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Advancing Economic Opportunities for Business Owners and Jobseekers with Disabilities:

A Review of State and Municipal Government Contracting Procurement and Tax Incentive Programs for Disability-Owned Businesses

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A NOTE ON THE RESEARCH TOPIC FROM THE U.S. DEPARTMENT OF LABOR, OFFICE OF DISABILITY EMPLOYMENT POLICY

Disability advocates have expressed differing positions on the use of government procurement preferences and preferred source contracting, sometimes showing general agreement for support or opposition to some programs, and sometimes disagreeing. It is widely understood that state preferred source or state use programs include facilities commonly known as 'sheltered workshops' to some and 'non profits that hire workers with disabilities' to others. They are legally allowed to pay their workers less than the Federal minimum wage, often less than $1.00 per hour. There is a vigorous philosophical debate within the disability advocacy world about whether or not the existence of sheltered work is necessary or justified. Many community based agencies have changed or are in the process of successfully changing their business model from sheltered to integrated, competitive employment.

There is similar disagreement on whether tax incentives are a legitimate method for encouraging employers to hire people with disabilities or whether their use essentially constitutes an unnecessary 'bribe' for hiring employees who should be hired instead based on merit.

EXECUTIVE SUMMARY

For the past two decades, considerable scholarly and applied research has been produced describing the barriers to competitive employment and economic independence faced by people with disabilities, as well as information on successful evidence-based practices at the state and local level in helping them obtain employment. Despite substantial research, demonstration projects, multiple government efforts, and compelling reasons for hiring people with disabilities, the rates of employment remain unacceptably low. According to the U.S. Bureau of Labor Statistics (2013), 20.7 percent of Americans with disabilities over the age of 16 were in the labor force as of February 2013, compared to 68.8 percent of Americans without disabilities.[1]

In response, a number of states have looked to use existing policy tools and programs that incentivize the private business community to create, retain, and/or expand jobs for people with disabilities, and encourage opportunities for small business owners and entrepreneurs with disabilities.

The techniques typically used by government to advance socioeconomic goals for disadvantaged populations, including people with disabilities, often include:

- State procurement preferences and set-asides to maximize contracting and subcontracting opportunities for small business participation by various groups (such as minorities, women, veterans, and service-disabled veterans);
- Incentive programs such as targeted tax credits to encourage hiring of disadvantaged populations;
- No-cost technical assistance and training for small disadvantaged businesses to promote and improve their capacity and competitiveness; and
- Other financial tools to support small disadvantaged business development goals such as grants and small loans.

This report provides an overview of how, why, and under what historical circumstances government has used these tools to advance socioeconomic goals for disadvantaged populations, including people with disabilities, and to provide broader access to employment opportunities through financial and other assistance to private businesses. It identifies and highlights states and large municipalities that have established and/or expanded existing programs to target and include disability-owned businesses or encourage the hiring of workers with disabilities in the private sector, and provides an overview of their characteristics and features. Finally, this report offers recommendations for encouraging the expansion of these efforts on a broader scale.

FINDINGS

This report identifies state and local government entities that show evidence of having state business certification, preferences, and set-aside programs for private-sector disability-owned businesses, as well as established state tax incentives available to for-profit businesses to hire jobseekers with disabilities. It also highlights key elements of these programs, including how disability is defined, and the unique characteristics and features of the programs.

Specifically, the research found that:

- Six states have state business certification programs and extend procurement preferences to disability-owned businesses in state contracting. These preferences either take the form of state set-asides (Connecticut, Illinois, and Ohio) or price preferences (Alaska, Kansas, and Minnesota).

- Three states have a state business certification process for disability-owned businesses (Iowa, North Carolina, and Rhode Island) but do not have a formal set-aside or pricing preference program. Instead, these states offer a variety of other assistance to certified disability-owned businesses. One city, Chicago, also had a business certification process program for disability-owned businesses for municipal procurements.

- One state (Michigan) established a goal for contracting with disability-owned businesses, but did not have a business certification process or a set-aside program.

- Programs in five states (Illinois, Maine, Maryland, Nebraska and New Mexico) offer targeted business development and financial assistance programs to disability-owned businesses beyond the general business technical assistance available through state business portals to small and large firms. These states, however, do not have formal certification programs for disability-owned businesses.

- Four states (Maryland, New York, Tennessee, and Utah) have business tax incentive programs that promote the hiring of jobseekers with disabilities in private firms. No large municipalities had any business tax incentives dedicated to helping businesses hire and retain city residents with disabilities.

- Significantly more states have established "preferred purchasing programs" or "state use industries and commissions" that allow government agencies (e.g., state, city, county, other political sub-divisions, educational institutions) a noncompetitive avenue for state agencies to purchase goods and services made by prison inmates working in correctional institutions and/or persons with disabilities working in nonprofit entities, than states with procurement preferences targeting private firms and businesses.

INTRODUCTION

Federal, state, and local governments have a range of policy tools and resources at their disposal to influence and advance economic activity in their jurisdictions. According to the public finance literature, the role of government in economic activity includes providing a legal framework and economic infrastructure, redistributing income through taxation and spending, providing public goods and services (e.g., public education and public safety), and procuring goods and services (Sherman, 1981; Thai, 2001).

Governments use a number of tools to provide assistance to both businesses and citizens with the objective of creating jobs, increasing employment, and generally improving and growing the jurisdiction's economy. To this end, public procurement and tax policy have historically been used by government at the federal, state, and local levels to advance various economic development and socioeconomic goals and to achieve certain social purposes (Kopicki, Krepcio, & Van Horn, 2009; National Association of State Procurement Officials, 2012; Sherman, 1981; Thai, 2001).

Federal and State Procurement Preference and Set-Aside Programs

At the federal level, preference purchasing has been used for more than 200 years. Policies favoring U.S. businesses date back to the Civil War, preferences for small businesses date back to 1941, and using contracting to advance women and disadvantaged minority groups emerged in the 1960s (Cummings, Lloyd, Qiao, & Thai, 2009; Dale, 2006; Hill, 2010; Manuel & Lunder, 2013; Pulsipher, 2004; Thai, 2001).

