBE
Definitions	A firm certified by the U.S. Department of Veterans Affairs or the U.S. Small Business Administration as a Service-Disabled Veteran-Owned Small Business*	A “small business concern” as defined by SBA that is at least 51% owned by one or more socially and economically disadvantaged individuals	Must have a workplace within LA County Must be in compliance with all applicable laws relating to licensing and is not delinquent on any City/County of LA taxes, and**	At least 51% owned and controlled by one or more minority individuals or women	Has annual receipts which are less than \$3 million for the previous fiscal year	An independently owned and operated business that meets the criteria set forth by the SBA
Preference Program	N/A	Currently under revision	An 8% preference will be applied to evaluation score of Proposals of LBE certified companies or a preference of up to 5% applied for a LBE certified Subcontractor to perform work under the contract.	N/A	10% discount	N/A
Participation Level	***	6.37% DBE goal annually	***	All LAWA projects with an estimated value of \$50,000 or greater	Procurement valued less than \$100k	***

*Or certified by the State of California as a Disabled Veteran Business Enterprise and verified by the Department of Public Works and/or County of Los Angeles.

**Can demonstrate:

- at least 50 of its full-time employees perform work within the boundaries of the County at least 60 percent of their total hours worked on annual basis; or
- at least half of its full-time employees work within the boundaries of the County at a minimum of 60 percent of their total regular hours worked on annual basis; or
- It is headquartered in the County of Los Angeles. Headquartered means that the business physically conducts and manages all of its operations from a location in the County.

***All LAWA construction, non-professional and personal services including professional services projects with an estimated value of more than \$150,000 will be reviewed for SBE subcontracting opportunities. The mandatory participation level will be indicated in the bid/proposal packet.

Certification Reciprocity

LAWA uses the City's reciprocity.

The City has reciprocity for ACDBE certification with:

- San Diego County Regional Airport Authority (SAN)
- San Francisco International Airport (SFO), and
- CALTRANS.

For WOSB and EDWOSB certifications, LAWA accepts from:

- US Women's Chamber of Commerce (UWCC)
- Women's Business Enterprise National Council (WBENC)
- National Women Business Owners Corporation (NWBOC)

Table 4: The Port of Los Angeles (POLA), Preference Program Matrix

Port of LA ^[20]	Small Business Enterprise (SBE)*	Local Business Enterprise (LBE)
Preference Points	N/A	Receives 8% preference on any proposal or bid valued in excess of \$150,000
Other Benefits	25% SBE participation, including 5% VSBE	Firms may receive 5% for LBE subcontractors. Preference may not exceed \$1 mil
Definitions	*, **	***

*The Harbor Department defines a SBE as an independently owned and operated business that is not dominant in its field and meets criteria set forth by the SBA

**The Harbor Department defines a VSBE based on the State of California's Micro-business definition which is 1) a small business that has average annual gross receipts of \$3,500,000 or less within the previous three years, or (2) a small business manufacturer with 25 or fewer employees.

***The Harbor Department defines a LBE as: 1) a business headquartered within Los Angeles, Orange, Riverside, San Bernardino, or Ventura Counties; or 2) a business that has at least 50 full time employees, or 25 full times employees for specialty marine contracting firms, working in the above counties.

APPENDIX

Table 5: State of California, Preference Program Matrix

State of California*	Small Business Enterprise (SBE) ^[21]	Disabled Veterans Business Enterprise (DVBE) ^[22]
Preference Points	May give a 5% bid preference to certified SBs	May offer up a 5% incentive to DVBEs in the formal bid process
Definitions	Firm must be independently owned and operated; Not dominant in field of operation; Principal office located in California; Owners domiciled in California; and Be either**	Firm must be at least 51% owned by one or more disabled veterans; Daily business operations must be managed and controlled by one or more disabled veterans

*Threshold spending for California state agencies is at least 25% of their annual contracting dollars to certified SBs and at least 3% to certified DVBEs.

**A business with 100 or fewer employees; an average gross receipts of \$15 million or less, over the last three tax years; A manufacturer with 100 or fewer employees; or, a microbusiness.

