



2020 Disparity Study

Commonwealth of Virginia

EXECUTIVE SUMMARY

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Prepared for

Department of Small Business and Supplier Diversity

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Executive Summary

The Commonwealth of Virginia (The Commonwealth) implements the Small, Women, and Minority-owned Business (SWaM) Program to encourage the participation of small businesses and minority- and woman-owned businesses in state contracts and procurements. The SWaM Program comprises various *race- and gender-neutral* measures to meet its objectives. Race- and gender-neutral measures are efforts designed to encourage the participation of all businesses—or all small businesses—in an organization’s contracting and procurement, regardless of the race/ethnicity or gender of business owners (e.g., networking and outreach events or financing and bonding assistance). In contrast, *race- and gender-conscious* measures are measures that are specifically designed to encourage the participation of minority- and woman-owned businesses in government contracting and procurement (e.g., goals for minority- and woman-owned business participation on individual contracts). The Commonwealth does not currently use any race- or gender-conscious measures as part of its contracting and procurement processes.

The Department of Small Business and Supplier Diversity (SBSD), which is responsible for operating the SWaM Program, retained BBC Research & Consulting (BBC) to conduct a *disparity study* to help evaluate the effectiveness of the program in encouraging the participation of minority- and woman-owned businesses in state contracts and procurements.¹ As part of the study, BBC assessed whether there were any disparities between:

- The percentage of contract and procurement dollars—including subcontract dollars—that Commonwealth agencies and higher education institutions (HEIs) awarded to minority- and woman-owned businesses during the study period, which was defined as July 1, 2014 through June 30, 2019 (i.e., *utilization*); and
- The percentage of contract and procurement dollars that minority- and woman-owned businesses might be expected to receive based on their availability to perform specific types and sizes of Commonwealth and HEI prime contracts and subcontracts (i.e., *availability*).

The disparity study also examined other quantitative and qualitative information related to:

- The legal framework surrounding the SWaM Program;
- Local marketplace conditions for minorities, women, and minority- and woman-owned businesses; and
- Contracting practices and business assistance programs that Commonwealth agencies have in place.

¹ “Woman-owned businesses” refers to non-Hispanic white woman-owned businesses. Information and results for minority woman-owned businesses are included along with their corresponding racial/ethnic groups.

The Commonwealth could use information from the study to help refine its implementation of the SWaM Program, including setting an overall aspirational goal for the participation of minority- and woman-owned businesses in state contracting and procurement and determining which program measures to use to encourage the participation of those businesses.

BBC summarizes key information from the 2020 Commonwealth of Virginia Disparity Study in five parts:

- A. Analyses in the disparity study;
- B. Availability analysis results;
- C. Utilization analysis results;
- D. Disparity analysis results; and
- E. Program implementation.

A. Analyses in the Disparity Study

BBC examined extensive information related to outcomes for minority- and woman-owned businesses and the SWaM Program:

- The study team conducted an analysis of regulations, case law, and other information to guide methodology for the disparity study. The analysis included a review of legal requirements related to minority- and woman-owned business programs, including the SWaM Program (see Chapter 2 and Appendix B).
- BBC conducted quantitative analyses of outcomes for minorities, women, and minority- and woman-owned businesses throughout the *relevant geographic market area (RGMA)*.² In addition, the study team collected anecdotal evidence about potential barriers that individuals and businesses face in the local marketplace through in-depth interviews, surveys, public meetings, and focus groups (see Chapter 3, Appendix C, and Appendix D).
- BBC analyzed the percentage of relevant Commonwealth and HEI contract and procurement dollars that minority- and woman-owned businesses are available to perform. That analysis was based on surveys that the study team completed with businesses that work in industries related to the specific types of construction, professional services, and goods and other services contracts and procurements that the Commonwealth and HEIs award (see Chapter 5 and Appendix E).
- BBC analyzed the dollars that minority- and woman-owned businesses were awarded on relevant construction, professional services, and goods and other services contracts and procurements that the Commonwealth and HEIs awarded during the study period (see Chapters 4 and 6).
- BBC examined whether there were any disparities between the participation and availability of minority- and woman-owned businesses on construction, professional

² BBC identified the RGMA as the entire state of Virginia.

services, and goods and other services contracts and procurements that the Commonwealth and HEIs awarded during the study period (see Chapter 7 and Appendix F).

- BBC reviewed the measures that the Commonwealth uses to encourage the participation of minority- and woman-owned businesses in state contracts and procurements as well as measures that other organizations in the region use (see Chapter 8).
- BBC provided guidance related to additional program options and potential changes to current contracting practices for the Commonwealth’s consideration (see Chapter 9).