To advance socioeconomic goals and policies in federal contracting, Congress enacted the Small Business Act of 1953 (with subsequent amendments), which established the Small Business Administration (SBA). SBA is responsible for assisting small businesses and to insure that they receive a "fair proportion" of federal contract and subcontract dollars under what is commonly referred to as the "8(a) program." This is realized through the establishment of government-wide and federal agency-specific goals for the percentage of contracts and/or subcontracts awarded to small businesses, through procurements in which only small businesses (or a subset determined by classification such as small only, small socially disadvantaged, small economically disadvantaged, historically underutilized business or HUBZone, women-owned, minority-owned, service-disabled veteran-owned, etc.) known as a "set-aside," and/or through sole-source awards to small-owned or firms with certain certified classifications, or in some instances a price evaluation preference (Manuel & Lunder, 2013; SBA, n.d.).[2]

Other federal programs that advance socioeconomic policies through procurement policy include the U.S. Department of Transportation's (DOT) Disadvantaged Business Enterprise (DBE) program, which is intended to provide contracting opportunities to small businesses owned and operated by socially and economically disadvantaged persons in federal DOT's highway, mass transit and airport programs operated by the Federal Highway Authority, the Federal Transit Administration, and the Federal Aviation Administration.[3]

State and municipal governments also use public procurement as a policy tool to advance various goals, including socioeconomic goals. For example, many state and local govern-

Table 1. Two General Types of Preferred Purchase or State-Use Programs Used by States

Beneficiary	*General Purpose*	*Form*
Prisoners (aka Prison Industries)	To provide training and work opportunities to the prison population. To provide revenue to correctional institutions. To offset the costs associated with correctional services.	Gives preference to the purchase of goods and services made and/or performed by inmates at government correctional institutions.
Persons with Disabilities (aka Disability Industries)	To provide pre-vocational training and employment opportunities for persons with mental, physical, and/or intellectual/ cognitive disabilities.	Gives preference to the purchase of goods directly manufactured, produced, processed, or assembled, or services directly performed, offered, or provided by entities that are qualified/certified by a state agency and that employ a majority of individuals with disabilities in their workforce.

ments give preference to firms based on geographical location (e.g., in-state or local firms residing in a state or defined geographical area), business size (e.g., small businesses, emerging businesses), use of local products or a specific type of product (e.g., use of state-made products, recycled or green products), or resident labor (e.g., use of only resident contractors).[4]

In addition, at least half of U.S. states[5] operate "preferred source" (also referred to as preferred purchasing or state use) programs that were historically designed to provide employment opportunities for either one of two disadvantaged groups—prison inmates/residents of state correctional institutions and individuals with disabilities, primarily individuals with developmental and/or psychiatric disabilities or individuals who are blind and/or visually impaired (see Table 1). Preferred source programs were established to offer noncompetitive preferences to entities that operate employment programs (for either prison inmates or individuals with disabilities) and that offer goods and services that can be purchased by state executive branch agencies, educational institutions, and/or county and local governments.

Policies, program structures, and administrative processes vary by state. For instance, some states mandate that public agencies first consult the state's preferred source list of goods and services prior to seeking a competitive bid, while others provide preferred source lists of goods and services but utilization may be voluntary or encouraged. For state-use programs involving individuals with disabilities, the process usually involves certification or qualification of the entity (depending on the state, the "employer" is generally a nonprofit agency that must employ individuals with disabilities, sometimes requiring the individuals to make up more than 50% of their workforce) by a state agency, usually but not necessarily the state's vocational rehabilitation agency.

Among procurement programs that advance socioeconomic goals, the most common and well known are state and local procurement preference and set-aside programs designed to encourage minority-owned and women-owned businesses. According to the National Conference of State Legislatures (n.d.), at least 41 states and the District of Columbia and Puerto Rico have state level minority-owned (MBE) and/or women-owned (WBE)

Table 2. Most Common and Well-Known Types of Government Socioeconomic Procurement Programs Designed to Favor Various Disadvantaged Groups

Beneficiary	General Purpose	Form
Minority Business Owners	To create and increase opportunities for racial minority-owned, for-profit businesses with identifying and participating in government procurement opportunities (goods and services).	Price preferences or set-asides for public contracting and/or subcontracting with minority firms; entrepreneurship education, technical assistance and training, targeted business lending.
Women Business Owners	To promote entrepreneurship for women. To create and increase opportunities for women-owned, for-profit businesses with identifying and participating in government procurement opportunities (goods and services).	Price preferences or set-asides for public contracting and/or subcontracting with female firms; entrepreneurship education, technical assistance and training, targeted business lending.
Small Business Owner	To promote business development and entrepreneurship. To create and increase government contracting with small for-profit businesses with identifying and participating in government procurement opportunities (goods and services).	Price preferences or set-asides for public contracting and/or subcontracting with small sized firms; entrepreneurship education, technical assistance and training, targeted business lending.
Veterans and Service-Disabled Veteran Business Owners	To promote entrepreneurship for veterans. To create and increase opportunities for veterans and service- disabled veteran, for-profit business owners with identifying and participating in government procurement opportunities (goods and services).	Price preferences or set-asides for public contracting and/or subcontracting with veteran or service-disabled, veteran-owned firms; entrepreneurship education, technical assistance and training, targeted business lending.
Socially and/ or Economically Disadvantaged Business Owners[6]	To create and increase opportunities for for-profit small business owners of other social and economically disadvantaged groups with identifying and participating in government procurement opportunities (goods and services).	Price preferences or set-asides for public contracting and/or subcontracting with firms determined to be socially or economically disadvantaged (or both); entrepreneurship education, technical assistance and training, targeted business lending.
Disabled Owned Business Owners (DBE)	To promote entrepreneurship for individuals with disabilities. To create and increase opportunities for for-profit disability-owned businesses with identifying and participating in government procurement opportunities (goods and services).	Price preferences or set-asides for public contracting and/or subcontracting with firms owned by a person with a disability; entrepreneurship education, technical assistance and training, targeted business lending.

Source: Sherman, 1981

business enterprise programs that involve state certification in state government procurements that are independent of federal (DOT DBE) programs in both funding and management. As illustrated in Table 2, states and municipalities also use public procurement policy to facilitate the participation of other disadvantaged entrepreneurs in the contracting process, including veterans and people with disabilities.

