

Fiscal Year 2025 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 is dedicated to fostering a diverse and inclusive culture that reflects the changing demographics of Rhode Island. Its mission is to advance equitable opportunities for everyone who works with or does business with the State.

As part of its mission, DEDI oversees the Minority Business Enterprise Compliance Office (MBECO). This office provides certification and compliance services, business assistance, and advocacy for protected classes of business enterprises by state statute, including Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), Veteran Business Enterprises (VBEs), Disadvantaged Business Enterprises (DBEs), as well as the Airport Concession Disadvantaged Business Enterprise (ACDBE) Program.

As of September 2025, there were 1,356 firms certified in the State of Rhode Island. This is a 73% increase year over year. MBECO seeks to eliminate barriers to participation in state procurement and provide a level playing field for all Rhode Island businesses through its partnership with the Rhode Island Division of Purchases. MBECO also works extensively with state agencies to help them fulfill their business purchasing goals and actively promotes the participation of the State's certified businesses in public purchasing programs. Certification is used specifically to enhance the ability of underrepresented companies 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. A firm must also be a small business¹ and have operated for at least six months.

Once a company is certified, it is added to the MBECO database 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 awareness and contractual opportunities between state-certified businesses and public and private sector entities. DEDI will also certify any small business 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 increasing the economic viability of the state's MBE and WBE businesses in line with the McKee Administration's RI 2030 agenda, focusing on small business support. DEDI's goals include continuing to increase the number of state-certified 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.

PROGRESS TOWARD THE 15% STATEWIDE PARTICIPATION GOAL

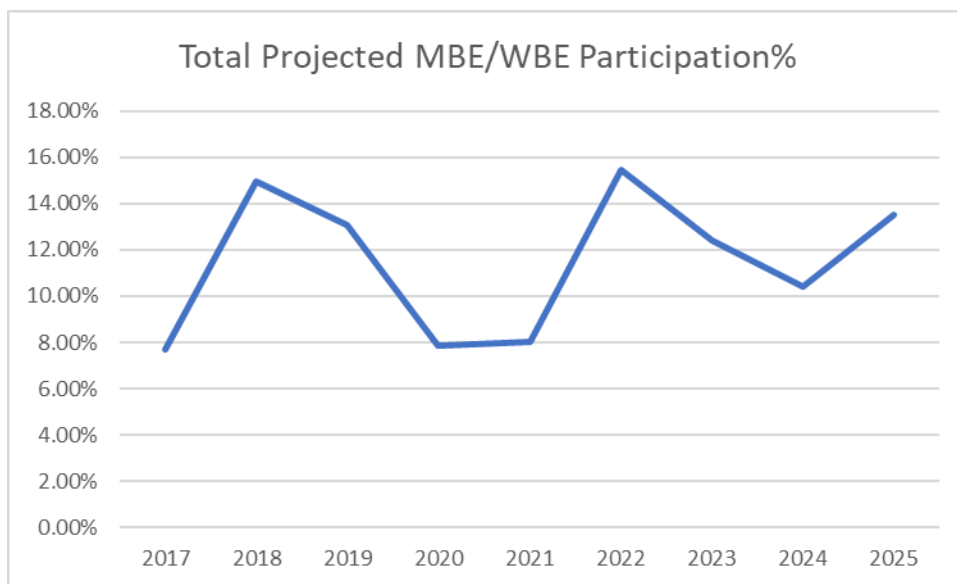
Fiscal Year 2025 marks the second year of the recently established 15% MBE and WBE statutory participation goal requirement. This requirement includes a minimum allocation goal of 7.5% for MBE participation and 7.5% for WBE participation.

During the FY 25 period, 215 unique MBEs and WBEs participated in state procurements processed by the Division of Purchases. The State continues to see positive trends in this area: total MBE and WBE contract spending, for example, increased year-over-year from \$73 million in FY 24 to \$85 million in FY 25. The FY25 participation rate, as evidenced in the chart below, is 13.5%. In fiscal year 2025, MBEs achieved a participation rate of 6.16%, while WBEs achieved a participation rate of 7.29%. See below for a more detailed breakout of the MBE/WBE participation for FY 25.

¹ As defined by the federal government, 13 CFR Part 121.

