



BRIEF SERIES 3 OF 7

Building Wealth Through Equitable Municipal Procurement

Historical discrimination in municipal contracting and hiring has left many Black, Indigenous, and People of Color (BIPOC) out of wealth-building opportunities. Overall, hiring and contracting discrimination has resulted in occupational segregation—the exclusion of BIPOC from professional and managerial roles and over-representation in lower-wage occupations.¹ Additionally, cities' legal limitations to operate race-and gender-conscious hiring programs have impacted access to jobs, career development, and social capital. These factors have created employment sectors that lack diverse representation.

Local governments, universities, hospitals, and other anchor institutions spend roughly \$2.5 trillion annually procuring goods and services.² Municipalities spend upwards of \$1.6 trillion a year, a not insignificant percentage of which is procurement contracts.³ These contracts, under city control, have meaningful

opportunities to create equitable access to wealth building for local BIPOC businesses.

The Supreme Court case *Richmond v. Croson* ruled that giving procurement preferences to minority-owned companies violated the constitution.⁴ However, municipalities seeking

equitable approaches to procurement can create pathways that ensure more BIPOC businesses have opportunities to secure government contracts.

A study by Interprise found that Minority and Women-owned Business Enterprises (MWBES) in their national network created jobs at an average rate of 7.2 jobs per business with an average salary of \$56,136.⁵ Local capacity-building programs can help MWBES succeed by extending a wide range of resources to meet their needs and opening paths for these businesses to receive municipal contracts.

Cities Taking Action

Municipalities inherently offer stability and security as an anchor institution for the businesses they contract with, offering reliable payments and increasing attractiveness for future investors. Cities have a unique opportunity to serve as a model for equitable procurement practices for other anchor institutions (i.e., school districts, hospitals, etc.).



Disparity studies to assess the local contracting landscape

Cities can create a more diverse and equitable procurement system by first assessing the landscape of potential contractors in the city. Disparity studies analyze whether there is a gap between the availability of minority and women-owned businesses in a community and the utilization of such businesses in city contracts.

The City of Memphis, Tenn., conducted a disparity study in 2016 which reviewed local contractors and found few BIPOC business-owned businesses located in the city to meet the city's contracting needs.⁶ As a result, the city created an Office of Business Diversity and Compliance that supports new local BIPOC business owners and streamlines their procurement accountability. For example, the city has secured a contract with a local Black-owned business to provide residential street speed humps.



Building the capacity of BIPOC-owned businesses

To boost the number of women and BIPOC-owned businesses prepared to compete for city contracts, many cities realize the need for engagement and educational opportunities. Capacity-building programs, including educational opportunities focused on business finances, human resources, recruiting, training and marketing can help business owners prepare to secure local government contracts.

The City of Houston, Texas offers local businesses several capacity-building programs that prepare them for securing contracts with the city.⁷ While only one of these programs targets minority businesses, approximately 70 percent of participants are Black business owners.⁸ The city also recently created a program to analyze barriers that lesbian, gay, bisexual, and transgender business owners experience when seeking local contracts. The city has dedicated time and resources to address significant racial disparities in wages, business earnings, and business formation rates across all industry sectors in the marketplace.



Utilizing municipal government as a model anchor institution

Municipalities can restructure city departments to achieve key procurement equity goals by focusing on local vendors to fulfill their procurement needs and federal, state, county, or other anchor institution needs.

The City of Albuquerque, N.M. economic development department created a small business office to focus on minority business development.⁹ The city was awarded a grant from the U.S. Department of Commerce's Minority Business Development Agency to open the Minority Business Development Center (MBDC) with the mission to connect Minority Business Enterprises (MBE) with opportunities and contracts. MBDC aims to reduce barriers to access to capital for MWBEs through counselors who assist with applications, provide priority access to proposals requests, offer closing support, and other technical assistance. MBDC's first-year goals include serving 80 MBE and helping them secure 47 contracts.