In every instance in all of these programs, regardless of the population targeted, states and/or municipalities have business certification components that establish qualifications for participation. Again, the eligibility qualifications, application processes and forms, certification periods, and lead agencies managing the state (or local) certification process vary by state. Most states have their own state certification processes, and most of the qualifications for participation in most of the state MBE/WBE programs are similar to participation in the federal SBA 8(a) small business program and the federal DOT DBE program. It is for this reason that both the SBA 8(a) program and the federal DBE program have created a standard uniform application form and a reciprocal certification process, and some states do accept the federal certification under their state programs. However, there are not only differences between the federal SBA 8 (a) and the federal DBE programs, there are also differences between the federal certification and state programs. For example, the federal DBE program does not consider a person with a disability under its criteria of disadvantage, while some state programs consider disability as one of several criteria under social or economic disadvantage. In terms of state-by-state variation, as evidenced in the findings in this

Table 3. Common State Contracting Preference Strategies for Private Business Procurements

Strategy	Description
Set–asides	A procurement preference that may be total or in part where the contract is "set aside" for bidding only by a designated and identified group of firms (e.g., small business, small minority-owned business, environmentally "green" firms, etc.).
Evaluation Points	A price procurement preference that gives an identified group of firms (e.g., small business, veteran-owned business, etc.) a "point" advantage in evaluating and scoring bids. The goal is to provide the firms a scoring advantage during negotiations and award.
Required Subcontracting Plans	A procurement preference that requires bidding firms to involve an identified group of firms (e.g., small business, women-owned business, etc.) as a requirement for the bid or proposal.
Price (Percentage) Preferences	A procurement preference that establishes a set percentage reduction that is applied to bids from identified firms (e.g., disadvantaged business, etc.) that make their bids more competitive when evaluating the proposal and determining award.
Unbundling the Procurement	This procurement preference is where government agencies split a large contract into smaller contracts to be awarded to multiple businesses or to multiple geographic regions. The underlying intent is that unbundling will allow smaller businesses to compete for government contracts where they may not have had the capacity to compete for the larger (fully bundled) procurement.

Source: National Association of State Procurement Officials, 2012 report, states vary in how they define "disability" for certification as a disability-owned business. In addition, in some states the definition of women-owned business and disability-owned business is included in the definition of minority-owned business; in others, they are separate.

In addition to the differences in state certification programs and processes, states also vary in whom they target for the preferences, how they define the target population(s), the form of the preference(s), the amount of funding, the types of contracting opportunities, designation of the lead oversight agency, and the entity that administers the certification process.

For example, in some states, the central administrative executive branch agency may run the preference program, but a separate office/agency (such as an office of diversity or the state DOT if there is reciprocity with the federal DBE certification process) may oversee the certification program. In Maryland, the Department of General Services oversees the state's small business preference program, but the state DOT is the official certification agency for firms seeking status under both the state MBE program and the federal DBE program (in addition to the Governor's Office of Minority Affairs, which is responsible for setting and issuing guidelines to state agencies regarding contracting goals and sub-goals.)[7]

For states with disability-owned business programs, one state agency (the purchasing agency) may be in charge of the contracting/preference program, another state agency or office may be responsible for the certification program, and another state agency (such as the education or human services agency) may be responsible for certifying the "disability."

Another example relates to the form or nature of the preferences. Some states apply preferences to competitive contracting opportunities such as providing "evaluation points" to firms that include the participation of a disadvantaged group or business, or establishing a set percentage price reduction to bids from disadvantaged businesses that may make their bids more competitive against non-disadvantaged and/or larger firms.

Other states may apply the preference to non-competitive contracting opportunities, such as where a purchase is set aside totally or in part for participation by a certified small and/or disadvantaged business only (therefore excluding all other firms), or the preference could be sole sourced, as in the case of "preferred source programs" where state agencies may be required to purchase goods and services from a preferred source list first, or where requests for bids are only solicited from a particular pool of vendors. Table 3 illustrates some examples of common strategies used by states in administering procurement preferences that seek to assist disadvantaged businesses.

Other states may establish statewide participation goals for award of contracts to small businesses, with subset goals to target groups similar in nature to federal SBA contract goals. For example, at the federal level, Congress in 2012 set a goal of 25 percent of all prime federal contracts and a goal of 40 percent of all subcontracts with a subset small business goal of 5 percent for women-owned small businesses, 3 percent for service-disabled veterans, etc. Some states have similar goals in state statute (Manuel & Lunder, 2013).

Tax Incentives and Credits

Similarly, government tax codes contain a number of provisions that provide tax credits and advantages to for-profit businesses intended to achieve non-tax socioeconomic goals such as hiring disadvantaged populations. Tax credits or incentives are a mainstay of state and local economic development policy, and tax credits are among the most common types of tax incentives (Kopicki, Krepcio, & Van Horn, 2009; Pew Center on the States, 2012; Wall, 2011).

Federal and state governments have developed tax incentive provisions for businesses designed to assist particular populations to obtain and retain employment, including but predominantly targeted to low-income individuals, unemployed workers, and individuals living in distressed or low-income neighborhoods (Surrey, 1970; Urban Institute, 2001). For example, states have tax credit programs available to businesses that create permanent full-time positions for state residents, that hire a certain targeted group of jobseekers such as recently laid-off workers or residents of particular neighborhoods (e.g., Connecticut's *Hiring Incentive Tax Credit* and *Displaced Worker Tax Credit* programs), and/or provide training to upgrade the skills of current employees (e.g., Washington State's *Customized Employment Training Program B&O Tax Credit* program and Rhode Island's *Job Training Tax Credit* program.)[8]

While the majority of states have some form of business (tax) incentives, a scan of state programs showed that a majority of states rely on promoting and marketing federal tax credit programs to businesses as it pertains to facilitating employment for low-income individuals and/or persons with disabilities rather than creating their own state programs. These federal tax credit programs often promoted by states to businesses are the *Work Opportunity Tax Credit* (WOTC), the federal *Disabled Access Credit* program, and the *Barrier Removal Tax Deduction*.[9]

Other Economic Development Strategies

In addition to state procurement and tax policy to facilitate entrepreneurship and/or business development for particular groups, states use other economic development resources to support socioeconomic goals. These include, but may not be limited to, providing access to affordable capital—in the form of grants and loans—to businesses owned by disadvantaged populations and/or firms that hire or create jobs for socially or economically disadvantaged populations, including individuals with disabilities. States may also provide outreach and technical assistance to help support, stabilize, and/or grow small businesses in the state.

