



Robert F. McDonnell
Governor

COMMONWEALTH OF VIRGINIA
Department of Minority Business Enterprise

Lisa M. Hicks-Thomas
Secretary of Administration

1111 East Main Street, Suite 300
Richmond, Virginia 23219

Ida Outlaw McPherson
Director

To: Honorable Robert F. McDonnell, Governor
Honorable General Assembly Members
Honorable Lisa Hicks-Thomas, Secretary of Administration

From: Ida O McPherson, Director *Ida O. McPherson*
Department of Minority Business Enterprise

Date: November 1, 2011

RE: Annual Report on Commonwealth Agency and Department Reporting of Small, Women- and Minority-owned Business Procurement

The Virginia Department of Minority Business Enterprise (“DMBE”) was established and granted statutory powers under §§ 2.2-1400 et seq. of the *Code of Virginia*. Section 2.2-1402 of the Code grants certain powers and duties to the DMBE, which specifically includes, *inter alia*, the duty to “[i]mplement any remediation or enhancement measure for small, women-owned, or minority-owned business as may be authorized by the Governor pursuant to subsection C of § 2.2-4310 and develop regulations, consistent with prevailing law, for program implementation.”

As part of this duty, the DMBE Director is required to report to the Governor and the General Assembly on the participation of small, women-owned and minority-owned (“SWaM”) businesses in state procurement as well as identify state entities failing to submit annual progress reports on SWaM procurement as required by § 2.2-4310 of the *Code of Virginia*.

The Virginia Public Procurement Act’s anti-discrimination policy in procurement, § 2.2-4310(B) of the *Code of Virginia*, requires that:

All public bodies shall establish programs consistent with this chapter to facilitate the participation of small business and businesses owned by women and minorities in procurement transactions. The programs established shall be in writing and shall comply with the provisions of any enhancement or remedial measures authorized by the Governor pursuant to subsection C or, where applicable, by the chief executive of a local governing body pursuant to § 15.2-965.1, and shall include specific plans to

achieve any goals established therein. State agencies shall submit annual progress reports on small, women- and minority-owned business procurement to the Department of Minority Business Enterprise in a form specified by the Department of Minority Business Enterprise.

REPORT OF THE VIRGINIA DEPARTMENT OF MINORITY BUSINESS ENTERPRISE

The compliance rate for state entities and institutions is 99%. Only one (1) out of 131 entities did not submit annual SWaM Plans during Fiscal Year 2011. This achievement is attributable in part to the efforts of the General Assembly and our Governor to promote the SWaM Procurement Initiative and to improve access to Virginia's business opportunities for small, women- and minority-owned businesses in state procurement.

The one (1) entity which did not submit its annual SWaM Plans was the Virginia Foundation for Healthy Youth (formerly the Virginia Tobacco Settlement Foundation. **See Table (1) Appendix.**

To achieve one hundred percent (100%) compliance of all state entities, DMBE recommends that the Governor and the General Assembly encourage the one (1) entity to submit an annual SWaM Plan for Fiscal Year 2012 or at least provide a synopsis of the entity's intent to promote the SWaM Procurement Initiative in its operations.

DMBE is pleased to report that state entities and institutions were able to complete and submit their annual SWaM Plans/Progress Reports to DMBE via the Internet. This step by DMBE ensures consistency and ease of reporting, efficiency, and the implementation of budget-conscious and environmentally-friendly efforts.

Recommendations of the Virginia Department of Minority Business Enterprise for Growth and Development of Virginia's Small, Women-Owned, Minority-Owned and Service-Disabled Veteran Owned Businesses

Over the course of the past fiscal year, July 1, 2010 through June 30, 2011, the Director of the Department of Minority Business Enterprise has undertaken a review of several matters that impact the needs of the DMBE certified businesses and makes the following observations and recommendations for improved delivery of services and increased expenditures:

Small Business definition: Currently any business having not greater than 250 employees, regardless of its gross revenues, qualifies as a small business because of the current definition of small business by the Code of Virginia.

