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HOUSE OF REPRESENTATIVES

COMMONWEALTH *of* PENNSYLVANIA

House Democratic Policy Committee Hearing

Supply Chain Diversity
Monday, August 9, 2023 | 10:00 a.m.

Representative Aerion Abney

OPENING REMARKS

10:00a.m. Rep. Aerion Abney, D-Allegheny

PANEL ONE

10:05 a.m. Brian Oglesby, Interim President
Eastern Minority Supplier Development Council

Q & A with Legislators

PANEL TWO

10:35 a.m. Tina Doose, Founder and Board President
Mon Metro Chamber of Commerce

Majestic Lane, Chief Equity Officer
Allegheny Conference

Alexis Russell, Owner and Consultant
Russell General Contracting

Q & A with Legislators

Remarks and Testimony can be found by scanning the QR Code below:



Brian K. Oglesby
President/CEO

Eastern Minority Supplier Development Council (EMSDC)
August 9, 2023

PA House Democratic Policy Committee
PA House of Representatives | 414 Main Capitol Building
Subject: Testimony on Best Policies and Practices in Supplier Diversity

Dear Committee Members,

I am writing to provide testimony on the critical importance and value of strong policies and practices in supplier diversity initiatives for fostering overall economic growth, promoting equity, and enhancing the overall well-being of our community. As a representative of the Corporate Members, Institutional Members, and Certified Minority Business Enterprises of EMSDC with nearly 30 years as both an entrepreneur and economic development/policy professional, I have witnessed firsthand the positive impact that supplier diversity can have on businesses, communities, and the broader economy within our commonwealth, nationally, and globally.

Supplier diversity refers to the intentional inclusion of minority-owned, women-owned, veteran-owned, and other underrepresented businesses in the procurement and supply chain processes. It is a strategic approach that serves as a catalyst for economic empowerment, increases competitiveness and innovation, increases the Commonwealth's GDP and overall revenue, and supports a thriving and inclusive business ecosystem. Additionally, it creates a more secure and robust supply chain that is less susceptible to disruption from external events and broader economic circumstances.

Models for best practices in recent years have emerged throughout the country in states including California, Illinois, and Massachusetts. For the sake of brevity, I will summarize some best practices:

California's Procurement Division includes a specialized branch that focuses specifically on diversity within the state government. It is supported by a history of legislation that enforces outreach and business support within underserved communities. Through the Statewide Supplier Diversity Program (SSDP), California advocates for equitable inclusion in procurement and contracting opportunities for underserved populations.

Additionally, the state's Small Business Technical Assistance Expansion Program provides \$17 million in grant funding to programs and organizations providing technical assistance to small and underserved business groups. This grant gives priority to programs assisting women-, minority-, and veteran-owned businesses in low-wealth, rural, and disaster-impacted communities. The California Office of the Small Business



Advocate (CalOSBA), the Source Diverse Source Local initiative that helps prepare diverse local firms to meet both state and private-sector needs. Designed to strengthen and diversify the in-state supply chain for California-based industries, women-, POC-, veteran-, LGBTQ-, and disabled-owned businesses are provided with training and mentorship to compete for subcontracting and state opportunities. Technical assistance is provided by the network of PTACs.

Illinois placed the Illinois Business Enterprise Program (BEP) and the Veterans Business Program under the authority of the new Commission on Equity & Inclusion (CEI), an executive-level agency appointed by the Governor. Suppliers apply for diverse certification from the BEP, which collects sales, tax, and employment data for review. Progress towards spending goals is tracked using business-to-government (B2G) software, where suppliers report contract spend to each contracting agency or department. For FY2022, the CEI raised the overall goal from 20% to 30% of total state contracting spend with diverse businesses.

Recent Reporting Per its 2021 Annual Report, BEP increased the number of certified vendors by 42%, to a total of 3,265. Illinois spent \$885,489,466 with certified vendors, representing an increase of 22% compared to the spending in FY2020. This comprised 17.9% of total contract spend for the state, just shy of the 20% goal that had been set for the year.

The Massachusetts Supplier Diversity Office (SDO) is an executive-level office, outside of the central procurement office. In FY2020, the SDO, in partnership with the Operational Services Division's Training Unit, transitioned their pre-certification workshops to virtual/remote delivery, which led to a 66% increase in attendees compared to FY2019. The state's Supplier Diversity Program (SDP) requires prime suppliers holding large contracts (\$150,000 and over) to procure from state-certified firms. These plans account for at least 25% of the evaluation score. Like the approach used in Illinois, this rewards business-to-business relationships that help grow the market for diverse suppliers.