MBE/WBE Breakdown FY 25									
Asian Male Owned Firms	\$2,254,344.50	0.36%							
Black Male Owned Firms	\$8,713,843.30	1.38%							
Hispanic Male Owned Firms	\$4,685,288.48	0.74%							
Native American Male Owned Firms	\$124,692.95	0.02%							
Portuguese Male Owned Firms	\$23,035,011.36	3.65%							
Asian Female Owned Firms	\$761,086.44	0.12%							
Black Female Owned Firms	\$1,992,794.00	0.32%							
Hispanic Female Owned Firms	\$6,140,067.33	0.97%							
Native American Female Owned Firms	\$0.00	0.00%							
Portuguese Female Owned Firms	\$1,616,790.00	0.26%							
White Women Owned Firms	\$35,460,045.65	5.63%							
Total	\$84,783,964.01	13.5%							

Totals	Total Contract Value	\$630,356,056.16
	Total MBE/WBE	\$84,783,964.01
	Percent MBE/WBE	13.5%
	MBE	6.16%
	WBE	7.29%



To better understand MBE and WBE participation in state procurement, MBECO also analyzes the participation rate across the different types of procurements. Bidding opportunities within the State of Rhode Island are available through three categories: Master Price Agreement (MPA), Request For Proposals (RFP), and Request For Qualifications (RFQ). The chart below breaks down FY25 MBE and WBE participation by procurement type. Each contract may allocate dollars to one of multiple MBEs and WBEs.

Procurement Type	Number of Contracts
Master Price Agreement (MPA)	943
Request For Proposals (RFP)	43
Request For Qualifications (RFQ)	33
Data Not Immediately Available	14
TOTAL	1033

Ninety-one (91) percent of MBE and WBE state procurement activities are within MPAs, which are purchasing mechanisms for smaller procurements of a broad category of goods and services for a specified contract period. State agencies order goods and services from relevant MPAs as their agency needs arise.

MPAs are a great starting point for smaller businesses - especially state-certified businesses - that are looking to scale up. MPA solicitations allow small businesses to take their first steps into public procurement and business opportunities at their own pace while they continue to build their businesses. DEDI recognized this as an area that could help empower small businesses to scale up and has been partnering with the Division of Purchases to focus its outreach work on this topic. DEDI believes there is potential for the state participation rate to grow in response to increased education and outreach, particularly about the benefits of MPAs.

METHODOLOGY

This report calculates the participation rate using total committed contract dollars awarded to state-certified businesses with certain exceptions. The data includes Requests for Proposals (RFPs), Requests for Qualifications (RFQs), and Master Price Agreements (MPAs) received from the Division of Purchases. Calculations for participation and reporting purposes include only state-certified MBEs and WBEs to be counted toward MBE and WBE participation. This report reflects the best data available, compiled from the State's Division of Purchases.

Not counted among the totals are:

- Contracts subject to the federal Disadvantaged Business Enterprise (DBE) program are facilitated, tracked, and reported separately through the Rhode Island Department of Transportation. Specifically, 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 the Division of Purchases does not process.

DEDI continues to improve its certification and reporting processes to enhance customer service and data integrity. In March 2025, DEDI launched a cloud-based certification portal. The new system simplifies and improves accessibility for M/WBE applicants and certified companies. The system is available on the DEDI website at <https://ridedi.prismcompliance.com/>.

RECOGNIZING MARKET VARIABLES TO ACHIEVE PARTICIPATION GOAL

It is the State's expectation that the many variables that exist in the market – including, but not limited to certified business capacity, labor shortages or increases, and the existence of strategic programs focused on access and opportunity for underrepresented 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 data-driven programs that identify and mitigate barriers to success for all protected classes, DEDI, can achieve the statutory 15% goal through incremental progress.

The State and its partners must continue to focus on actionable items within their control and work as a whole-of-government team to improve access and opportunity in the state procurement landscape.

RECOGNIZING BARRIERS TO PARTICIPATION BY ADVANCING ACCESS AND OPPORTUNITY

Current state programs have measurably advanced economic opportunity for underrepresented Rhode Island small businesses. While equality provides all the same services, fairness recognizes that not all small businesses start at the same competitive place and must acknowledge and adjust to any imbalances. As part of the FY25 report, DEDI is focused on reviewing data above and beyond M/WBE participation in state procurement to assist in developing policies and practices that boost certified business contract participation for all certified businesses.

To promote fairness and efficiency in procurement, it is crucial to acknowledge that 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 equally and effectively in state procurement. Some state-certified groups face barriers that others do not. More hands-on support and training for all state-certified business entities can help rectify this.

INSIGHTS

Many variables can impact small businesses, making it challenging to determine the driving factors behind state-certified business participation fluctuation over time. Some factors that influence these numbers are economic and market conditions, industry capacity, availability of assistance and incentives, fiscal constraints in state budgets, and changes in demographics.

Government contracting and procurement processes at all levels 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 participation barriers. These challenges are acutely evident among state-certified businesses, many of which are micro-businesses.