B. Availability Analysis Results

BBC used a *custom census* approach to analyze the availability of minority- and woman-owned businesses for Commonwealth and HEI prime contracts and subcontracts, which relied on information from surveys that the study team conducted with potentially available businesses located in the RGMA and information about the contracts and procurements that the Commonwealth and HEIs awarded during the study period. That approach allowed BBC to develop a representative, unbiased, and statistically-valid database of relevant Virginia businesses to estimate the availability of minority- and woman-owned businesses for Commonwealth and HEI work. BBC presents availability analysis results for Commonwealth and HEI work overall and, specifically for the Commonwealth, different subsets of contracts and procurements.

1. All contracts and procurements. Figure ES-1 presents dollar-weighted availability estimates by relevant business group for Commonwealth contracts and procurements. Overall, the availability of minority- and woman-owned businesses for Commonwealth work is 32.8 percent, indicating that minority- and woman-owned businesses might be expected to receive 32.8 percent of the contract and procurement dollars that the Commonwealth awards in construction, professional services, and goods and other services.

Figure ES-1.
Overall availability estimates by racial/ethnic and gender group for Commonwealth work

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figure F-2 in Appendix F.

Source:

BBC Research & Consulting availability analysis.

Business group	Availability %
Non-Hispanic white woman-owned	10.9 %
Asian American-owned	6.6
Black American-owned	7.1
Hispanic American-owned	5.3
Native American-owned	2.9
Total Minority-owned	21.9 %
Total Minority- and Woman-owned	32.8 %

BBC also estimated the availability of minority- and woman-owned businesses for contracts and procurements that Tier II and Tier III HEIs award. Tier II HEIs have a memorandum of understanding with the Commonwealth that allow them some contracting and procurement

autonomy, and Tier III HEIs have complete autonomy in their contracting and procurement.^{3,4,5} Figure ES-2 presents availability analysis results for Tier II HEIs considered together and Tier III HEIs considered together. As shown in figure ES-2, the availability of minority- and woman-owned businesses considered together is slightly higher for the contracts and procurements that Tier II HEIs award (30.5%) than ones that Tier III HEIs award (29.4%).

Figure ES-2.
Overall availability estimates by racial/ethnic and gender group for Tier II and Tier III HEIs

Note:
 Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.
 For more detail and results by group, see Figures F-18 and F-19 in Appendix F.

Source:
 BBC Research & Consulting availability analysis.

Business group	HEI tier	
	Tier II	Tier III
Non-Hispanic white woman-owned	11.1 %	11.5 %
Asian American-owned	7.0	6.4
Black American-owned	5.3	7.6
Hispanic American-owned	6.0	3.2
Native American-owned	1.1	0.6
Total Minority-owned	19.4 %	17.9 %
Total Minority- and Woman-owned	30.5 %	29.4 %

2. Contract role. Many minority- and woman-owned businesses are small businesses and thus often work as subcontractors. Because of that tendency, it is useful to examine availability estimates separately for Commonwealth prime contracts and subcontracts. As shown in Figure ES-3, the availability of minority- and woman-owned businesses considered together is higher for Commonwealth prime contracts (32.8%) than for subcontracts (31.1%).

Figure ES-3.
Availability estimates by contract role for Commonwealth work

Note:
 Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.
 For more detail, see Figures F-8 and F-9 in Appendix F.

Source:
 BBC Research & Consulting availability analysis.

Business group	Contract role	
	Prime contracts	Subcontracts
Non-Hispanic white woman-owned	10.9 %	12.4 %
Asian American-owned	6.6	5.3
Black American-owned	7.1	4.6
Hispanic American-owned	5.3	7.5
Native American-owned	2.9	1.3
Total Minority-owned	21.9 %	18.7 %
Total Minority- and Woman-owned	32.8 %	31.1 %

³ Tier II HEIs are George Mason University, Longwood University, Old Dominion University, Radford University, and the University of Mary Washington. Three additional HEIs—Christopher Newport University, Richard Bland College, and Virginia Community College System—are also considered Tier II HEIs but only have autonomy for capital outlay and information technology procurements. Their results are presented along with results for the Commonwealth.

⁴ Tier III HEIs are the College of William & Mary, James Madison University, the University of Virginia, Virginia Commonwealth University, and Virginia Tech. James Madison University was a Tier II HEI during the study period.

3. Subcontractor plans. For contracts and procurements worth \$100,000 or more, the Commonwealth’s Executive Order 35 requires that potential prime contractors submit subcontractor plans with their bids in an effort to encourage subcontractor participation in that work. BBC examined the availability of minority- and woman-owned businesses for contracts and procurements worth \$100,000 or more (*subcontractor plan* contracts) and contracts and procurements worth less than \$100,000 (*no subcontractor plan* contracts), because that information could be informative in assessing the efficacy of subcontractor plans in encouraging the participation of minority- and woman-owned businesses in Commonwealth contracts and procurements. As shown in Figure ES-4, the availability of minority- and woman-owned businesses considered together is higher for subcontractor plan contracts (33.5%) than for no subcontractor plan contracts (29.2%).