Table 6: County of Los Angeles, Preference Program Matrix

County of Los Angeles^[23] *	Local Small Business Enterprise (LSBE)	Social Enterprise Program (SE)	Disabled Veteran Business Enterprise (DVBE)
Preference Points	Eligible to receive a 15% bid price reduction, up to \$150k	15% bid price reduction on applicable County solicitations	15% bid price reduction on applicable County solicitations
Other Benefits	15-day prompt payment on undisputed invoices with the County	Listing on the County's exclusive databased of certified businesses, providing more visibility to County departments	Listing on the County's exclusive databased of certified Disabled Veteran owned Businesses
Definitions	<p>-Must have principal place of business located in the County for at least 12 months</p> <p>-Have 100 or fewer employees with annual gross receipts of \$15 million or less over the last three tax years</p> <p>-if the business is a manufacturer it must have 100 or fewer employees and there is no revenue cap</p>	Must have its Principal Place of Business or major office located at the County of LA and meet one of the following criteria**	Business must be certified by either DGS as a DVBE or verified by the U.S VA as a Service Disabled Veteran Owned Small Business (SDVOSB)

*Threshold spending 25% for LSBEs and 3% for DVBEs by 2020

** Has been in operation for at least one year providing transitional or permanent jobs and/or job training, skill building, and access to supportive services to a Transitional workforce or employing at least 51% of a transitional workforce

- Is certified as a B-Corporation by B-Labs
- Is incorporated as a Benefit Corporation or Social Purpose Corporation with the State
- Is certified "Green" by a city government located within the County
- A business whose primary purpose is the common good as demonstrated through a published mission statement and whose principal business activity is directly related to accomplishing that state social mission.

The thresholds for procurement vary by division:

- For goods and services it is \$88,300,
- For professional services it is \$250,000, and
- For construction it is \$1,000,000

APPENDIX

Table 7: Los Angeles Community College (LACCD), Preference Program Matrix

LACCD ^[24]	Local Business Enterprise (LBE)	Small Business Enterprise (SBE)	Emerging Business	Disabled Veteran Business Enterprise (DVBE)
Definitions	A business having its principal place of business in the County for at least the most recent 12 months	A business that has met the applicable ownership, operation, and size requirements, and has been certified by a Federal agency or California public agency as an SBE	Has been in business in its substantially current form for up to five years	A business that is 51% owned and operated by one or more disabled veterans certified by DGS or Federal agency

The Board of Trustees established a 30% Local, Small, Emerging, and Disabled Veteran (LSEDV) participation goal that applies to all Build Program contracts.^[25]

Los Angeles Unified School District (LAUSD)

SBE Program^[26]

- The district has stated goals of 25% SBE participation.
- Uses SBA small business size standards

“We Build” Program^[27]

- 50% local hire participation requirement.
- Qualifications: Must live within the Los Angeles Unified School District map service area; Must be 18 years old or older; Must possess a valid California Driver's License and Social Security Card

5% Disabled Veteran Business Enterprise (DVBE) participation goal on all district contracts.

- On large contracts, primes can receive additional preference points if they utilize small and local businesses as subcontractors.^[28]
- As a result, LAUSD achieves a high rate of SBE utilization on construction contracts.

SBEs are provided a 10% bid preference when bidding for the procurement of goods or delivery of services under the annually adjusted bid threshold amount (currently \$90,200).

- SBE's submitting proposals or qualifications in response to Request for Proposals (RFP) or Request for Qualifications (RFQ) have the ability to earn up to 15% of the evaluation scoring points for those RFPs or RFQs.

Table 8: Los Angeles Metropolitan Transportation Authority (Metro), Preference Program Matrix

Metro ^[29]	DBE	SBE	SBE Prime*	Medium-size (MSZ)
Definitions	-The business must be independent and organized for profit. -Qualified owner(s) personal net worth must be less than \$1.32 million. -Annual gross receipts must be less than \$23.98 million (3 year average). -Qualified applicant(s) must own 51% of the business -The applicant must be a U.S. Citizen or lawfully admitted permanent resident		Covers competitively negotiated, sealed bids and public works from \$3k up to \$5 mil	Firms with a three year average of \$25 million-\$250 million in gross annual revenue and with more than 25 employees
Other Benefits	N/A	Applies a SBE subcontracting goal to competitively bid and negotiated contracts to obtain the overall goal	Applicable procurements are set aside for competition among SBEs when and if there is a competitive pool of three or more SBE firms available to perform the work	N/A
Participation Level	26%	30%	N/A	DEOD** will review solicitations for applicability to establish SBE/DVBE goals on those contracts that are within the new MSZ program threshold

*Only Metro certified Small Business Enterprises (SBEs) can compete. To date, SBE prime awards have increased 72% in FY15 from FY14.^[30]

**DEOD=Diversity and Economic Opportunity Department

Certification Details

Certification Process for Disadvantaged Business Enterprise (DBE) and Small Business Enterprise (SBE)

- Only one application is required for both DBE and SBE certification.
- Metro only accepts online applications and accepts reciprocity with CUCP

- If a firm is already certified by a CUCP certifying agency, Metro will recognize and accept the DBE certification.

Disabled Veterans Business Enterprise (DVBE) Certification ^[31]

- Businesses owned by disabled United States military veterans.
- Metro does not process this certification but recognizes the California Department of General Services' certification.

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SUPPORTING ECONOMIC INCLUSION IN DISADVANTAGED COMMUNITIES

A Case for Inclusive Public Procurement Policies