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. 98% of these employ under 100 people or 51.2% of the state's workforce, and 93.9% of Rhode Island businesses are micro-businesses (nine or fewer employees). ²

According to the United States Small Business Administration'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 four-person family in 2018, this income amounted to 214% of the Federal Poverty Level (FPL) for self-employed individuals with incorporated businesses and 130% of the FPL for unincorporated ones.³

The data indicate that Rhode Island has a large share of small businesses, especially micro-businesses. Many of these are low- and moderate-income operators facing socio-economic struggles. But with continued progress toward greater participation in Rhode Island's economy, these micro-businesses can make meaningful strides that help lift families out of poverty and support a thriving business landscape.

Rhode Island's micro-businesses are the overlooked backbone of the state's economy. They employ a significant portion of the workforce and significantly contribute to our state's job creation capabilities. However, micro-businesses also face substantial structural disadvantages. They often lack reliable access to capital and technical support, making them more vulnerable to economic downturns. Their unique challenges are usually compounded by their limited resources and small size.

Every small business must thrive for Rhode Island to reach its full economic potential. Business and demographic trends show that micro-businesses make up a significant portion of small businesses in the state. Collectively, they are the backbone of a prosperous state economy. The DEDI team has engaged a broad spectrum of community stakeholders to understand where certified businesses are struggling and thriving.

Looking at the local market trends available through stakeholder feedback informs DEDI's multi-pronged approach to ensuring access and opportunity for all of Rhode Island's small business community. The findings and best practices from the division's upcoming disparity study will help facilitate future progress in the number of certified businesses in the program and enhance the participation rates of currently certified businesses.

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

³ Ibid

DEDI is committed to implementing essential fairness and systemic transformations that foster a thriving and equitable environment for all businesses in Rhode Island. This strategic approach focuses on boosting income growth potential while encouraging effective procurement practices, benefiting the state's economy and supporting the growth of local small enterprises.

NEXT STEPS

Big goals require bold solutions, and DEDI must continue to help reduce barriers and expand contracting access and value for state-certified businesses. Over the next fiscal year, DEDI will focus on several pillars for measurable success:

State Disparity Study: The most recently approved state budget included funding for an update to the 2021 Disparity Study. Disparity studies provide numerous advantages, especially regarding government contracting and procurement practices:

- Help ensure government organizations utilize quantifiable contracting measures that align with constitutional standards, safeguarding them from potential legal challenges.
- Identify disparities in contract participation, enabling organizations to make informed decisions that enhance the economic impact of their procurement practices.
- Provide essential data for developing and evaluating new contracting policies and programs that strive to eliminate barriers for all small businesses, particularly those consistently underrepresented in state procurement.
- Enhance community engagement and understanding of marketplace conditions impacting small businesses, which can lead to more effective strategies to promote economic participation.

In September 2025, DEDI selected a national firm to perform the state disparity study. The updated Rhode Island Disparity study's goals include:

- Reviewing all state statutes, policies, and procedures to ensure that small businesses have equal and equitable access to a wide range of state business development services, regardless of location or industry, and the communities in which they operate.
- Illuminating the current state of procurement and contracting data to assess the prevalence of disparities.
- Identifying barriers to utilizing small business enterprises and developing strategies to increase participation in state and private market procurement.
- Reviewing and improving existing contracting practices and business assistance programs.

- Evaluating potential changes to the current certification and compliance programs.
- Analyzing the local marketplace to understand its impact on the start-up and sustainability of small businesses and micro-enterprises.
- Assessing the effects of federal policy and program changes on local small businesses' access to capital, technical assistance, and training services.

The study aims to determine whether all Rhode Island small businesses operate on a level playing field and to identify any disparities or barriers that hinder their ability to compete fairly. The study will also include a utilization scan to gather relevant data sources and an availability analysis to assess the availability and capacity of ready, willing, and able disadvantaged business enterprises within the Rhode Island market.

Technical Assistance: Tailored technical services are required to help certified firms navigate the state procurement process and gain more access to and opportunities in the public and private sectors. DEDI is working closely with Commerce RI to review past initiatives in this space, taking lessons learned and applying them to new programming that will help move the needle for Rhode Island's small businesses.

Expand Capital Connections: Support implementation of a stronger referral network of certified businesses to the Rhode Island network of capital options, including the Commerce RI Small Business Loan Fund program and State Small Business Credit Initiative (SSBCI) capital program.

MBECO Policy Manual: DEDI will make a new MBECO policy and procedures manual available in 2025 to ensure that certified businesses, state procurement agencies, and vendors receive standardized and consistent training on state certification and compliance policies and practices.

New Online Certification System: The system, launched in March 2025, has streamlined the certification process, making it easier for small businesses to become certified and participate in the State's procurement system.

Community Engagement and Education: DEDI is collaborating with community organizations across Rhode Island and developing strategic relationships with existing small businesses in underrepresented sectors to effectively engage with and communicate state certification programs and services. It is particularly highlighting the certification application platform and focusing on opportunities with State MPAs.