Figure ES-4.
Availability estimates for subcontractor plan and no subcontractor plan contracts and procurements

Note:
 Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.
 For more detail, see Figures F-12 and F-13 in Appendix F.

Source:
 BBC Research & Consulting availability analysis.

Business group	Subcontractor plans	
	Yes	No
Non-Hispanic white woman-owned	11.0 %	10.4 %
Asian American-owned	6.6	6.6
Black American-owned	6.8	8.5
Hispanic American-owned	5.8	3.3
Native American-owned	3.4	0.4
Total Minority-owned	22.5 %	18.8 %
Total Minority- and Woman-owned	33.5 %	29.2 %

4. Industry. BBC examined availability analysis results separately for Commonwealth construction, professional services, and goods and other services contracts. As shown in Figure ES-5, the availability of minority- and woman-owned businesses considered together is highest for Commonwealth professional services contracts (50.3%) and lowest for construction contracts (23.9%).

Figure ES-5.
Availability estimates by industry for Commonwealth work

Business group	Industry		
	Construction	Professional services	Goods and other services
Non-Hispanic white woman-owned	5.8 %	17.4 %	11.1 %
Asian American-owned	5.5	11.2	2.7
Black American-owned	8.8	8.5	2.6
Hispanic American-owned	3.8	5.4	7.8
Native American-owned	0.1	7.8	1.4
Total Minority-owned	18.1 %	32.9 %	14.4 %
Total Minority- and Woman-owned	23.9 %	50.3 %	25.5 %

Note: Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.
 For more detail and results by group, see Figures F-5, F-6, and F-7 in Appendix F.

Source: BBC Research & Consulting availability analysis.

C. Utilization Analysis Results

BBC measured the participation of minority- and woman-owned businesses in Commonwealth and HEI contracts and procurements in terms of *utilization*—the percentage of dollars that those businesses were awarded on relevant prime contracts and subcontracts during the study period. BBC measured the participation of minority- and woman-owned businesses in Commonwealth and HEI work regardless of whether they were certified as minority-owned or woman-owned businesses by SBSB.

1. All contracts and procurements. Figure ES-6 presents the percentage of total dollars that minority- and woman-owned businesses received on relevant construction, professional services, and goods and other services prime contracts and subcontracts that the Commonwealth awarded during the study period. As shown in Figure ES-6, minority- and woman-owned businesses considered together received 13.4 percent of the relevant contract and procurement dollars that the Commonwealth awarded during the study period.

Figure ES-6.
Utilization results for Commonwealth contracts and procurements

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail, see Figure F-2 in Appendix F.

Source:

BBC utilization analysis.

Business group	Utilization %
Non-Hispanic white woman-owned	5.5 %
Asian American-owned	1.1
Black American-owned	3.4
Hispanic American-owned	3.3
Native American-owned	0.1
Total Minority-owned	8.0 %
Total Minority- and Woman-owned	13.4 %

BBC also calculated the participation of minority- and woman-owned businesses in contracts and procurements that Tier II and Tier III HEIs awarded during the study period. As shown in Figure ES-7, the participation of minority- and woman-owned businesses was higher in contracts and procurements that Tier II HEIs awarded (11.1%) than in ones that Tier III HEIs awarded (8.0%).

Figure ES-7.
Utilization results for Tier II and Tier III HEIs

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figures F-18 and F-19 in Appendix F.

Source:

BBC Research & Consulting availability analysis.

Business group	HEI tier	
	Tier II	Tier III
Non-Hispanic white woman-owned	7.4 %	6.1 %
Asian American-owned	2.5	0.3
Black American-owned	0.3	1.2
Hispanic American-owned	0.6	0.2
Native American-owned	0.3	0.1
Total Minority-owned	3.7 %	1.9 %
Total Minority- and Woman-owned	11.1 %	8.0 %

2. Contract role. Figure ES-8 presents utilization analysis results separately for prime contracts and subcontracts that the Commonwealth awarded during the study period. As shown in Figure ES-3, the participation of minority- and woman-owned businesses considered together was higher in subcontracts (20.9%) that the Commonwealth awarded than in prime contracts (13.3%). Among other factors, that result could be due to the fact that subcontracts tend to be smaller in size than prime contracts, and thus may be more accessible to minority- and woman-owned businesses.

Figure ES-8.
Utilization analysis results by contract role

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail, see Figures F-8 and F-9 in Appendix F.

Source:

BBC utilization analysis.