At the federal level, the SBA provides loan guarantee programs to support and advance small business development. These include the 7(a) loan program and the Microloan program.[10] Similarly, at the state level, state commerce and/or economic development agencies also look to support small business development by providing access to capital and low-interest financing through loan guarantees, lines of credit, or direct loans. State programs that assist small businesses include New York's *Small Business Revolving Loan Fund*, Missouri's *Small Business Loan Program*, Georgia's *Small Business Credit Initiative*, and California's *Small Business Loan Guarantee* program.[11]

Other states also provide more targeted assistance to a particular subset of small businesses, such as minority- and women-owned businesses or businesses in distressed areas. Examples of these include Tennessee's *Small and Minority-Owned Business Assistance Program* and New York's *Small Business Storm Recovery Program.* [12] These programs are primarily designed to help targeted small business owners have access to capital. Many also include outreach to businesses for inclusion in the program as well as technical assistance to help these business owners apply for capacity-building or business development loans. State technical assistance can also take the form of counseling and training on such topics as business planning, management, marketing, financial planning, accounting, and information about other state and federal resources.

A few states have established targeted lending programs for residents with disabilities and usually do so to better address the unique needs of business owners/entrepreneurs with disabilities. This includes, for example, the need for access to low-interest rate capital for assistive technology, adaptive office equipment and furniture, and/or to retrofit an existing home for home-based businesses.

RESEARCH METHODOLOGY

As noted in the introduction, states use a variety of procurement and tax incentive tools to advance socioeconomic goals for a wide variety of disadvantaged populations. Individuals with disabilities may or may not be served by these state and local procurement policies designed to support the broader inclusion of minority, women, and other disadvantaged (usually on a case-by-case basis) business owners, as well as tax-based hiring incentives to support the inclusion of low income individuals. However, little is known about the extent to which existing programs target the disability population, or whether evidence exists to demonstrate their effectiveness in meeting their intended goals.

The purpose of this research was to find evidence of whether states, and specifically which states (including U.S. municipalities with a resident population of over 1.5 million), have established policies and formal practices specifically targeted to business owners with disabilities or private-sector firms that hire individuals with disabilities. This research also included examining whether there was any available data, research, or literature regarding the size, extent, or effectiveness of these efforts.

The key research questions addressed were:

1. What states have in place business certification programs that included disability-owned businesses or businesses owned by a person with a disability as a certified business eligible for state contracting (procurement) preferences?

2. What states have in place procurement preference programs that included disability-owned, for-profit firms that met a threshold of a workforce containing people with disabilities, or for-profit firms that demonstrate they purchase goods and services from disability-owned business(es)?

3. What states have in place specific, non-federal tax incentives (tax credits, tax deductions, or tax reductions) available to private businesses that hire a person with a disability?

4. What states have in place economic development incentives or programs that provide for-profit firms with financial or non-financial resources (such as low-interest loans, grants, technical assistance, and training) if they actively recruit and hire state/local residents with disabilities in integrated, competitive employment?

5. Are there in existence other state/local non-tax-specific hiring, retention, and advancement policies and programs (as evidenced by a written state policy, legislation, and/or directive) designed to encourage private-sector employers to hire, employ, advance, and retain people with disabilities?

The research for this report was conducted during the period November 2012 to April 2013. Research was conducted in four phases. First, a review of research published from 2000 to the present was undertaken. To review the literature on this topic, an Internet search of publications was conducted using the terms "state tax incentives," "tax credits," "job tax credits," "state procurement preferences," "state socioeconomic preferences," "people with disabilities," and "disability-owned businesses."

The literature reviewed yielded little published scholarly information on state government tax incentives, procurement preferences, or other economic incentives used to encourage the hiring of jobseekers with disabilities, promote the inclusion of disability-owned businesses in state contracting, or other state resources to support the hiring and retention of individuals with disabilities in private-sector employment. The literature revealed that while there was some information on the existence of various programs, there was no information or literature available on the number of businesses using such programs in the states, the level of hiring achieved through these programs, the effectiveness of the programs, and/or the costs of such programs. The reports reviewed that identified the existence of such programs included:

- A 2009 report from the NTAR Leadership Center at Rutgers University that identified known state tax hiring incentives and financial programs targeted to individuals and business owners with disabilities (Kopicki, Krepcio, & Van Horn, 2009);
- A 2010 report from the Burton Blatt Institute at Syracuse University that examined the potential for instituting a state contracting procurement preference for disability-owned small businesses in New York State, including information on six states that had a state procurement preference (Hill, 2010);
- A 2011-2012 report from the National Association of State Procurement Officers (2012) based on a survey of state procurement practices that noted that out of 48 states responding to the survey, 6 reported having vendor-based price preferences for disability-owned business enterprises; and
- The START-UP USA website maintained by Virginia Commonwealth University (n.d.) that pointed users to individual state Websites with known state procurement preference policies pertaining to individuals with disabilities.

Second, to help further identify states that are using contracting, tax, and other economic policy to improve employment opportunities for people with disabilities, Websites were reviewed and queries were made to major national organizations including the U.S. Business Leadership Network, the National Association of State Procurement Officials, the National Council of State Legislatures, the National Institute of Governmental Purchasing, the Council of State Governments, the National Association of State Budget Officers, the National Governors Association, the U.S. Conference of Mayors, the National League of Cities, the Nelson A. Rockefeller Institute of Government at the State University of New York, and the Public Procurement Research Center at Florida Atlantic University. During the course of this study, it was discovered that the National Conference of State Legislatures maintained a Website identifying states with state MBE programs, and that the Government of Canada maintained a Website that outlined U.S. states with procurement preference policies.[13]

Third, a systematic review was undertaken of all 50 state Websites and 5 municipal Websites[14] to validate the existence of procurement preference programs in the states both identified in the research reports noted above, the National Association of State Procurement Officials survey, Virginia Commonwealth University, National Conference of State Legislatures, and Canadian government Websites, to identify the existence of such programs in other states beyond those identified in the published research documents and Websites. The review also sought to identify the possible existence of other state economic (financial) programs to assist disability-owned businesses or incentivize private-sector businesses to hire jobseekers with disabilities.

Finally, telephone interviews were conducted in March and April 2013 with state and municipal government officials in those states where evidence of preference programs, hiring incentives, and other financial programs were found. The purpose of the interviews was to validate that the identified policy or program was active (meaning in current and continued use) and to gather more detailed information about the program, if possible.

FINDINGS

This report identifies states and large municipalities that show evidence of having existing state business certification, preferences, and set-aside programs for private-sector disability-owned businesses, as well as established state tax incentives available to for-profit businesses to hire jobseekers with disabilities. The report also identifies the handful of business development programs in a few states that provide financial resources to private firms if they actively recruit, hire, and/or accommodate state/local residents with disabilities in integrated competitive employment, or that support small business development. The report also highlights key elements of these programs, including how disability is defined, and the unique characteristics and features of the programs.