National statistics show that much smaller businesses between the general size of 1-50 employees create jobs. The current small business definition will continue to drive down expenditures with women, minority and service-disabled businesses as they are unable to be

price competitive with the larger “small” business firms having in excess of 100 employees and millions of dollars in revenue. **At some point, the definition of a small business must be changed to achieve better results. The Disparity Study 2011 shows that while there is significant availability among women and minority groups, they continue to be underutilized. They generally fall among the smallest “small” businesses. Until such time as the definition is changed, the DMBE Director recommends that a pilot project be created to address the disparity with smaller businesses as is conceptually discussed herein under pilot projects.**

Procurement Leadership:

There are several agencies that are more progressive in their efforts to support the SWaM program. As a result, their results show greater percentages of spend among the underutilized categories of women and minorities and the smaller firms. This is due to the fact that the leadership of those agencies express in staff meetings and trainings, that within procurement rules, every effort should be made to include diverse groups of vendors because of the economic value of job creation to the Commonwealth. **A strong statement from the Administration regarding the economic value of using the smaller firms, women-owned, minority-owned and service-disabled veteran owned firms, is important to the overall economic growth of the Commonwealth and immediate job creation.**

Expenditure Accounting:

The major state colleges and universities that have operational autonomy provide DMBE quarterly with lump sum discretionary expenditure data, by category of small, women-owned, and minority-owned businesses. However, they do not provide detailed vendor payment data to ensure the transparency and accuracy of the total expenditure data. It is highly possible that there is significant spend in the data that is not being captured. **DMBE proposes to require the documentation as is allowed by statute through a pilot group of a few institutions, to determine if there would be a positive impact on the data. DMBE should be supported in this effort by the Administration to conduct the study by assisting in selecting institutions to participate and soliciting their participation.**

Capital Access:

Small businesses are having a difficult time with finding access to capital due to past credit issues resulting from a depressed economy. Banks are still focused generally on traditional credit but are becoming slightly more reasonable with SBA backed loans. It appears that most businesses with 3-5 years experience have a need between \$100,000 to 750,000 for working capital and equipment when receiving new contract awards. **The State should consider providing some working capital and equipment funding through a loan program tied directly to one or two projects of a company, with repayment over the course of the projects. This could be created through an Empowerment Fund/Pool. A portion of the existing money that was awarded to the Department of Business Assistance (DBA) or from some other fund could be allocated to a program with the Department of Minority Business**

Enterprise assisting. The implementation of this program would also be a collaborative effort between DMBE and DBA and possibly the Department of Economic Development.

Pace Program:

Currently the Pace program has about a \$39,000.00 available for use with small businesses. Annually, the General Assembly appropriates about \$62,000.00. The program is currently administered by DBA. Very few loans have been made in the recent past with these limited funds. DMBE recommends that the Pace program be more of a grant funded program or hybrid grant/loan program as opposed to a straight loan program. **Small grants such as \$5,000 could be provided to a business through a community capital entity as a pilot project to assist businesses that have defined experience capacity. Assistance with very meaningful things such as setting up payroll systems, electronic invoicing tools, business benchmarking and forecasting tools, proper preparation of responses to RFP's and bonding and financing document preparation, would create significant capacity for several small emerging businesses to move to the next level. This pilot project could be well advertised and would receive good community support.**

Prequalification of Vendors:

DMBE has embarked upon collection of business data by conducting business profiles with DMBE certified firms through its Business Development Specialists. DMBE will be able to capture the number of years a business has been in business, number of employees, number of state, federal and local solicitations that have been responded to, awards received, dollar value of work, and other relevant data. DMBE would also be able to identify agencies doing the most business with SWaMs more readily, agencies could track their spend with the various categories of businesses and monitor their goals and additional pilot projects could be brought on board more easily. Currently this is being done by EXCEL spreadsheet information gathered from approximately 30 businesses per week.