Business group	Contract role	
	Prime contracts	Subcontracts
Non-Hispanic white woman-owned	5.4 %	10.1 %
Asian American-owned	1.1	4.4
Black American-owned	3.5	0.4
Hispanic American-owned	3.2	6.0
Native American-owned	0.1	0.0
Total Minority-owned	7.9 %	10.8 %
Total Minority- and Woman-owned	13.3 %	20.9 %

3. Subcontractor plans. BBC also examined the participation of minority- and woman-owned businesses in subcontractor plan contracts and no subcontractor plan contracts. because that information is informative about the efficacy of subcontractor plans in encouraging the participation of minority- and woman-owned businesses in Commonwealth work. As shown in Figure ES-9, the participation of minority- and woman-owned businesses was very similar in subcontractor plan (13.4%) and no subcontractor plan (13.5%) contracts, potentially indicating that requesting subcontractor plans from prime contractors at the time of bid might not be particularly effective in encouraging the participation of minority- and woman-owned businesses in Commonwealth contracts and procurements.

Figure ES-9.
Utilization results for subcontractor plan and non-subcontractor plan contracts and procurements

Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail, see Figures F-12 and F-13 in Appendix F.

Source:

BBC Research & Consulting availability analysis.

Business group	Subcontractor plans	
	Yes	No
Non-Hispanic white woman-owned	5.2 %	6.6 %
Asian American-owned	1.1	1.3
Black American-owned	3.4	3.7
Hispanic American-owned	3.6	1.5
Native American-owned	0.1	0.5
Total Minority-owned	8.2 %	6.9 %
Total Minority- and Woman-owned	13.4 %	13.5 %

4. Industry. BBC also examined utilization analysis results separately for the Commonwealth's construction, professional services, and goods and other services contracts and procurements to determine whether the participation of minority- and woman-owned businesses differs by industry. As shown in Figure ES-10, the participation of minority- and woman-owned businesses

considered together was highest for the goods and other services contracts and procurements that the Commonwealth awarded during the study period (15.1%) and lowest for professional services contracts and procurements (11.2%).

Figure ES-10.
Utilization analysis results by industry

Business group	Industry		
	Construction	Professional services	Goods and other services
Non-Hispanic white woman-owned	6.9 %	2.0 %	7.4 %
Asian American-owned	0.3	2.0	1.3
Black American-owned	1.3	4.3	5.6
Hispanic American-owned	5.4	2.7	0.8
Native American-owned	0.2	0.2	0.0
Total Minority-owned	7.2 %	9.2 %	7.7 %
Total Minority- and Woman-owned	14.1 %	11.2 %	15.1 %

Note: Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.
For more detail and results by group, see Figure F-5, F-6, and F-7 in Appendix F.

Source: BBC utilization analysis.

D. Disparity Analysis Results

Although information about the participation of minority- and woman-owned businesses in Commonwealth and HEI contracts and procurements is useful on its own, it is even more useful when it is compared with the level of participation one might expect based on their availability for that work. As part of the disparity analysis, BBC compared the participation of minority- and woman-owned businesses in Commonwealth and HEI prime contracts and subcontracts with the percentage of contract dollars that those businesses might be expected to receive based on their availability for that work. BBC calculated *disparity indices* for each relevant business group and for various contract sets by dividing percent utilization by percent availability and multiplying by 100. A disparity index of 100 indicates an exact match between participation and availability for a particular group for a particular contract set (referred to as *parity*). A disparity index of less than 100 indicates a disparity between participation and availability. A disparity index of less than 80 indicates a *substantial* disparity between participation and availability.

1. All contracts and procurements. Figure ES-11 presents disparity indices for all relevant prime contracts and subcontracts that the Commonwealth awarded during the study period. The line down the center of the graph shows a disparity index level of 100, which indicates parity between participation and availability. A line is also drawn at a disparity index level of 80, which indicates a substantial disparity. As shown in Figure ES-11, minority- and woman-owned businesses considered together exhibited a disparity index of 41 for contracts and procurements that the Commonwealth awarded during the study period, indicated substantial underutilization. Moreover, all individual racial/ethnic and gender groups showed substantial disparities on that work.

Figure ES-11.
Disparity analysis
results for relevant
Commonwealth
contracts and procurements

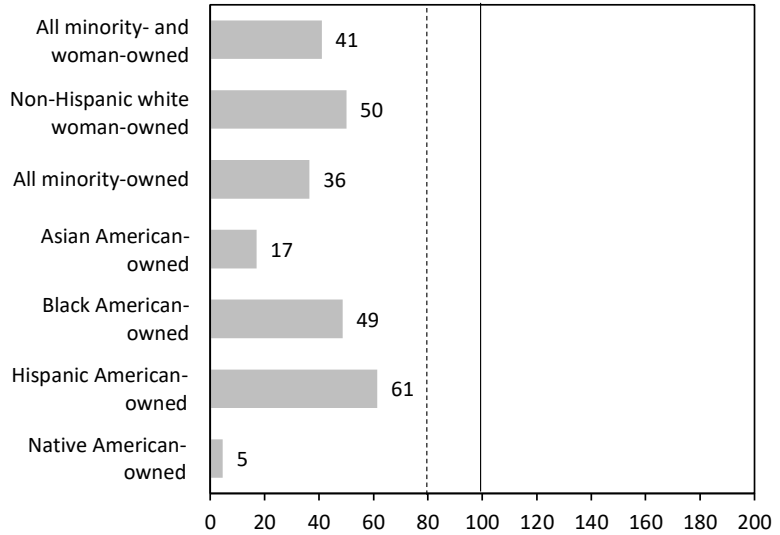
Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail, see Figure F-2 in Appendix F.

