

# Fiscal Year 2024 Minority Business Enterprise (MBE) And Women Business Enterprise (WBE) Overview

## Background

The Division of Equity, Diversity, and Inclusion (DEDI) at the Rhode Island Department of Administration supports a diverse, inclusive culture that values and reflects the changing demographics of Rhode Island by advancing equitable opportunities for all who work for or do business with the State of Rhode Island. As part of that mission, DEDI oversees the Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) state programs through the Minority Business Enterprise Compliance Office (MBECO). MBECO helps to facilitate the participation of MBEs and WBEs in Rhode Island's procurement, business, and economic development opportunities. It also provides certification services, business assistance, and advocacy.

The MBE and WBE State program seeks to eliminate barriers to participation in state procurement. The goal-based program requires reasonable faith efforts to meet the annual statutory participation rate. Most importantly, it seeks to provide a level playing field for all Rhode Island businesses.

MBECO also works extensively with state agencies to help them fulfill their business purchasing goals and actively promotes the participation of certified MBEs and WBEs in public purchasing programs. Certification is used specifically to enhance the ability to do business in public markets. To qualify for certification as an MBE or WBE per R.I. General Laws § 37-14.1-3, a firm must be a for-profit business, of which a minimum of 51% is owned by one or more socially and economically disadvantaged individuals. Limitations on an owner's personal net worth and the firm's gross receipts also apply. In addition, a firm must hold a valid business license if part of a licensed industry. Additionally, a firm must be a small business<sup>1</sup> and have operated for at least six months.

Once a company is certified as an MBE or WBE, it is added to the MBE and WBE database located on DEDI's website. The placement on the searchable database allows purchasing agents and prime contractors to find companies based on industry areas and company names. The goal of having this publicly accessible list is to increase contractual opportunities between MBEs/WBEs and public and private sector entities. DEDI will also

---

<sup>1</sup> As defined by the federal government, 13 CFR Part 121.

certify any MBE currently certified and accredited by the U.S. Small Business Administration as an 8(a) firm (governed by 13 C.F.R. part 124) as long as the firm provides evidence of federal certification of good standing.

DEDI is laser-focused on playing its role in increasing the economic viability of the State's MBE and WBE businesses in line with the Administration's RI 2030 agenda. The Division's goals include increasing the number of MBE and WBE firms available for contract competition, providing opportunities for the growth and development of these firms, and encouraging them to increase their participation in state procurements. Prior to Fiscal Year 2024, the statewide goal for MBE and WBE participation in state contracts was a combined 10%. Effective for Fiscal Year 2024, R.I. General Laws § 37-14.1-6 raised the bar for MBE and WBE procurement participation to a new goal of 15%, with a minimum of 7.5% awarded to MBEs and 7.5% to WBEs.

## Methodology

This report calculates the participation rate using total committed contract dollars awarded to MBEs and WBEs with certain exceptions. The data includes Requests for Proposals (RFPs), Requests for Qualifications (RFQs), and Master Price Agreements (MPAs). MBE and WBE calculations for participation and reporting purposes include only certified MBEs and WBEs to be counted toward MBE and WBE participation. All data included in this report is information that has been submitted to DEDI via the State Division of Purchases.

Not counted among the totals are:

- Contracts subject to the federal Disadvantaged Business Enterprise (DBE) program, facilitated, tracked and reported separately through the Rhode Island Department of Transportation. Specific eligible, federally funded projects (including roads, bridges, rail stations, bike paths, and ferry service) fall under a separate Federal Highway Administration (FHWA)-approved DBE goal-setting methodology
- Change order or contract amendment data
- Certain provider payments and other payments that are not processed by the Division of Purchases

Finally, longstanding manual certification and inconsistent reporting processes are currently being improved to increase customer service and data integrity. This work will result in more streamlined systems for completing certification applications and collecting, tracking, and managing procurement spending data to monitor and enhance MBE and WBE utilization. Further information on this topic can be found in the "Insights" section.