Recent Reporting The number of certified diverse businesses has been growing at an annual rate of approximately 8% since 2018.xv SDP has spending benchmarks of 8% with minority-, 14% with women-, and 3% with veteran-owned businesses. As of fiscal year 2020, the state spent \$2.25 billion with state-certified firms, exceeding established benchmarks, with 8.8% of discretionary budget going to MBEs and 20.1% to WBEs.

Although I know much of this is being done at least in part by the Commonwealth, I submit the following recommended best practices for increasing diverse supplier engagement:

FOCUS ON ACCESSIBILITY:



- Explore ways to make purchasing websites more appealing, accessible, and easier to navigate. Minimize the use of jargon on state purchasing websites and documents to increase accessibility to diverse suppliers.
- Consider offering sample documents and examples to help bridge the knowledge gap between first-time and experienced suppliers.
- Highlight data and information about programs and opportunities.

EMPHASIZE FINANCIAL IMPACT, GROWTH, AND COMMUNICATION:

- Direct outreach to, and sustained engagement with, the supplier community can encourage more businesses to become certified or compete for state opportunities.
- Use technology, including websites, mobile applications, and email newsletters to regularly inform agencies and suppliers of opportunities, resources, and upcoming events.
- Work with local and regional entities to prepare small and diverse businesses to become future suppliers. Host or participate in conferences and networking events to spread awareness of opportunities and programs.

PROMOTE TRANSPARENCY:

- Ways to accomplish this may include establishing oversight committees led by stakeholders, and/or developing databases and directories of diverse suppliers and monitoring systems. More detailed program reports delivered to executive officials or legislatures should be posted on public websites for universal access.

ENCOURAGE DIVERSITY IN SUBCONTRACTING:

- Encourage tier one suppliers to invest in diversity for their own suppliers. Massachusetts and Illinois provide examples for evaluating proposed diversity plans and commitments from suppliers.
 - Leveraging the use of connections to other organizations such as ours (trade groups, chambers of commerce, etc.) is also crucial, whether they be state-level, local, or non-governmental. These organizations can help recruit businesses and advertise opportunities where diverse suppliers can benefit and build relationships.

As we move forward, I urge this esteemed committee to “double down” on support of supplier diversity initiatives in our region. These efforts must be data driven to reflect disadvantaged communities and to better articulate the overall economic impact. By leveraging the strengths and ingenuity of diverse businesses, we can collectively drive economic prosperity while nurturing an inclusive and supportive environment for all entrepreneurs.

Thank you for your time and I remain available to provide any additional information or support as needed. Together, let us work towards a future where supplier diversity is the engine of our economic growth and progress.

Sincerely,

Brian K. Oglesby



President/CEO, Eastern Minority Supplier Development Council (EMSDC)

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ALEXIS T. RUSSELL, B. S. ARCH, MSL

CO-OWNER OF RUSSELL GENERAL CONTRACTING

PITTSBURGH, PA

Russell GC is a black owned and operated General Contracting Firm that was founded in 2015 by husband and wife team, Montae and Alexis Russell. Montae, a former union carpenter, and Alexis, an architect by trade have found a specific niche in the construction world that includes the facilitation of the restoration of historical structures within black communities, often by way of non profits.

A few of our historic projects include the stabilization and redevelopment of The August Wilson House in the Hill District, The Historic New Granada Theater in the Hill District, and The National Negro Opera House, in Homewood. Each of these buildings have a unique and culturally relevant history that is directly tied to the communities in which they exist.