Source:

BBC disparity analysis



BBC also assessed disparities between participation and availability for contracts and procurements that Tier II and Tier III HEIs awarded during the study period. As shown in figure ES-12, minority- and woman-owned businesses considered together exhibited substantial disparities for contracts and procurements that Tier II HEIs (disparity index of 37) and Tier III HEIs (disparity index of 27) awarded during the study period. All individual business groups showed substantial disparities for both Tier II and Tier III contracts and procurements.

Figure ES-12.
Disparity analysis
results for Tier II and
Tier III HEIs

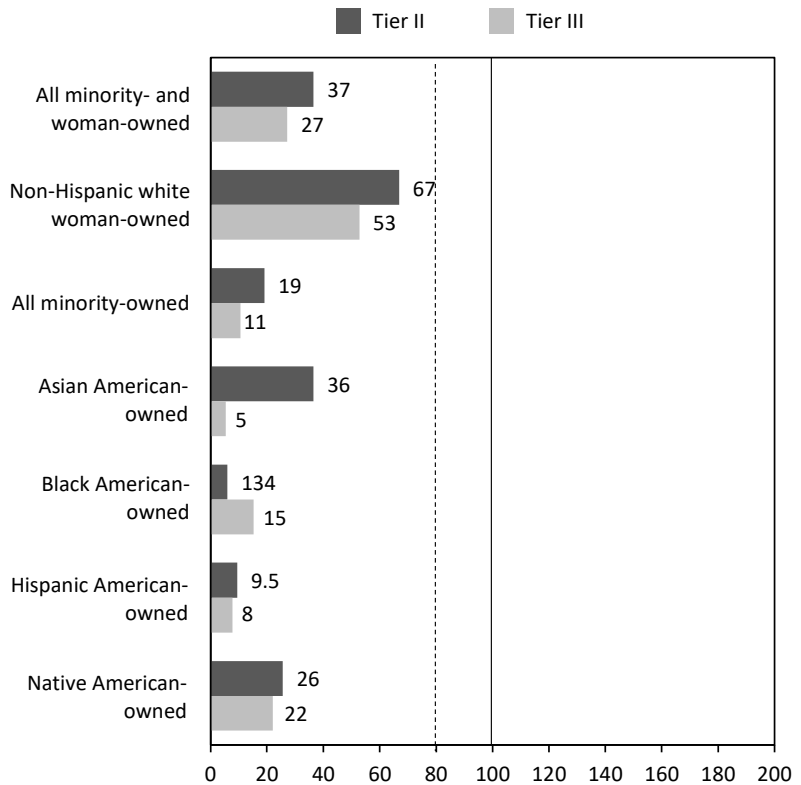
Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figures F-18 and F-19 in Appendix F.

Source:

BBC disparity analysis.



2. Contract role. Many minority- and woman-owned businesses are small businesses and thus often work as subcontractors, so it is useful to examine disparity analysis results separately for prime contracts and subcontracts. As shown in Figure ES-13, minority- and woman-owned businesses considered together showed a substantial disparity for both Commonwealth prime contracts (disparity index of 41) and subcontracts (disparity index of 67). All individual business groups showed substantial disparities for both prime contracts and subcontracts except for non-Hispanic white woman-owned businesses (disparity index of 81) and Asian American-owned businesses (disparity index of 82) on subcontracts.