Data Considerations

Many cities, towns, and villages have limited capacity to use data to assess and evaluate procurement practices, making it difficult to understand what programs and policies are working to generate a more diversified contracting base and thriving business community. It is also important to remember that municipal contracting is only one part of the overall local economy. Private industries also should be transparent with data to create change. The U.S. Department of Commerce, Minority Business Development Agency (MBDA) has information and data on MBEs that municipal leaders should review to understand their impact and needs better.

Procurement equity relies on the intentional collecting of disaggregated spending

data in all city departments to help inform decision-making about hiring and contracts. To do this, cities should:

- ◆ Develop clear processes and protocols for collecting, storing, and sharing procurement data across city departments. Cities could consider implementing a commonly adopted code used in procurement and contracting practices. This will enable cities to properly classify and categorize procurement activities while bringing uniformity in reporting by departments.
- ◆ Conduct surveys and interviews to help determine local vendors' capacity and identify barriers to the pre-bid and the bidding processes.

Action Steps

Moving toward municipal procurement equity is a continuous process. Cities can consider annual assessments to measure progress on the metrics defined by the city to strive toward more equitable practices. These measures and goals should include input from residents and BIPOC-owned local businesses. Flexibility is crucial as these measures might change over time as residents begin to reimagine what an equitable economy can look like.

As cities identify options for supporting equitable procurement practices, local leaders should consider these key action steps:

- 1 Conduct** a disparity study to understand the existing landscape of potential and existing contractors.
- 2 Create** tangible targets for contracts, including the percentage of contracts currently awarded to BIPOC and women-owned businesses and the percentage of locally owned businesses awarded contracts.
- 3 Engage** in conversations between local leaders and other anchor institutions to encourage equitable practices and expand their impact.

Key Resources

[Inclusive Procurement and Contracting: Policies, Programs, and Practices for Local Leaders](#), National League of Cities

[The Bottom Line the Power of Procurement](#), Next City

[Inclusive Procurement and Contracting: Building a Field of Policy and Practice](#), PolicyLink

[Procurement 101: How To Spend ARPA Dollars Wisely](#), National League of Cities

Acknowledgments

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Learn more about taking action to expand economic mobility for your residents and visit <https://www.nlc.org/initiative/equitable-economic-mobility-initiative/>

Endnotes

- ¹ Bahn, K. & Sanchez Cumming, C. (2020, July 1). Factsheet: U.S. occupational segregation by race, ethnicity, and gender. Washington Center for Equitable Growth. Retrieved from <https://equitablegrowth.org/factsheet-u-s-occupational-segregation-by-race-ethnicity-and-gender/>
- ² Urban Institute. (n.d.). State and Local Finance Initiative. Retrieved from <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/state-and-local-expenditures>
- ³ Ibid.
- ⁴ Oyez. (n.d.). City of Richmond v. J. A. Croson Company. Retrieved from <https://www.oyez.org/cases/1988/87-998>
- ⁵ Lee., N.S. (2018, June.). Bridging the Wealth Gap. Retrieved from <https://interise.org/wp-content/uploads/BridgingtheWealthGap.pdf>
- ⁶ Memphis Purchasing Service Center. (n.d.). Memphis Disparity Study Report 2016. Retrieved from <https://www.memphistn.gov/business/doing-business-with-the-city/memphis-disparity-study-report-2016/>
- ⁷ Houston Office of Business Opportunity. (n.d.). Business Development Programs. Retrieved from https://www.houstontx.gov/obo/business_development_programs.html
- ⁸ Houston Office of Business Opportunity. (n.d.). Accelerate Latinx. Retrieved from <https://www.houstontx.gov/acceleratelatinx/index.html>
- ⁹ Albuquerque Finance and Administrative Services. (n.d.). How the Procurement Process Works. Retrieved from <https://www.cabq.gov/dfa/purchasing-division/vendor-services/vendor-handbook/how-the-procurement-process-works>