Business Certification Programs with Procurement Preferences

Six states have in place state business certification programs and extend procurement preferences to disability-owned businesses in state contracting. These preferences either take the form of state set-asides (Connecticut, Illinois, and Ohio) or price preferences (Alaska, Kansas, and Minnesota).

As noted in Table 4, the research identified six states that have formal business certification programs and state procurement preference or set aside programs as it pertains to access to state contracting opportunities for persons with disabilities. The states are: Alaska, Connecticut, Illinois, Kansas, Minnesota, and Ohio. Additionally, the study looked at the efforts of large U.S. municipalities (with populations over 1.5 million residents). Of the five larg-

Table 4. States and Municipalities with Procurement Preferences for Small Business Owners with Disabilities

State Set-Aside Preference	Purchasing (Pricing) Preference
Connecticut	Alaska
Illinois	Kansas
Ohio	Minnesota

est U.S. municipalities reviewed, none had a dedicated preference program for disability-owned and operated businesses.

All six states use a business certification process that establishes qualifications for the program; however, the eligibility qualifications, applications processes and forms, certification periods, and lead agencies managing the certification process vary by state. For example, all six states use different definitions of disability. Some states, such as Alaska, Illinois, Kansas, and Ohio, have extensive definitions. On the other hand, Minnesota defines disability for purposes of this program as a person with a physical disability only. Alaska requires the vocational rehabilitation agency to certify the small business owner as disabled, while Minnesota only requires affirmation of status from a physician. In Connecticut, disability is defined under the definition of minority. Kansas has three bidders' preferences, one of which includes the state use vendor program. The other two preferences require the commitment and/or employment of individuals with disabilities (not necessarily the business owner), as well as other provisions such as a requirement for health care coverage and minimum wage requirements.

Alaska

Alaska has three disability-related procurement preferences for contracts pertaining to:

1. *Private (sole proprietorship, partnership, Limited Liability Corporation or corporation) business entities with a disability* (requiring documentation of the disability);[15]

2. *Private businesses employing 50 percent or more individuals with disabilities* (demonstrating proof of each employee's disability); and

3. *State-certified organizations running employment programs* (as defined by the State of Alaska[16]) that provide goods and services provided by individuals with disabilities.

Any individual, business, or employment program must meet the qualifications of an Alaska bidder first as defined under Alaska's bidder preferences statute (Alaska Stat. §36.30.170 (b)) in order to qualify for additional disability preferences.

The Alaska Department of Labor and Workforce Development, Division of Vocational Rehabilitation (LWD/DVR) is responsible for certifying qualified individuals, businesses, and/or organizations for disability-related state-contracting preferences. Once qualified, LWD/DVR issues the individual, employer, and/or program a letter of certification that must be attached to any future bid or offer, and LWD/DVR retains a list of qualified vendors. Bidders must be on the state's qualified bidders list prior to submitting a bid in response to a state procurement. Bidders may also not claim more than one of the three disability-related preferences. The three Alaska contract preferences are:

Employment Program Preference (referred to as 170 (c)): Available to Alaska nonprofit organizations that offer goods and services through an employment program and that are the lowest responsive and responsible bidder with a bid no higher than 15 percent above the lowest bid (Alaska Stat. §36.30.170 (c) 2 AAC 12.050. Alaska Stat. § 36.30.990 (1)). For certification, LWD/DVR requires a written statement describing the programs and services provided in order to qualify for the certification list. All procurements are competitive.

Alaskans with Disabilities Preference (referred to as 170 (e)): Available to Alaska businesses that qualify as a business owner with a disability and that is the lowest responsive and responsible bidder with a bid no higher than 10 percent of the lowest bid (Alaska Stat. §36.30.170 (e) and (j)).

Employers of People with Disabilities Preference (referred to as 170 (f)): Available to Alaska businesses that employs 50 percent or more disabled individuals at the time of a bid offer, that makes a responsive and responsible bid offer, and that the bid offer is not higher than

10 percent of the lowest bid received (Alaska Stat. § 36.30.170 (f) & (j)).

Definition of Person with a Disability

For the purpose of public contracting, the Alaska state procurement code defines a person with a disability as an individual:

> "(1) who has a severe physical or mental disability that seriously limits one or more functional capacities in terms of employability; in this paragraph, 'functional capacity' means mobility, communication, self-care, self-direction, interpersonal skills, work tolerance, or work skills;
>
> (2) whose physical or mental disability (a) results from amputation, arthritis, autism, blindness, burn injury, cancer, cerebral palsy, cystic fibrosis, deafness, head injury, heart disease, hemiplegia, hemophilia, respiratory or pulmonary dysfunction, mental retardation, mental illness, multiple sclerosis, muscular dystrophy, musculoskeletal disorders, neurological disorders, paraplegia, quadriplegia, other spinal cord conditions, sickle cell anemia, specific learning disability, or end stage renal disease; in this subparagraphic, 'neurological disorders' include stroke and epilepsy; or (b) is a disability or combination of disabilities that are not identified in (a) of this paragraph and that are determined on the basis of an evaluation of rehabilitation potential to cause substantial functional limitation comparable to a disability identified in (a) of this paragraph; and
>
> (3) whose vocational rehabilitation can be expected to require multiple vocational rehabilitation services over an extended period of time (Alaska Stat. §36.30.170).

Application of Preferences (Price Preference)

Contract preferences for goods and services procured by Alaska state agencies are determined by affecting the cost of the bid during the evaluation process. In Alaska, there are two groups of preferences. For Group One (including the basic Alaska Bidder Preference but also several others[17]) the amount of the preference is based on the qualifying bid price (for example, a 5 percent reduction/adjustment in the bid price). In Group Two (which includes the disability-related preferences), the amount of the preference is based on the lowest bid price, adjusted from preferences applied in Group One.