Figure ES-13.
Disparity analysis
results by contract role

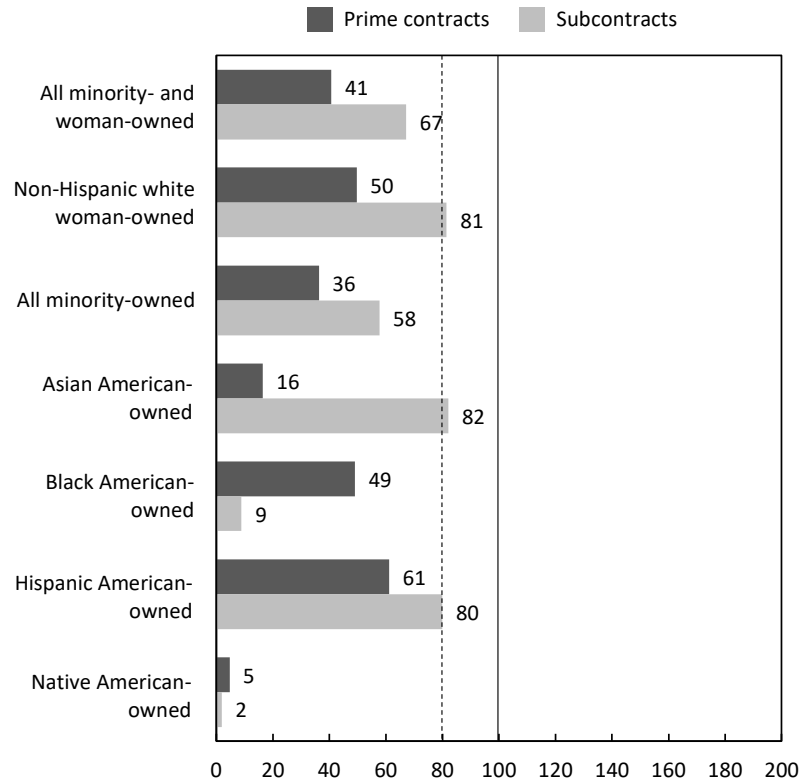
Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figure F-8 and F-9 in Appendix F.

Source:

BBC disparity analysis.



3. Subcontractor plans. BBC assessed disparities for minority- and woman-owned businesses for subcontractor plan contracts and no subcontractor plan contracts to assess the efficacy of subcontractor plans in encouraging the participation of minority- and woman-owned businesses in Commonwealth work. As shown in Figure ES-14, subcontract plans do not appear to improve outcomes for minority- and woman-owned businesses on Commonwealth contracts and procurements. Minority- and woman-owned businesses considered together exhibited substantial disparities on both subcontract plan contracts (disparity index of 40) and no subcontract plan contracts (disparity index of 46). All individual business groups showed substantial disparities for both contract sets except for Native American-owned businesses on no subcontractor plan contracts (disparity index of 140).

Figure ES-14.
Disparity analysis
results for subcontractor
plan and no subcontractor
plan contracts and
procurements

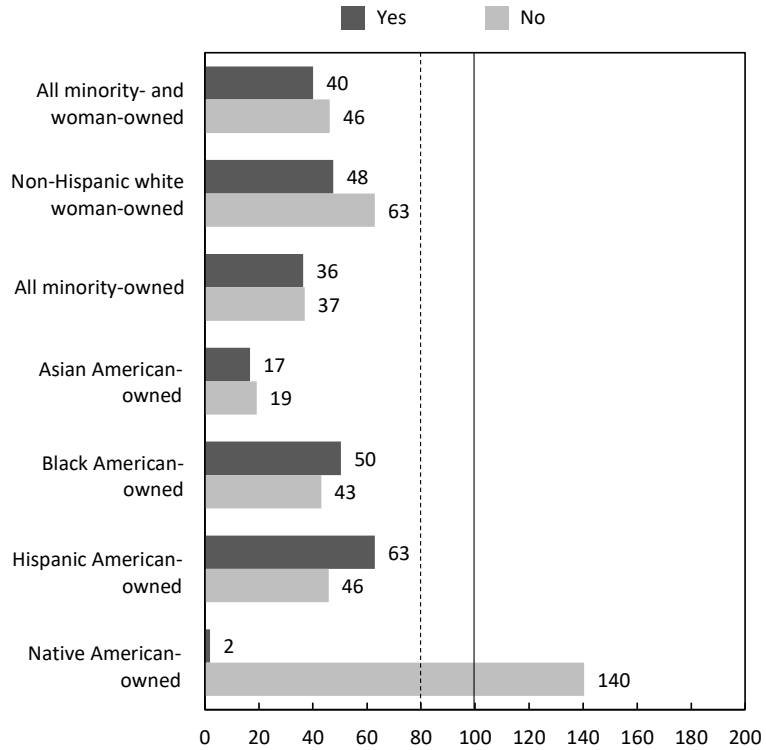
Note:

Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.

For more detail and results by group, see Figure Figures F-12 and F-13 in Appendix F.

Source:

BBC disparity analysis.



4. Industry. BBC also examined disparity analysis results separately for the Commonwealth’s construction, professional services, and goods and other services contracts and procurements to determine whether disparities between participation and availability differ by work type. As shown in Figure ES-15, minority- and woman-owned businesses considered together exhibited substantial disparities for the Commonwealth’s construction (disparity index of 59), professional services (disparity index of 22), and goods and other services (disparity index of 59) contracts and procurements. Although most individual business groups showed substantial disparities for most industries, there were some exceptions:

- Non-Hispanic white woman-owned businesses (disparity index of 120), Hispanic American-owned businesses (disparity index of 144), and Native American-owned businesses (disparity index of 200+) did not exhibit disparities on construction contracts; and
- Black American-owned businesses did not exhibit a disparity on goods and other services procurements (disparity index of 200+).

