



## Innovations from the Field

### Using Certification Reciprocity to Increase Contracting Opportunities for HUBs Across State Lines

#### Issue in Brief

Certification of small, minority, women, LGBTQ and veteran-owned businesses is a valuable tool for public procuring agencies that want to understand the availability of historically underutilized businesses (HUBs) in their region, and for HUBs seeking to participate in race-conscious or race-neutral contracting programs for small firms. Certification is the primary way agencies identify HUBs to market upcoming opportunities and track participation of HUBs on work performed.

Rigorous certification processes can include site or office visits, and ensure firms are accurately representing themselves. Certification is an involved process. Firms must complete paperwork documenting majority ownership, business activity, revenue, bonding, insurance, licensing, personal net worth, and provide years of tax returns.

**Nationally**, B2Gnow estimates there are between 300 and 400 public and private certification registries spanning the federal, state, and local levels.<sup>i</sup> Certifications are typically only valid for one to three years, requiring HUBs to regularly re-certify.

**On the private side**, to support HUB participation in corporate supply chains, the National Minority Supplier Development Council, the Women's Business Enterprise National Council, and the National LGBT Chamber of Commerce certify firms through networks of regional affiliate offices. Access to these private registries requires payment of membership fees.

**300+**  
The number of public and private HUB certification registries in the U.S. spanning the federal, state, and local levels.

**At the federal level**, there are nine certifications for direct federal contracting. The Small Business Administration manages seven certification programs, including those for Small Disadvantaged Businesses (SDB), Women Owned Small Businesses (WOSB), Economically Disadvantaged Women Owned Small Businesses (EDWOSB), HUBZone businesses, 8(a) Business Development program participants, Veteran-Owned Small Businesses (VOSB), and Service-Disabled Veteran Owned Small Businesses (SDVOSB).<sup>ii</sup> The U.S. Department of Transportation oversees the Disadvantaged Business Enterprise (DBE) program and Airport Concessions Disadvantaged Business Enterprise (ACDBE) program for federally funded transportation projects. SBA certifications can be applied for online, in their field offices, or through local partner organizations. DBE certifications can be accessed through state United Certification Programs. Each state has a UCP, and a designated set of local agencies who act as certifiers.

**At the state level**, at least 38 states have HUB certification programs for state funded projects, including those at public K-12 schools and state-funded colleges and universities.<sup>iii</sup>



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**Locally**, hundreds of municipal governments have unique certification processes that tend to mirror standards set in SBA or USDOT programs but may have unique criteria for minority business enterprises (MBEs), women business enterprises (WBEs), small business enterprises (SBEs), emerging business enterprises (EBEs) and other categories of their choosing. Firms must often secure these certifications to gain recognition on locally funded projects with city and county governments, public utilities, water authorities, transit agencies, airports, ports, housing authorities, hospitals, development authorities, and other public procuring entities, which operate under unique governance and must follow varying rules and regulations.

It is not unheard of, given these three layers of government certifications, for an individual HUB to have over a dozen unique certifications.

### Current Challenges

**1. Certification requires capacity.** The entity doing the certifying must have adequate staff to recruit new HUBs for certification, review paperwork, assess eligibility, conduct site visits, and settle disputes. Growing the number of certified HUBs is a common goal, and requires outreach.

**2. State and local HUB certification programs are highly fragmented.** The sheer number of programs across different levels of government limits efficient collaboration. Private databases require fees to access. Third-party software vendors are the only entities with access to the full spread of certification registries. These include SaaS vendors such as B2Gnow which specialize in procurement and supplier diversity management.

**3. There is a lack of reciprocity across certification agencies.** State and local public certifications are typically only recognized in the specific geography where they were processed and are not recognized across state lines or by entities in different cities, even if the criteria are highly similar, unless they've established reciprocity. Agencies can be wary of acknowledging certifications from other jurisdictions if they are uncertain that those jurisdictions are holding HUBs to the same compliance standards and rooting out fraudulent applications. Concerns about fraud are a major barrier to broader reciprocity.