Information about Alaska's disabilities preferences can be found at:
http://commerce.alaska.gov/ded/dev/smallbus/pub/Preferences_for_Alaska.pdf

http://doa.alaska.gov/dgs/pdf/htdbws.pdf

http://www.labor.state.ak.us/dvr/ppga.pdf

Information about Alaska's definition of disability for procurement preferences can be found at: http://touchngo.com/lglcntr/akstats/Statutes/Title36/Chapter30/Section170.htm

Information about how the bidder's preferences are applied in Alaska can be found at: doa.alaska.gov/dgs/docs/pref1.doc

Connecticut

Connecticut has an established Supplier Diversity Program operated by the Connecticut Department of Administrative Services, Office of Supplier Diversity, which is responsible for identifying and certifying small and minority owned businesses, including individuals with disabilities, for the ability to bid on contracts covered by the program as well as other state contracts.

In the state's supplier diversity program, an individual with a disability is defined within the definition of an MBE. As noted, for purposes of eligibility in the Supplier Diversity Program, an MBE in Connecticut is defined as a) a small business that meets the state's SBE definition with "at least 51% ownership by one or more minority person(s) who exercise operational authority over daily affairs of the business, has the power to direct management and policies, and receives the beneficial interests of the business" and b) "is a person(s) who is American Indian, Asian, Black, Hispanic, has origins in the Iberian Peninsula, a woman or an individual with a disability" (Conn. General Statute 58 §4a-60g).

Definition of Persons with a Disability

An individual with a disability means:

> "an individual (A) having a physical or mental impairment that substantially limits one or more of the major life activities of the individual, which mental impairment may include, but is not limited to, having one or more mental disorders, as defined in the most recent edition of the American Psychiatric Association's 'Diagnostic and Statistical Manual of Mental Disorders,' or (B) having a record of such an impairment" (Conn. General Statute 58 § 4a-60g).

Application of Preference (Set-Aside)

Connecticut state agencies and political subdivisions of the state are required to set aside each fiscal year 25 percent of their budgets for certified small businesses. Of this small business set aside, 25 percent must be awarded to certified minority business enterprises. State agencies with a budget of more than $10,000 are required to set aside contracts for certified small or minority business enterprises. (Connecticut Department of Administrative Services Supplier Diversity Program Information, n.d.).

General information about Connecticut's Supplier Diversity Program and how the set-aside is applied can be found at: http://das.ct.gov/cr1.aspx?page=222

Information about Connecticut's definition of disability for its Supplier Diversity Program can be found at: http://das.ct.gov/fp1.aspx?page=119 and http://www.cga.ct.gov/2011/pub/chap058.htm#Sec4a-60g.htm

Illinois

Illinois has a Small Business Set-Aside Program and a Business Enterprise Program (BEP) to promote and encourage the economic development of minority-owned and female-owned businesses, and businesses owned by persons with disabilities. The program is operated by the Illinois Department of Central Management Services and authorized by state statute (Illinois Act 30 ILCS 575). The state has a statutorily set contracting goal of 10 percent for minority and women-owned businesses, and 2 percent for businesses owned by persons with disabilities (which includes both private and not-for-profit entities),[18] but "state agencies and state public universities are encouraged to spend at least 20 percent of their procurement budgets with certified BEP firms." (Illinois Central Management Services Business Enterprise Program, n.d.)

Definition of Person with a Disability

According to Illinois Statute 30 ILCS 575 § 2, a person with a disability is defined as:

> "a citizen or lawful resident of the United States and is a person qualifying as being disabled under subdivision (2.1) of this subsection (A). 'Disabled' means a severe physical or mental disability that: (a) results from: amputation, arthritis, autism, blindness, burn injury, cancer, cerebral palsy, Crohn's disease, cystic fibrosis, deafness, head injury, heart disease, hemiplegia, hemophilia, respiratory or pulmonary dysfunction, an intellectual disability, mental illness, multiple sclerosis, muscular dystrophy, musculoskeletal disorders, neurological disorders, including stroke, epilepsy, paraplegia, quadriplegia and other spinal

> cord conditions, sickle cell anemia, ulcerative colitis, specific learning disabilities, or end stage renal failure disease; and (b) substantially limits one or more of the person's major life activities. Another disability or combination of disabilities may also be considered as a severe disability for the purposes of item (a) of this subdivision (2.1) if it is determined by an evaluation of rehabilitation potential to cause a comparable degree of substantial functional limitation similar to the specific list of disabilities listed in item (a) of this subdivision (2.1)." (Illinois Statute 30 ILCS 575 § 2)

Application of Preference (Set-Aside)

Illinois state agencies, including public universities, have minimum dollar amount procurement set-aside goals established by statute to be awarded to businesses owned by minorities, women, and persons with disabilities. According to Illinois Statute 30 ILCS 575 § 4:

> "Not less than 20% of the total dollar amount of state contracts is established as a goal for all DBEs. These represent, as goals, at least 11% for minority owned businesses, 7% for female-owned businesses, and 2% for disability-owned businesses; For state construction contracts, the provision requiring a portion of state contracts awarded to disability owned businesses does not apply, but does apply to businesses owned by minorities and women; and for procurements related to the planning, organization and staging of games by the University of Illinois, there is established a goal of 25% of the annual dollar value to all contracts to minority-owned and disability-owned businesses, and 5% to female owned businesses." (Illinois Statute 30 ILCS 575 § 4)

State agencies and state universities are required to file annual compliance plans that outline the goals of the entities vis-à-vis DBE contracting, how they plan to reach the goals, and a timetable for reaching the goals as well as other requirements.[19]

General information about the Illinois Minorities, Women, and Persons with Disabilities BEP and how the set-aside is applied can be found at: http://www2.illinois.gov/cms/business/sell2/sbsp/Pages/FAQ_SBSP.aspx

Information about Illinois' definition of disability for its BEP and the general statute governing the program can be found at: http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=550&ChapterID=7

Kansas

In 2012, the Kansas legislature enacted a Bidder Preference Program, which created three bid preferences. Bidder preferences 1 and 2 related to private-sector businesses and bidder preference 3 relates to purchases from its state use vendor program. The Kansas Department of Administration oversees the program and is responsible for certifying businesses under these price preference programs.[20]

Bidder Preference #1: For businesses that wish to purchase goods and/or services from the State of Kansas. Under this preference, a contract for state goods and services can be awarded to a certified, responsible bidder whose total bid cost is not more than 10 percent higher than the lowest competitive bid. Vendors that are awarded a contract under this preference must agree to maintain the percentage of employees with disabilities throughout the contract period, must provide annual reports that show the composition of their workforce, and must not subcontract for goods and services under the contract of an amount more than 25 percent of the total bid cost.