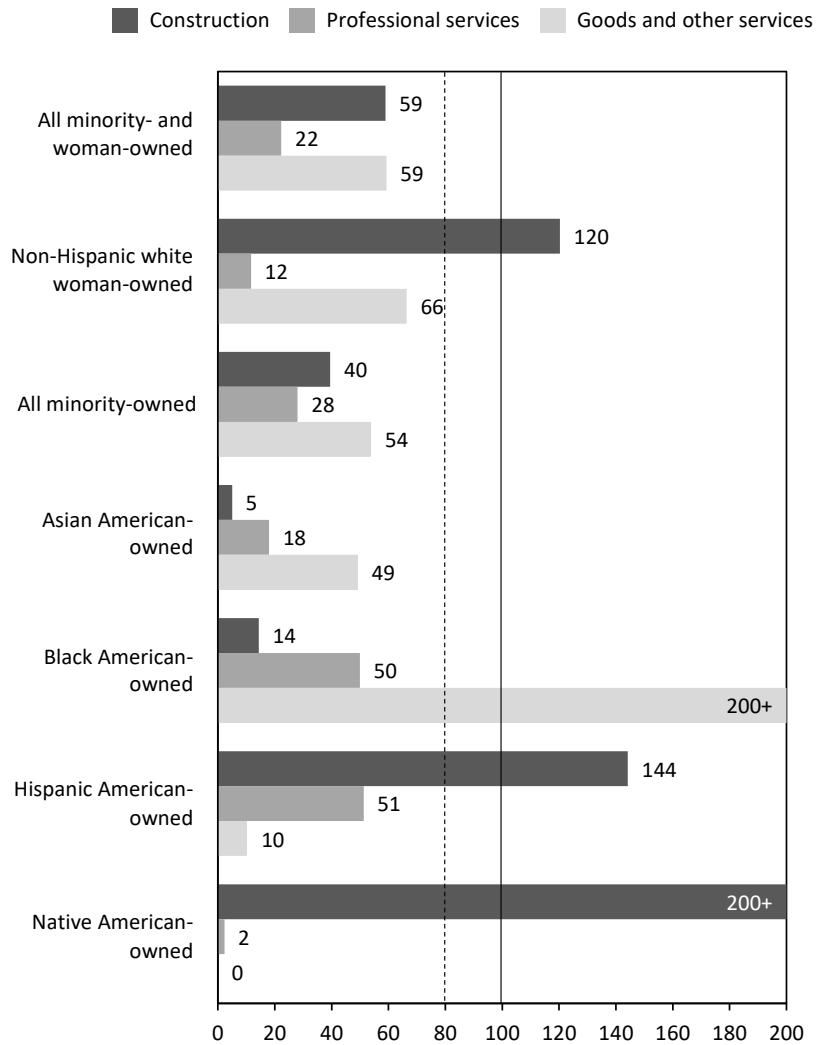
E. Program Implementation

The Commonwealth should review study results and other relevant information in connection with making decisions concerning its implementation of the SWaM Program. Key considerations in making any refinements are discussed below. When making those considerations, the Commonwealth should also assess whether additional resources, changes in internal policy, or changes in state law may be required. For additional details about program implementation, see Chapter 9.

Figure ES-15.
Disparity analysis
results by industry

Note:
 Numbers rounded to nearest
 tenth of 1 percent and thus
 may not sum exactly to
 totals.
 For more detail and results
 by group, see F-5, F-6, and
 F-7 in Appendix F.

Source:
 BBC disparity analysis.



1. Overall aspirational goal. Results from the disparity study—particularly the availability analysis, analyses of marketplace conditions, and anecdotal evidence—can be helpful to the Commonwealth in establishing an overall aspirational goal for the participation of minority- and woman-owned business in its contracting and procurement. The availability analysis indicated that minority- and woman-owned businesses might be expected to receive 32.8 percent of Commonwealth contract and procurement dollars, which the Commonwealth could consider as its *base figure* of its overall aspirational goal. In addition, the disparity study provides information about factors that the Commonwealth should review in considering whether an adjustment to its base figure is warranted, particularly information about the volume of Commonwealth work in which minority- and woman-owned businesses have participated in the past; barriers in Virginia related to employment, self-employment, education, training, and unions; barriers in Virginia related to financing, bonding, and insurance; and other relevant information.

2. Contract-specific goals. Disparity analysis results indicate that all relevant racial/ethnic and gender groups showed substantial disparities on key sets of contracts and procurements that the Commonwealth and HEIs awarded during the study period. Because the Commonwealth

uses myriad race- and gender-neutral measures to encourage the participation of minority- and woman-owned businesses in its contracting, and because those measures have not sufficiently addressed disparities for those businesses, it might consider using minority- and woman-owned business goals to award individual contracts. To do so, the Commonwealth would set participation goals on individual contracts based on the availability of minority- and woman-owned businesses for the types of work involved with the project as well as on current marketplace conditions, and, as a condition of award, prime contractors would have to meet those goals by making subcontracting commitments with certified minority- and woman-owned businesses as part of their bids or by demonstrating sufficient good faith efforts to do so. Because the use of such goals would be considered a race- and gender-conscious measure, the Commonwealth will need to ensure that the use of those measures meets the *strict scrutiny standard* of constitutional review.