DMBE could collect this data much easier and be ready and able to provide relevant reporting by doing the following:

Enhancement of the current dashboard will include tracking of the business profile data. The funding for the enhancement of the dashboard which is in the caboose bill should be expedited as much as possible. Secondly, DMBE will pay for an **expansion to its existing database** so that the information that is gathered will also be tied and cross-referenced to database certification and DMBE would be able to at all times, pull real- time reports.

Funding for the enhancement is pending the caboose bill approval and dissemination. DMBE funding needs range between \$52,000.00 and 65,000.00 for this effort.

Funding for the database improvement needs - \$20,000.00 for this effort.

PILOT PRACTICE ROJECTS

(1). DMBE proposes a pilot project which somewhat mirrors the State of Maryland's Small Business Reserve Program. In Maryland, a group of specific state agencies participates in a pilot project to work on a percentage of their discretionary expenditures with SWaM certified businesses. Companies are segregated by five industry classifications, revenue size and employee size and compete for contract solicitations among their respective categories. DMBE proposes that three tiers of businesses be created and they compete among themselves in Tiers. Tier one-businesses would range in size from 1-50 employees, Tier II, businesses -from 51-100 employees and Tier III, businesses -from 101 to 250 employees. The selected agencies for the pilot program would aim to spend a certain percentage of their discretionary spend in the Tiers, with the Tiers competing only among themselves for certain awards. The agencies would select the solicitations best suited for the Small Business Reserve Program. Since the smaller businesses generally include the underutilized businesses in the Commonwealth, the pilot study should result in increased spending with the underutilized groups identified in the Disparity. This pilot could be accomplished through race and gender neutral means. The smaller tiers would generally also include our service-disabled veteran-owned businesses.

DMBE can employ the tracking mechanism with the enhanced dashboard and can provide an internal non-public tracking mechanism for agencies that will demonstrate progress. DMBE in conjunction with the VEC and Departments of DGS could implement this program. Several key agencies with large upcoming expenditures in the state would be identified as the best agencies for the pilot program. **DMBE recommends that if such a pilot concept is acceptable, that a member of the Governor's staff work closely with the Secretary, DMBE and DGS to implement guidelines for implementation and monitoring. Again, this pilot should increase the expenditure of the underutilized categories in the Disparity Study.**

(2). DMBE also proposes a pilot, (Bobs' Project). It is a job creation project for disadvantaged individuals and wounded warriors, in conjunction with a major technology prime with significant experience in the industry. DMBE and the prime have created a proprietary pilot concept with impact and outcome information for discussion. The pilot would create a cloud space business model for small businesses to host their state, local and federal contract business and to host future business. Upon the purchase of equipment, immediately jobs would be created for disadvantaged small businesses and wounded warriors. DMBE and the Department of Veterans Affairs can partner in this venture with the prime. This project would have significant state citizen support and could become a national model.

DMBE recommends that the prime, the Department of Veterans Services, the Director of DMBE and the Secretary of Administration meet with the Governor to determine his interest in such a project for job creation and the special funding needed for implementation.

Mentoring, Apprenticeship, Community Outreach

DMBE recognizes the need and value of each of these components. Accordingly, DMBE has three major planned events so far for business growth and development and business procurement match-making:

January 13, 2012 - DMBE and the University of Richmond will host a large 450 person event with procurement professionals, the President of the University, and will lead the way in the private sector on diversity and best practices and will share the open opportunities at UofR. This centralized location will assist businesses in the Richmond, Petersburg and surrounding areas.

February, 2012 - DMBE and VITA will host a procurement opportunity matchmaking conference for all of the state's technology firms to share the information and open procurement opportunities of VITA, Northrop Grumman, Computer Aid, and other state agencies.

June 13-14, 2012 - DMBE will host with James Madison University a 450 person matchmaking event at James Madison. There will be 15 minute presentations on capability by businesses to the surrounding procurement community. It will mirror the June 6th and 7th event in 2011 in Portsmouth, Virginia.

2012, no assigned date - DMBE and Norfolk State University and the Entrepreneurship Center will host a capital access 3 month program. This is in development stage.