Bidder Preference #2: For businesses that wish to purchase goods and/or services from the State of Kansas and can demonstrate that they have purchased goods and/or services from a certified business. Under this preference, the Kansas Director of Purchasing can decide who is the lowest responsible bidder in a state procurement if the "responsible bidder purchases from a certified business the dollar amount of such purchases made during the previous fiscal year shall be deducted from the original bid received from such bidder for the purpose of determining the lowest responsible bid, except that such deduction shall not exceed 10% of the original bid received from such bidder" (KSA 75-3740d). Certified businesses must confirm the amount of goods and services they purchased from another certified business in writing to the state.

Definition of Disability

For purposes of these preferences, an individual (or individuals) with a disability is defined as:

> "(A) Is certified by the Kansas department for aging and disability service as having a physical or mental impairment which constitutes a substantial barrier to employment; works a (B) minimum number of hours per week for a certified business necessary to qualify for health insurance coverage offered pursuant to subsection (g)(1); and is receiving services, has (C) (i) received services or is eligible to receive services under a home and community based services program, as defined by K.S.A. 39-7,100, and amendments thereto; is employed by a (ii) charitable organization domiciled in the state of Kansas and exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, as amended; or (iii) is an individual with a severe and persistent mental illness, as determined by a clinical or functional assessment approved by the Kansas department for aging and disability services; 'physical or mental impairment' means: (3) (A) Any physiological disorder or condition, cosmetic disfigurement or anatomical loss substantially affecting one or more of the following body systems: Neurological; musculoskeletal; special sense organs; respiratory, including speech organs; cardiovascular; reproductive; digestive; genitourinary; hemic and lymphatic; skin; or endocrine; or (B) any mental or psychological disorder, such as intellectual disability, organic brain syndrome, mental illness and specific learning disabilities. The term 'physical or mental impairment' includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech and hearing impairment, cerebral palsy, epilepsy, muscular dystrophy, multiple sclerosis and intellectual disability." (KSA 75-3740d)

An overview of the 2012 Kansas Bidder Preference program can be found at: www.da.ks.gov/purch/PreferenceRequestForm.docx

http://www.da.ks.gov/purch/preferences.htm

Information on Kansas House Bill 2453 can be found at:

http://www.da.ks.gov/purch/StatutoryLanguage.pdf

Minnesota

Minnesota's Administration Department, Materials Management Division (MMD) operates the Targeted Group (TG) and Economically Disadvantaged (ED) small business program. Small businesses that are majority owned by a woman, racial minorities, or person(s) with a substantial physical disability can apply for a TG certification with the state and be eligible for a state procurement preference.

Definition of a Substantial Physical Disability

Minnesota Rules, Chapter 1230 governing state contracts, including the TG small business program, defines 'disability' for purposes of this program as:

> "means with respect to an individuals: (1) a physical impairment that substantially limits one or more major life activities; (2) a record of such an impairment; or (3) being regarded as having such an impairment." (Minnesota Rules, Chapter 1230.0150 Subpart 24)

If a business is applying to the TG/ED small business program under the designation of disability, then a letter from a physician verifying the disability must be provided along with the application.

Application of the Preference (Price Preference)

Once certified as a TG small business, the business is eligible for up to six percent price preference in bidding on goods and/or services to the state. For example, if a certified-eligible TG business submits a proposal in response to a state request for proposals, and if the certified-eligible TG vendor's bid is responsible and has met all of conditions of the bid, and is within the preference percent of the lowest responsible bid from a non-TG vendor, then the TG vendor would receive the state contract award. In addition, Minnesota has the authority to set goals that may require prime contractors to subcontract a portion of their work to TG businesses on contracts for construction or consulting services. TG vendors are also listed in a directory of certified TG businesses. While the preference refers to state executive branch agencies, state universities are strongly encouraged to purchase from targeted group businesses.[21]

Information about Minnesota's Targeted Group and Economically Disadvantaged Small Business Procurement Program can be found at: http://www.mmd.admin.state.mn.us/mn02001.htm

Information about Minnesota's definition of substantial physical disability for the TG small business program can be found in the Minnesota Administration Rules, Chapter 1230 found at: https://www.revisor.mn.gov/rules/?id=1230

Ohio

Ohio's Department of Administrative Services, Minority Business Enterprise (MBE)/Encouraging Diversity, Growth, and Equity (EDGE) Unit operates the MBE/EDGE certification process and the MBE/EDGE set-aside program established through Executive Order (2008-13S) and statutory authority (Ohio Revised Code (ORC) 123.152 and Ohio Administrative Code (OAC) 123:2-16). The EDGE program is open to Ohio small businesses that can demonstrate both social disadvantage (including physical and mental disability) as well as economic disadvantage (based on the wealth of the business seeking certification) and is marketed as both a set-aside and an assistance program for these small businesses.

Application of the Preference (Set Aside)

Ohio state agencies are responsible for reviewing their annual procurements to determine which procurements are best suited for purchase from certified EDGE participants. State agencies set goals at approximately five percent of all eligible agency procurements. Ohio's Equal Employment Opportunity Office (EEO) is responsible for monitoring and reporting program compliance.[22] EDGE-certified firms are also eligible for "contract assistance, financial and bonding assistance, management and technical assistance and protégé opportunities with industry mentors (Ohio OAS EDGE Program Overview, n.d.).

Definition of a Person with a Disability

Persons with disabilities are eligible for certification in the EDGE program if they can demonstrate economic disadvantage (based on economic and business size thresholds) and "social disadvantage" based on a "rebuttable presumption when the business owner or owners demonstrate membership in a racial minority group or show personal disadvantage due to…physical disability, long-term residence in an environment isolated from the mainstream of American society…" (Ohio ORC 123.152). A "socially disadvantaged person" is further defined in the Ohio statutes as:

> "…a person subjected to ethnic prejudices or cultural bias because of their identification with a particular group without regard to their individual qualities. (1) A rebuttable presumption of social disadvantage shall be based on at least one of the following objective distinguishing factors that has contributed to social disadvantage. (a) a business owner's race, color or ethnic origin. (b) a business owner's gender. (c) a business owner's chronic, physical or mental disability that has led to discriminatory practices against the person and that has restricted professional acceptance, employment or access to capital and credit, or (d) a business owner's long term residence in a qualified census tract. (2) Social disadvantage shall also be based on the following. (a) a business owner's demonstration of personal experiences of substantial and chronic disadvantage not common to other business enterprises of similar type and location, and (b) evidence of difficulty on entering or succeeding in the business world because of disadvantages such as limited access to education, unequal treatment in employment of promotional opportunities, limited access to credit or capital under commercially favorable circumstances or exclusion from business or professional organizations… (Ohio OAC 123.2-16 Definitions.)