3. Small business set asides. Disparity analysis results indicated substantial disparities for all relevant racial/ethnic and gender groups on prime contracts that the Commonwealth awarded during the study period. The Commonwealth might consider setting aside select small prime contracts for small business bidding to encourage the participation of small businesses, including many minority- and woman-owned businesses, as prime contractors. The Commonwealth currently has a small business set aside program where it ostensibly sets asides certain, relatively small contracts for small business bidding. However, if a larger business submits a bid that is more than 5 percent less than the lowest bid submitted by a small business, then the Commonwealth awards the contract to the larger business. To ensure that small business set asides are effectively encouraging the participation of small businesses, the Commonwealth should consider truly limiting bidding on eligible contracts to certified small businesses, regardless of whether larger business are able to submit lower bids.

4. Prompt payment. As part of in-depth interviews, several businesses, including many minority- and woman-owned businesses, reported difficulties with receiving payment in a timely manner on both private sector and public sector contracts, particularly when they work as subcontractors or on design-build contracts. Many businesses also commented that having capital on hand is crucial to business success and ready access to capital is a challenge for small businesses. The Agency Procurement and Surplus Property Manual requires prime contractors to pay subcontractors within seven days of receiving payment from state agencies. The Commonwealth should consider making efforts to further enforce those requirements. Doing so might help ensure that subcontractors receive payment in a timely manner. It may also help ensure that minority- and woman-owned businesses have enough operating capital to remain competitive and successful.

5. Capacity building. Results from the disparity study indicated that there are many minority- and woman-owned businesses in Virginia but most of them have relatively low capacities for Commonwealth work. The Commonwealth should consider various technical assistance, business development, mentor-protégé, and joint venture programs to help businesses build the capacity required to compete for relatively large Commonwealth and HEI contracts and procurements. In addition to considering programs that could be open to all small businesses, the Commonwealth could consider implementing a program to assist certain minority- and woman-owned businesses with development and growth. As part of such a program, the

Commonwealth could have an application and interview process to select businesses with which to work closely to provide specific support and resources necessary for growth.

6. Utilization of different businesses. The disparity study indicated that a substantial portion of Commonwealth contract and procurement dollars that were awarded to minority- and woman-owned businesses were largely concentrated with a relatively small number of businesses. The Commonwealth could consider using bid and contract language to encourage prime contractors to partner with subcontractors and suppliers with which they have never worked. For example, the Commonwealth might ask prime contractors to submit information about the efforts they made to identify and team with businesses with which they have not worked as part of their bids.

7. Data collection. The Commonwealth and HEIs maintain comprehensive data on the prime contracts they award, and those data are generally well-organized and accessible. However, neither the Commonwealth nor HEIs collect comprehensive data on subcontracts. The Commonwealth should consider collecting comprehensive data on *all* subcontracts, regardless of subcontractors' characteristics or whether they are certified as SWaM businesses, minority-owned businesses, or woman-owned businesses. Collecting data on all subcontracts will help ensure the Commonwealth monitors the participation of minority- and woman-owned businesses in its work accurately and will help identify additional businesses that could become certified. The Commonwealth should consider collecting those data as part of bids but also requiring prime contractors to submit data on subcontracts as part of the invoicing process for all contracts.

8. Growth monitoring. The Commonwealth might consider collecting data on the impact the SWaM Program has on the growth of minority- and woman-owned businesses over time. Doing so would require it to collect baseline information on MBE/WBE-certified businesses—such as revenue, number of locations, number of employees, and employee demographics—and continue to collect that information from each business on an annual or semiannual basis. The Commonwealth could consider collecting those data from businesses as part of certification and renewal processes. Such metrics would allow it to assess whether the program is helping businesses grow and how to tailor the measures it uses as part of the SWaM Program.

9. SBSD. Some of the considerations above might require an expansion of SBSD staff in order to effectively implement refinements to contracting policies and program measures. In particular, if the Commonwealth begins using contract-specific goals to award individual contracts, SBSD might consider hiring additional staff members to help with goal-setting and monitoring prime contractor compliance with those goals in coordination with the Department of General Services (DGS). Those additional staff members would also be able to help SBSD continue operating other aspects of the SWaM Program, including SWaM certification, business development workshops, and outreach efforts. In addition, if the Commonwealth begins using contract-specific goals, SBSD would have to work closely with DGS to ensure that the use of those goals is enforced and there is appropriate monitoring of prime contractor compliance. SBSD and DGS would have to develop a process that is consistent and appropriate across the different contracts to which such goals would apply.