2012, no completion date - DMBE is developing a Small Business Information and Resource Center with an Outreach Events Calendar of Information.

Fiscal Year 2011- Recap:

DMBE hosted a Diverse Business Academy with SunTrust Bank

DMBE hosted a Matchmaking Summit with 7 cities in Hampton Roads

DMBE created its DMBE Dialogue newsletter for agencies, business and communities

DMBE created an internal educational center in its office to spotlight businesses

DMBE removed all backlog of certification files and streamlined process

DMBE improved internal operations and controls

DMBE met with several prime contractors and enhanced subcontracting opportunities

DMBE created its own Interdepartmental Advisory Board of 13 agencies

DMBE opened regional offices in Virginia Beach, Hampton, Northern Virginia,

Lynchburg and Danville

TABLE 1. LIST OF STATE ENTITIES AND INSTITUTIONS

SECRETARIAT	STATE ENTITY OR INSTITUTION	ANNUAL PROGRESS REPORT SUBMITTED FOR FY 2010
Administration	Compensation Board	√
Administration	Council on Human Rights	√
Administration	Department of Employment Dispute Resolution	√
Administration	Department of General Services	√
Administration	Department of Human Resource Management	√
Administration	Department of Minority Business Enterprise	√
Administration	Human Rights Council	√
Administration	State Board of Elections	√
Agriculture & Forestry	Department of Agriculture and Consumer Services	√
Agriculture & Forestry	Department of Forestry	√
Commerce And Trade	Board of Accountancy	√
Commerce And Trade	Department of Business Assistance	√
Commerce And Trade	Department of Housing and Community Development	√
Commerce And Trade	Department of Labor and Industry	√
Commerce And Trade	Department of Mines, Minerals and Energy	√
Commerce And Trade	Department of Professional and Occupational Regulation	√
Commerce and Trade	Tobacco Indemnification & Revitalization Commission	√
Commerce And Trade	Virginia Economic Development Partnership	√
Commerce And Trade	Virginia Employment Commission	√
Commerce And Trade	Virginia Housing Development Authority	√
Commerce And Trade	Virginia Racing Commission	√
Commerce And Trade	Virginia Resources Authority	√
Commerce And Trade	Virginia Tourism Authority	√
Education	Blue Ridge Community College	√
Education	Central Virginia Community College	√
Education	Christopher Newport University	√
Education	The College of William and Mary	√
Education	Dabney Lancaster Community College	√
Education	Danville Community College	√
Education	Department of Education	√
Education	Eastern Shore Community College	√
Education	Frontier Culture Museum of Virginia	√
Education	George Mason University	√
Education	Germanna Community College	√
Education	Gunston Hall Plantation	√
Education	J. Sargeant Reynolds Community College	√
Education	James Madison University	√
Education	Jamestown-Yorktown Foundation	√
Education	John Tyler Community College	√
Education	Library of Virginia, The	√
Education	Longwood University	√

SECRETARIAT	STATE ENTITY OR INSTITUTION	ANNUAL PROGRESS REPORT SUBMITTED FOR FY 2010
Education	Lord Fairfax Community College	√
Education	Mountain Empire Community College	√
Education	New River Community College	√
Education	Norfolk State University	√
Education	Northern Virginia Community College	√
Education	Old Dominion University	√
Education	Patrick Henry Community College	√
Education	Paul D Camp Community College	√
Education	Piedmont Virginia Community College	√
Education	Radford University	√
Education	Rappahannock Community College	√
Education	Richard Bland College	√
Education	Science Museum of Virginia	√
Education	Southside Virginia Community College	√
Education	Southwest Virginia Community College	√
Education	State Council of Higher Education for Virginia	√
Education	Thomas Nelson Community College	√
Education	Tidewater Community College	√
Education	University of Mary Washington	√
Education	University of Virginia	√
Education	University of Virginia Medical Center	√
Education	Virginia Commission for the Arts	√
Education	Virginia Commonwealth University	√
Education	Virginia Community College System	√
Education	Virginia Highlands Community College	√
Education	Virginia Military Institute	√
Education	Virginia Museum of Fine Arts	√
Education	Virginia Polytechnic Inst. and State University	√
Education	Virginia School for the Deaf & Blind	√
Education	Virginia State University	√
Education	Virginia Western Community College	√
Education	Wytheville Community College	√
Finance	Department of Accounts	√
Finance	Department of Planning and Budget	√
Finance	Department of Taxation	√
Finance	Department of The Treasury	√
Health & Human Resources	Comprehensive Services for At-Risk Youth and Families	√
Health & Human Resources	Central State Hospital	√
Health & Human Resources	Central Virginia Training Center	√
Health & Human Resources	Department for the Aging	√