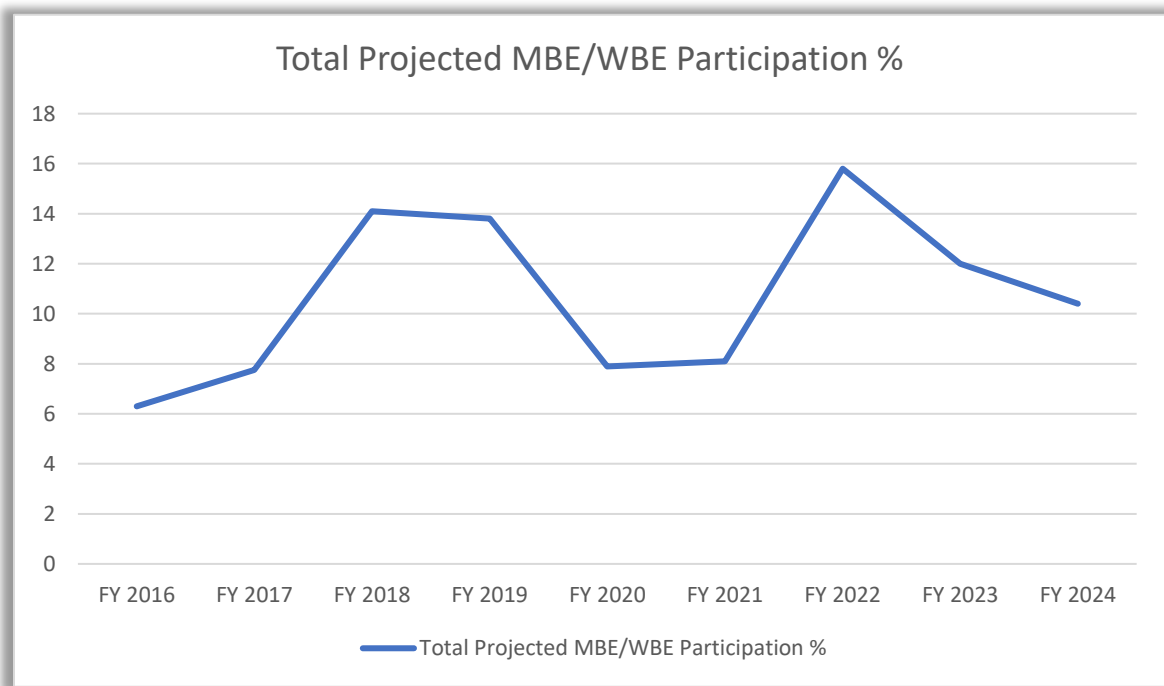
## Year 1 of the New 15% Statewide Participation Goal

FY 2024 marks the first year of the recently established 15% MBE/WBE participation goal (7.5% for MBEs and WBEs respectively). During that period, 218 unique MBEs and WBEs participated in the state procurements processed by the Division of Purchases. To provide some context for that number, there are 785 businesses currently certified as a State MBE or WBE. Out of the total contract value of about \$703 million, an estimated \$73 million – or 10.4% – was awarded to MBEs and WBEs. This reflects a total above the prior year's goal of 10% but a decrease over last year's 12.3% participation rate. The good news is that total MBE and WBE contract

spending increased overall year-over-year from \$43.9 million in FY 2023 to \$73 million in FY 2024, or 66% compared to the previous year. However, total contract spend across the State also increased, and so the total percentage of MBE/WBE participation is less than last year.

It is the State’s expectation that the many variables that exist in the market – including, but not limited to MBE/WBE capacity, labor shortages or increases, and the existence of strategic programs focused on equity and opportunity for historically disadvantaged businesses – will prompt fluctuations in the participation goal over time. The State has limited levers to steer such fluctuations; however, the DEDI team firmly believes that with the implementation of data-driven programs and regulatory changes that remove barriers to success for MBEs and WBEs, DEDI can achieve the 15% goal through incremental progress. The State and its partners must focus on actionable items within their control and work as a whole-of-government team to improve equity in the state procurement landscape.

It took the State several years to make significant progress on the 10% goal, which was previously in statute. For historical context, the line graph below shows the historical percentage participation over the decade based on the best available State data. Also notable in the graph are the fluctuations over time and the impact of the COVID-19 pandemic.




Of the 10.4% participation rate, the MBE category – which consists of minority male-owned firms and minority female-owned firms – made up about 5.47% of the total. WBEs, or white female owned firms, made up the

remaining 4.91%. Combining the projected spend for *all* women-owned firms – including white- and minority-owned – resulted in a 5.18% allocation of the total projected contract value.

Black male-owned and Black women-owned firms comprised approximately 1.06% of the total participation rate. Hispanic male- and women-owned firms comprised approximately .66% of the total projected contract value. To ensure equitable participation for all MBE/WBE-certified businesses, it is imperative to advance programs and services that help navigate the procurement process with confidence and measurable success.