- **How can we increase Minority Participation in the Redevelopment of our communities and large scale state/county/city contracts? How can we effectively participate in the process of urban redevelopment to ensure equitable economic growth and community development?**
- **Things going well:**
 - Allegheny County Airport TMP Project: There is a team in place that is assisting in the pursuit of black and women owned businesses.
 - MWDBE Certification: Although the process is cumbersome and lengthy, the staff that facilitates the process is incredibly helpful.
 - Various community programs: There are a number of cohorts, classes, and seminars aimed at preparing black owned contractors for larger projects. We just have to find ways to get people to come out.
 - “Doing Business with the State” type seminars: I attended one of these at Emerald City, a black women owned coworking space, and the information was very helpful.
- **Areas of Opportunity:**
 - Support is needed from owners/clients for traditionally under resourced companies to participate in the redevelopment of our communities.
 - We, as black builders, possess the technical and trade know how to win contracts and execute projects through completion, however certain large projects we cannot AFFORD to do due to payment terms stipulated in the contracts.
 - Providing deposits to contractors.
 - I was recently made aware of the Axiom short term lending program for county projects, however that short term infusion of funds runs at a prime interest rate, meaning unless the contractor is aware of programs like these prior to bidding/winning the contract, they will be paying the county to do the work by way of interest.
 - Repayment terms for products like Axiom should match the payment terms specific to the project. “Paid when paid”
 - Additional options for working capital.
 - Pay structure and timeframes (net 30/60/90) is not sustainable for small black businesses in large scale development.
 - AIA documents include payment terms in the contracts. However, rarely are clients actually paying in that specified timeframe, creating a hardship for the business owner.

- Support in facilitating the paperwork processes from entities specific to their projects: AIA Contracts/pay application submission, bonding, insurance, scheduling, etc.
 - Many of these “industry standards” can be changed or adjusted to facilitate more effective payment processes and onboarding of new contractors/vendors. These long lead times, especially on material heavy projects, expose black businesses to significant financial risk.
 - Many black contractors see the paperwork required to even submit a bid, and decline to bid.
- Ongoing support from ownership entities as the project progresses.
 - As the project progresses, how is the ownership providing support and guidance to the contractor?

Majestic Lane
Chief Equity Officer
Allegheny Conference on Community Development
11 Stanwix Street – 17th Floor
Pittsburgh, Pennsylvania 15222

My name is Majestic Lane and I serve as the inaugural Chief Equity Officer of the [Allegheny Conference on Community Development](#) (the Conference). On behalf of the Conference, I would like to thank Chairman Bizzarro and Representative Abney for the opportunity to testify before this Committee on the importance of supplier diversity in the commonwealth.

The Conference is a civic leadership organization committed to improving the Pittsburgh region's economic future and quality of life. We bring together public and private sector leaders across 10 counties in southwestern Pennsylvania to define and communicate a regional vision, build partnerships, and mobilize a shared goal of economic prosperity and increased quality of life for the future of the Pittsburgh region with our [Regional Investors Council](#) (RIC). This council includes major employers across southwestern Pennsylvania who collectively represent nearly 25 percent of the region's employment.

A sustainable, strong, and diverse supply chain is a part of that vision and is extremely important to the economic well-being of the local economy, providing tremendous opportunities to businesses of all sizes. This attention to a strong economy is presented in the Conference's [2020-2030 Next Is Now](#) 10-year vision of vitality for the Pittsburgh region. Within this vision, we aim to remove barriers to opportunity by applying existing community and economic development tools by working to support disadvantaged business owners, as well as through our policy and advocacy efforts.

Protected classes of citizens often encounter multiple barriers while creating a business, and in many cases, individuals seeking to do so will begin in the industries of the four C's – consulting, catering, cleaning and construction – due to the low financial barriers to entry. Affiliation with these industries can yield varied results and often lead to lower profits for individuals. *“Black-owned businesses also tend to earn lower revenues in most industries and are overrepresented in low-growth, low-revenue industries such as food service and accommodations (Baboolall et al.)”*

The lower revenues realized in these industries are often due to the nature of the contracts they enact with organizations. Consulting, catering, cleaning and construction services can result in project-based work, which is frequently on a short-term or “one-off” basis, whereas professional service opportunities yield more long-term opportunities. It is common for actual wealth building to occur from professional services with longer or open-ended contracts, as well as those that require more skill-based training for positions that are vastly underrepresented from more diverse demographics. This is why expanding business growth and opportunities in diversified fields is so important.

The Conference also identifies business growth, of which supply chain diversity is crucial, as part of our [inclusive growth principles](#). The inclusive growth principles were informed by extensive research and member input and were developed by the [Inclusive and Equitable Economy Committee](#) of the Conference affiliate, the [Pennsylvania Economy League of Greater Pittsburgh](#). The principles serve as a framework for accessible and equitable opportunity for all people across all the communities that comprise the 10-county Pittsburgh region. The principles fall under three categories, which map to the Conference's equity agenda.

EMPLOYMENT

- We will promote and support public policies that expand access to employment opportunities.
- We will encourage investments that decrease barriers to employment and earnings opportunities.
- We will encourage businesses to adopt proven tools and practices that will increase representation of underserved and underinvested populations in management and high-wage occupations.