SECRETARIAT	STATE ENTITY OR INSTITUTION	ANNUAL PROGRESS REPORT SUBMITTED FOR FY 2010
Health & Human Resources	Department for the Deaf & Hard-of-Hearing	√
Health & Human Resources	Department of Health	√
Health & Human Resources	Department of Health Professions	√
Health & Human Resources	Department of Medical Assistance Services	√
Health & Human Resources	Department of Behavioral Health and Developmental Services	√
Health & Human Resources	Department of Rehabilitative Services	√
Health & Human Resources	Department of Social Services	√
Health & Human Resources	Eastern State Hospital	√
Health & Human Resources	Southwestern Virginia Mental Health Institute	√
Health & Human Resources	Western State Hospital	√
Health & Human Resources	Virginia Board for People with Disabilities	√
Health & Human Resources	Virginia Department for the Blind and Vision Impaired	√
Health & Human Resources	Virginia Foundation for Healthy Youth (formerly the Virginia Tobacco Settlement Foundation)	NO
Health & Human Resources	Catawba Hospital	√
Health & Human Resources	Center for Behavioral Rehabilitation	√
Health & Human Resources	Commonwealth Center for Children & Adolescents	√
Health & Human Resources	Hira Northern Virginia Mental Health Institute m W. Davis Medical Center	√
Health & Human Resources	Northern Virginia Training Center	√
Health & Human Resources	Piedmont Geriatric Hospital	√
Health & Human Resources	Rehabilitation Center for the Blind & Vision Impaired	√
Health & Human Resources	Southeastern Virginia Training Center	√
Health & Human Resources	Southern Virginia Mental Health Institute	√
Health & Human Resources	Southwestern Virginia Training Center	√

SECRETARIAT	STATE ENTITY OR INSTITUTION	ANNUAL PROGRESS REPORT SUBMITTED FOR FY 2010
Independent	Virginia Lottery	√
Independent	Virginia Workers' Compensation Commission	√
Natural Resources	Department of Conservation & Recreation	√
Natural Resources	Department of Environmental Quality	√
Natural Resources	Department of Game and Inland Fisheries	√
Natural Resources	Department of Historic Resources	√
Natural Resources	Marine Resources Commission	√
Natural Resources	Virginia Museum of Natural History	√
Public Safety	Commonwealth's Attorneys' Services Council	√
Public Safety	Department of Alcoholic Beverage Control	√
Public Safety	Department of Correctional Education	√
Public Safety	Department of Corrections	√
Public Safety	Department of Criminal Justice Services	√
Public Safety	Department of Emergency Management	√
Public Safety	Department of Fire Programs	√
Public Safety	Department of Forensic Science	√
Public Safety	Department of Juvenile Justice	√
Public Safety	Department of Military Affairs	√
Public Safety	Department of State Police	√
Public Safety	Department of Veterans Services	√
Technology	Virginia Information Technology Agency	√
Transportation	Department of Aviation	√
Transportation	Department of Motor Vehicles	√
Transportation	Department of Rails and Public Transportation	√
Transportation	Department of Transportation	√
Transportation	Motor Vehicle Dealer Board	√
Transportation	Virginia Port Authority	√