MBE/WBE Breakdown FY 24		
Asian Male Owned Firms	\$6,373,912.00	0.91%
Black Male Owned Firms	\$7,257,506.87	1.03%
Hispanic Male Owned Firms	\$3,267,108.00	0.46%
Native American Male Owned Firms	\$18,300.00	0.00%
Portuguese Male Owned Firms	\$19,698,129.88	2.80%
Asian Women Owned Firms	\$211,350.00	0.03%
Black Women Owned Firms	\$216,654.00	0.03%
Hispanic Women Owned Firms	\$1,425,978.06	0.20%
Native American Women Owned Firms	\$0.00	0.00%
Portuguese Women Owned Firms	\$71,500.00	0.01%
White Women Owned Firms	\$34,529,178.91	4.91%



<b>Totals</b>	<b>Total Contract Value</b>	\$703,175,156.32
	<b>Total MBE/WBE</b>	\$73,069,617.72
	<b>Percent MBE/WBE</b>	<b>10.4%</b>
	<b>WBE %</b>	5.2%
	<b>MBE %</b>	5.2%

Below is a breakdown of MBE and WBE participation by procurement type. Each contract may allocate dollars to one or multiple MBEs and WBEs.

Procurement Type	Number of Contracts
Master Price Agreement (MPA)	459
Request for Proposals (RFP)	17
Request for Qualifications (RFQ)	94
<i>Data Not Immediately Available</i>	93
<b>TOTAL</b>	<b>663</b>

Sixty-nine (69) percent of MBE and WBE state procurement activities are within Master Price Agreements (MPAs), mechanisms for smaller procurements of goods and services for a specified contract period. MPAs are a great starting point for smaller businesses – especially MBEs and WBEs – that are looking to scale up. These types of solicitations allow an MBE or WBE to take their first steps into the world of public procurement and business opportunities at their own pace while they continue to build their businesses. MBECO has worked closely with the Division of Purchases to help MBEs and WBEs better understand these critical opportunities and believes there is potential for growth in the state participation rate in response to increased education and outreach around the benefits of MPAs.

## Recognizing Barriers to Participation by Advancing Equity

The present MBE and WBE state programs have measurably advanced economic opportunity and equality for underserved Rhode Island small businesses. While equality provides all the same services, equity recognizes that not all minority and women businesses start at the same competitive place and must acknowledge and adjust to any imbalances. As part of the FY 2024 report, DEDI is focused on expanding data analysis that details procurement trends and patterns that will assist in developing policies and practices that boost certified business contract participation.

The 15% participation goal provides a single performance measurement of MBE and WBE business success. This annual performance measurement does not consider that many certified business entities are not participating in state procurement equally and effectively. There is also a concern that certain groups within the MBE community are falling behind or are encountering barriers that others, such as the WBE and Portuguese-owned business groups, are not. This is something DEDI is looking to help rectify with more hands-on support for state-certified business entities. It is clear that DEDI – with the participation of community and other state partners – must continue to improve equal access and success for all qualified MBEs and WBEs. This work requires additional investments (within and in addition to those made through DEDI) and a conscious commitment to actively helping all certified business members participate in state procurements.

---

*“The 15% participation goal provides a single performance measurement of MBE and WBE business success. This annual performance measurement does not consider that many certified business entities are not participating in state procurement equally and effectively.”*

---

## Insights

According to the Economic Progress Institute’s 2024 report, “State of Small and Micro Businesses in RI,” approximately 105,000 businesses were registered in Rhode Island. Ninety-eight percent of these employ under 100 people or 51.2% of the state’s workforce. More than 130,000 people receive income from micro-businesses (those with nine or fewer employees).<sup>2</sup> As detailed in the “2022 Rhode Island BIPOC Small Business Ecosystem Assessment” authorized by Governor McKee’s administration, “*Rhode Island’s BIPOC-owned businesses tend to start small and stay small, remaining as micro-enterprises throughout their existence.*”<sup>3</sup> The report found that

---

<sup>2</sup> The State of Small and Micro Enterprise Businesses in Rhode Island, Economic Progress Institute, May 2024

<sup>3</sup> Rhode Island BIPOC Small Business Ecosystem Assessment, Commerce RI & Rhode Island Foundation, January 2022

most BIPOC-owned businesses are primarily micro-enterprises, self-employment ventures and firms that typically employ between one and four people.

The data is clear: Rhode Island runs on small businesses.

Many variables can impact small businesses, making determining the driving factors behind MBE and WBE participation fluctuation over time challenging. Economic and market conditions, industry capacity, availability of assistance and incentives, fiscal constraints in state budgets and changes in demographics are some factors that influence these numbers. The COVID-19 pandemic was particularly destructive to the small business landscape, and its impact continues today.