BUSINESS GROWTH

- We will participate in building a supportive ecosystem that allows for underserved and underinvested populations to create and grow their businesses through advocacy, investments and partnerships.

COMMUNITY WEALTH

- We will encourage increased investments and policies that will uplift underserved and underinvested communities.
- Our economic development strategies will intentionally aim at closing economic opportunity gaps.

According to the [U.S. Census Bureau's Annual Business Survey](#):

- There are approximately 470 Black-owned businesses in the Pittsburgh Metropolitan Statistical Area (MSA) that employ 4,400 people with an annual payroll of \$192 million.
- Nearly one-third of the businesses have been in operation for 16 years or more, while half employ between one and four individuals.
- Our Black business ownership rate was 2.3 businesses per 1,000 in population. In comparison, among all minorities, the ownership rate is 8.8 per 1,000 while it is 17.9 per 1,000 among the White population.
- While the overall Minority business ownership rate in the Pittsburgh MSA compared favorably to the nation (8.8 businesses per 1,000 compared to 8.4 nationally), both the Black and White ownership rates lag the nation – 2.3 versus 3.3 for Black-owned businesses and 17.9 versus 23.6 for white-owned businesses.

Based on the IMPLAN Economic Impact Model, increasing the Pittsburgh MSA's Black business ownership rate to the national average will create 2,000 jobs and support an additional 1,600 jobs throughout the region on an indirect and induced basis, resulting in an employment multiplier of 1.8x. Furthermore, more than \$630 million in additional economic output will be generated annually, while the Gross Regional Product of the region will grow by nearly \$360 million driven by a \$250 million increase in the region's Labor Income.

Business growth (specifically to supply chain diversity) can be seen with one of the Conference's partners, Black Economic Advancement Mobility ([BEAM](#)) Collaborative.

BEAM Collaborative is a nonprofit that strategically sources Black-Owned businesses, with an emphasis on creating supply chains and employment for the Black communities of southwestern Pennsylvania. *“Black Americans have never had an equal ability to reap the benefits of business ownership. While about 15 percent of white Americans hold some business equity, only 5 percent of Black Americans do. Among those with business equity, the average Black American’s business equity is worth 50 percent of the average American’s and a third of the average white American’s (Baboolall et al.).* The Conference’s partnership with BEAM Collaborative is to take a strategic and inclusive approach to business growth in supplier diversity in the region with our RIC.

In addition to BEAM Collaborative, the Conference also has a strong partnership with [Riverside Center for Innovation](#) (RCI) in addressing business growth and supplier diversity. RCI is a leading, full-service small business incubator – targeting women, minorities, veterans, LGBTQ+, and other disadvantaged ventures in southwestern Pennsylvania. *“An inclusive procurement strategy widens the pool of potential suppliers and promotes competition in the supply base, which can improve product quality and drive down costs. And by providing more sourcing options, inclusiveness can make supply chains more resilient and agile — an increasingly important advantage in these uncertain times (Bateman et al.).*

RCI is also a sub-awardee of the [Build Back Better Regional Challenge grant awarded to the ACCD and its regional partners by the U.S. Economic Development Administration](#), to build robotics and autonomy clusters and expand opportunities for all people and places in an 11-county region. RCI is working on phase 5 of the project, which is *Expanded Pathways to Entrepreneurship*. The project’s goal is to increase pathways into the robotics and autonomy industries for underrepresented populations and launch new and support existing disadvantaged business enterprises (DBE) and rural companies to boost the innovation economy. We intend to create 40+ DBE businesses with intentional pathways into robotics and advanced manufacturing procurement systems, as well as about 30 fellows with strong wraparound support from Carnegie Mellon University for new entrepreneurs in the robotics and autonomy field.

Looking ahead to the future, Pennsylvania’s government can be supportive of supply chain diversity by providing loans and grants for expansion and operating capital and technical assistance for capacity building to assist small & diverse companies with partnering with the Department of General Services. We look forward to partnering with the commonwealth and General Assembly on future initiatives.

The Conference, our Regional Investors Council and partners are committed to the continued inclusive economic growth and future of the region. We acknowledge that supplier diversity is an important factor in creating a strong inclusive economy for all in southwestern Pennsylvania.

Thank you so much for this opportunity to speak on the importance of supplier diversity.

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