- **State United Certification Programs for U.S. DOT certifications are legally allowed to create reciprocity agreements, but few do.** Subject to U.S. DOT approval, recipients of U.S. DOT funds in two or more states may form a regional UCP. UCPs may also enter into written reciprocity agreements with other individual UCPs.
- **Lack of reciprocity limits HUB data collection.** State and local agencies typically don't include HUBs certified in other states that performed work on their projects in their HUB spending data. This limits the accuracy of data collection.

**4. Fragmentation limits HUBs interested in working in multiple jurisdictions.** Fragmentation mandates that firms seeking recognition as HUBs get re-certified to do state and local public sector work in a different state. For a DBE to do work nationwide, for example, they would need to



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be certified by 49 unique state UCPs, after first being certified in their own state. One interstate certification application can take up to 60 days to process.

### Case Study

#### SEPTA and Chicago Transit Authority SBE Certification Reciprocity Pilot

##### Background

In summer of 2022 the Chicago Transit Authority (CTA) and the Southeastern Pennsylvania Transportation Authority (SEPTA), two of the founding signers of the Equity in Infrastructure Pledge, began the process of establishing a memorandum of understanding (MOU) for mutual recognition of their respective Small Business Enterprise (SBE) certifications. [SEPTA](#) and [CTA](#) both offer SBE certifications unique to their agencies, and automatically qualify firms certified as DBEs as SBEs, due to inclusive size and personal net worth standards in their SBE programs. CTA has a set aside program allowing SBEs to exclusively bid as primes on some projects under \$5 million.

##### Goals

The goals of the pilot are four-fold:

- (1) **To expand the geography of where SBEs certified in Pennsylvania and Illinois could easily bid.** Upon implementation, small business enterprises certified to do work with SEPTA would be able to bid on work as an SBE with CTA and would not have to be re-certified in Illinois, and vice-versa.
- (2) **To increase prime contracting opportunities for SBEs.** Unlike DBE programs, U.S. DOT funding recipients that establish SBE programs can establish SBE set-aside programs, where bidding is open exclusively to SBEs for contracts under a certain size. By expanding the geography of pre-approved SBE certification, the program will expand the number of projects SBEs can bid on as prime contractors within set-aside programs. If there aren't many upcoming project opportunities at SEPTA for SBEs, they could look at opportunities at CTA, for example.
- (3) **To increase competition for contracts.** Public agencies benefit from reciprocity by having a larger pool of qualified bidders, which provides competition and price discipline.
- (4) **To successfully navigate the legal and process challenges of certification reciprocity in a way that could lay the ground for regional or national D/SBE certification reciprocity.** Building trust and mutual recognition between two interstate UCP partners would be a first step toward demonstrating broader reciprocity is possible. The two agencies are seeking to mirror the process D/SBEs go through for certification, denial, and removal from their state UCPs and ensure both agencies are operating with standards both find acceptable.



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## Additional Resources

### Private Certification

[National Minority Supplier Development Council](#)  
[Women's Business Enterprise National Council](#)  
[National LGBT Chamber of Commerce](#)

### Federal Certification

[U.S. Department of Transportation DBE Program](#)  
[U.S Small Business Administration Contracting Assistance Programs](#)

### State Certification Programs

National Council of State Legislatures [State MBE & DBE Certification Programs](#)

### Local Certification Programs

*Examples from cities containing EIP Pledge signers*

[City of Chicago M/WBE Program](#)  
[City of Denver SBE, EBE, M/WBE, SBEC Program](#)  
[City of Long Beach SBE, VSBE, LSBE Program](#)  
[City of Philadelphia M/W/DSBE Program](#)

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<sup>i</sup> Estimate provided by B2GNow, Sept. 2022

<sup>ii</sup> VOSB and SDVOSB certifications were previously managed by the Department of Veterans Affairs but transitioned to management by the Small Business Administration in October 2022.

<sup>iii</sup> "Minority Business Development: State MBE Certification Programs," [National Council of State Legislatures](#), Feb. 2016.