Government contracting and procurement processes at all levels are beset by complexity and regulations. The task can be daunting for small businesses with fewer resources and capacity to devote to contracting. The lack of experience bidding in a procurement process can also make competing against more seasoned firms challenging and frustrating, potentially leading to barriers in participation. These challenges are acutely evident with state-certified businesses representing minority and women-owned enterprises.

The fact that many minority- and women-owned businesses in Rhode Island are micro-enterprises led by sole proprietorships and self-employed individuals presents another challenge for business and personal financial stability. The Economic Progress Institute reports that *“93.9% of Rhode Island businesses are micro-businesses.”*<sup>4</sup> These micro-enterprise entrepreneurs face a sobering economic challenge:

*“According to the United States Small Business Association’s Office of Advocacy, in 2018, self-employed Rhode Islanders with their own incorporated businesses had a median income of \$53,794. The median income for those self-employed at their unincorporated businesses was \$32,639. For a 4-person family in 2018, this income amounted to 214% of the Federal Poverty Level (FPL) for self-employed individuals with incorporated businesses and 130% FPL for unincorporated.”*<sup>5</sup>

These businesses face a series of unique small business challenges. As micro-enterprises operate on such a small scale financially, lenders typically view these operations as less stable and unable to handle debt. Their start-up capital relies on personal debt and equity. Larger state contracts require smaller businesses to scale rapidly and without access to loans or other funding sources to help them grow, businesses may self-select to remain out of the bidding and procurement process. DEDI and the State Division of Purchases recently revised training to focus on opportunities in State Master Price Agreement (MPA) opportunities for this reason: small businesses can also use smaller contracts and build up to bigger contracts over time.

Micro-enterprises operate on a smaller scale than small businesses on every level, including their reach and the scope of their customer and procurement base. Micro-enterprises also operate without access to certain business development services, particularly legal, accounting, and procurement assistance. These capacity challenges translate to significant barriers to government procurement entry and successful participation.

It is DEDI’s responsibility to remove barriers for certified businesses wherever possible, drill down on the data and focus on the areas within the State’s control to help develop effective policy and elevate MBE and WBE

---

<sup>4</sup> The State of Small and Micro Enterprise Businesses in Rhode Island, Economic Progress Institute, May 2024

<sup>5</sup> Ibid

participation. Removing barriers and improving micro-enterprises competitiveness align directly with Governor McKee's RI 2030 agenda.

Through conversations with community stakeholders, DEDI is continuing to pinpoint the barriers to engaging with state procurement faced by historically disadvantaged businesses. With an increased MBE and WBE goal of 15% overall for future reporting and the need to address equity issues for all MBE and WBE-certified businesses, DEDI is implementing a data-driven and innovative approach to outreach, education, and improving business processes to advance the needs of the MBE and WBE communities and ultimately raise economic prosperity and incomes for all Rhode Islanders.

### **Online Management System for MBE/WBE**

The State of Rhode Island is in the midst of a multi-year effort to transform its technology and business processes to better meet the State's needs. This includes launching a cloud-based Online Certification and Management System. The system will make the certification process easier and more accessible for MBE and WBE applicants and certified companies by applying through a secure electronic portal and receiving automated reminders of document due dates. The certification feature of the system will be operational before the end of the calendar year.

Additionally, the system will help automate and modernize how MBE and WBE participation is captured. Currently, tracking MBE and WBE participation at the contractor and subcontractor level is a complex, manual process. Receiving accurate subcontractor data is challenging, as DEDI must rely on prime contractors to provide timely updates over the life of the contract. The new system will allow DEDI to centralize and track compliance requirements across various programs and initiatives, ensuring a more transparent and accountable process. DEDI is working to enter contract compliance data into the new state system by Fiscal Year 2026, with a rollout by July 2025. This will significantly improve data integrity and allow DEDI to focus on monitoring compliance with existing programmatic goals and requirements accurately and efficiently.

### **2021 Rhode Island Disparity Study: Recommendations & Implementation**

The State of Rhode Island released a Disparity Study in 2021, covering the period of 2014-2017, that showed a statistically significant disparity in state purchasing using minority and women-owned businesses. The study provided race and gender-neutral recommendations for improving contracting with MBE and WBEs, including best management practices in state contracting.

DEDI is making progress in addressing recommendations in the study. Some highlights include:

- Establish separate MBE vs. WBE subcontractor goals by increasing contract goals to 15%, with 7.5% for women and 7.5% for minority participation.
- To increase the pool of firms that can be used to meet contract goals, establish a statewide MBE and WBE outreach and training program by revising the DEDI website to provide a FAQ on the certification

application process and a training video in English and Spanish.

- Launch an Online Management System to facilitate and streamline certification through the MBE Compliance Office. The system will also allow for the timely recording, storage, access and analysis of compliance and utilization data.
- Establish MBE and WBE certification support through the Commerce RI Minority Business Accelerator Program. To date, 44 new MBE/WBE businesses have been certified by DEDI through the program. Commerce RI has also launched the “Minority Business Accelerator Direct Grant program” to reduce additional financial barriers by providing business development grants to eligible and certified MBEs and WBEs.
- DEDI is developing a pilot business procurement program in partnership with Commerce RI for existing minority- and women-certified businesses to increase state contract participation, awards, and utilization.
- DEDI hired an MBE Contract Compliance Officer to monitor contractor performance, ensuring that contractors have exhibited “good faith efforts” to include certified businesses as contractors, subcontractors, and suppliers in the utilization reporting process.
- DEDI hired a programming services officer with data analyst skills to better understand and target lower participation rates by industry category and to better understand capacity and other related challenges in the community.
- MBE Rules & Regulations are under review for revisions to increase efficiency and enhance MBE/WBE certification and utilization. Recommendations are expected to be finalized in the coming months.
- To implement more robust outreach, community engagement, and matchmaking activities, DEDI and the Division of Purchases created a public presentation on the MBE and WBE certification process and state purchasing procedures. Initial presentations were provided to the Rhode Island Black Business Association and Rhode Island Hispanic Chamber of Commerce and will expand to other underrepresented stakeholders.

### **2025 Disparity Study**

As part of the adopted FY 2025 State Budget, Governor McKee included funding to launch an updated disparity study. The 2025 Disparity Study will seek to highlight statistical disparities across the landscape and strengthen



state business opportunities to create an equitable contracting process for minority and women-owned businesses. The goals of the study will include:

- Shed light on up-to-date state procurement and contracting data to determine the prevalence of disparity
- Review and improve contracting practices and business assistance programs currently in place
- Review further changes to existing minority and women certification and compliance programs
- Analyze the local marketplace that influences minority and women-owned business start-ups and sustainability
- Explore innovative ways to expand outreach, community engagement, and matchmaking activities for MBEs and WBEs
- Review bonding and financing programs and their impact on MBEs and WBEs

## Next Steps

Big goals require bold solutions, and DEDI must continue to help reduce barriers and expand contracting access and value for MBEs and WBEs. Over the next fiscal year, DEDI will focus on several pillars for measurable success. These action steps represent DEDI's innovative and solution-focused approach to supporting and growing MBEs and WBEs in Rhode Island.

- **Certified Business Acceleration Pilot Program:** Work directly with Commerce RI and community stakeholders to assist existing MBEs and WBEs to become more active in state procurements, emphasizing underrepresented protected classes, including Veteran Business Enterprises. This upcoming program is designed to help already-certified firms receive technical assistance and support in navigating the state procurement process.
- **Capital Connections:** Help support implementation of a stronger referral network of certified businesses to the Rhode Island network of capital options, including the Commerce RI Minority Business Accelerator Direct Grant program and State Small Business Credit Initiative (SSBCI) capital program. Work is currently underway in collaboration with Commerce RI to develop additional access to capital and credit opportunities for underserved Rhode Island businesses, focusing on micro-enterprises.
- **New Online Certification System:** This new online system, slated to launch before the end of the calendar year, will streamline the MBE and WBE certification process, making it easier for small businesses to become certified and enter the State's procurement system.
- **Public and Private Matchmaking:** Expand market options for certified MBEs and WBEs by connecting them to corporate and federal government procurement opportunities, actively

seeking suppliers, and sourcing solutions through the Supply RI and RI Apex programs.

For the state to reach its full economic potential, every small business must prosper in Rhode Island. MBEs and WBEs represent a significant number of small businesses in Rhode Island. Collectively, they are the backbone of a prosperous state economy. Since DEDI Associate Director Keith Stokes began his tenure in May 2024, he and his team have engaged a broad spectrum of community stakeholders to understand where certified MBEs and WBEs are struggling and where they are thriving. Looking at the data available through the lens of stakeholder feedback is informing DEDI's multi-pronged approach to ensuring equity for Rhode Island's minority and women business community: growing the number of certified businesses in the program and increasing participation rates of businesses already certified.

DEDI is committed to making the equity-based and systemic changes needed to create a thriving and equitable environment for all Rhode Island businesses, encouraging income growth potential and promoting workforce diversity. This is good for the state and good for business.