Information about the EDGE program and certification can be found at: http://das.ohio.gov/Divisions/EqualOpportunity/MBEEDGECertification/tabid/134/Default.aspx and http://das.ohio.gov/LinkClick.aspx?fileticket=1hUv2IaNwjE%3d&tabid=134

Information about the EDGE program's definition of disability can be found at: http://das.ohio.gov/LinkClick.aspx?fileticket=uwVOOP%2fycy8%3d&tabid=182 and http://codes.ohio.gov/orc/123.152

Business Certification Programs without Procurement Preferences

Three states have a state business certification process for disability-owned businesses (Iowa, North Carolina, and Rhode Island) but do not have a formal set-aside or pricing preference program. Instead, these states offer a variety of other assistance to certified disability-owned businesses. One city, Chicago, also had a business certification process program for disability-owned businesses for municipal procurements.

The research identified three states (Iowa, North Carolina, and Rhode Island) that certify disability-owned businesses, but do not have a procurement preference or set-aside program for state contracting opportunities. Instead, these states offer a variety of other assistance to their certified disability-owned businesses (in addition to certified minority- and women-owned businesses). Assistance can take the form of access to low-interest loans and equity grants, early access to state requests for proposals and bids, free business technical assistance, counseling and training, and placement in an online directory of certified businesses.

Both Iowa and Rhode Island require certification or verification through an identified disability agency (such as the Division of Vocational Rehabilitation in Iowa and the Governor's Commission on Disability in Rhode Island). North Carolina, however, requires the applicant to sign an affidavit that is certified by a licensed physician. All three states offer some form of technical assistance; however, Iowa is alone in offering targeted access to capital resources in the form of low-interest loans.

Additionally, the study examined the efforts of large U.S. municipalities (with populations over 1.5 million residents). Of the five largest U.S. municipalities reviewed, only one (Chicago) had a dedicated business certification program for disability-owned and operated businesses.

Iowa

The Iowa Department of Inspections and Appeals operates the Targeted Small Business Certification Program (TSB). The program certifies women, minority, and disability-owned, operated, and managed small businesses. In order to qualify, businesses must be located in Iowa, be "operating for a profit, have an annual gross income of less than $4 million as an average over three years, be 51% or more owned, operated and actively managed by women, minorities or persons with a disability and be TSB-certified by the Iowa Department of Inspections and Appeals." Applicants with disabilities must verify that they are eligible to receive services from the Iowa Department of Education, Division of Vocational Rehabilitation or from the Iowa Department of the Blind, or provide verification from a health care provider attesting to the nature of the disability (State of Iowa Verification of Disability Form, 2007).

Definition of a Person with a Disability

Persons with disabilities seeking certification in the TSB program are defined as:

> "'Disability' with respect to an individual, a physical or mental impairment that substantially limits one or more of the major life activities of the individual, a record of physical or mental impairment that substantially limits one or more of the major life activities of the individual. (Iowa Verification of Disability, 2007).

Application of the Preference (Other)

Certified TSBs are eligible to apply for low-interest loans up to $50,000 and equity grants administered through the Iowa Department of Economic Development. In addition, TSB vendors have access to procurement offers on the state's procurement Website 48 hours before non-TSB small businesses, are eligible for free business technical assistance and counseling, and are placed in a TSB online directory for use by state purchasing agents and private-sector corporations seeking goods and services.

General information about the Iowa Targeted Small Business Certification Program and the Iowa Administrative Code Chapter 481—25 governing the program can be found at: http://www.state.ia.us/government/dia/page7.html and http://www.state.ia.us/government/dia/481%20IAC%2025.pdf

Information about the TSB definition of disability, application for certification and verification of disability forms can be found at: http://www.state.ia.us/government/dia/481%20IAC%2025.pdf

and application for certification: https://dia.iowa.gov/tsb/

as well as verification of disability: http://www.state.ia.us/government/dia/page8.html

Information about TSB loan and lending activities can be found at: http://www.iowaeconomicdevelopment.com/Entrepreneurial/TSB and http://www.traveliowa.com/User-

Docs/documents/tsb.pdf

North Carolina

The North Carolina Department of Administration, Office for Historically Underutilized Businesses certifies firms as historically underutilized businesses (HUB) for the purpose of participating in contracts for goods and/or services procured by North Carolina state agencies, community colleges, municipalities, institutions, public schools, and universities (North Carolina General Statutes 143.48.4 and 143.128.4). Firms seeking certification under the state's HUB program must be residents of the United States and be a member of a minority group (e.g., Black, Hispanic, Asian American, American Indian), female, disabled, and/or disadvantaged.

Application of the Preference (Other)

Firms that are eligible and certified as HUB are placed in the State Division of Purchases and Contract's HUB vendor directory (Vendor Link System) and the E-procurement database, which are used to solicit bids from certified HUBs for state procurements and public works contracts. In addition, North Carolina has the authority to require prime contractors to subcontract a portion of the work to certified HUB firms. According to the Office for Historically Underutilized Businesses, "certification as a HUB vendor provides greater exposure for business opportunities in state procurement and contracting" by listing firms in the directory that is used by state agencies, university and colleges, local schools and governments for their purchase of goods, services, and construction (North Carolina Department of Administration, n.d.). Firms are also privy to technical assistance offered by the HUB program.[23]

Definition of a Person with a Disability

According to North Carolina Statute 168A-3, a person with a disability is:

> "any person who (i) has a physical or mental impairment which substantially limits one or more major life activities; (ii) has a record of such an impairment; or (iii) is regarded as having such an impairment. The term: a. 'Physical or mental impairment' means (i) any physiological disorder or abnormal condition, cosmetic disfigurement, or anatomical loss, caused by bodily injury, birth defect or illness, affecting one or more of the following body systems: neurological; musculoskeletal; special sense organs; respiratory, including speech organs; cardiovascular; reproductive; digestive; genitourinary; hemic and lymphatic; skin; and endocrine; or (ii) any mental disorder, such as mental retardation, organic brain syndrome, mental illness, specific learning disabilities, and other developmental disabilities, but (iii) excludes (A) sexual preferences; (B) active alcoholism or drug addiction or abuse; and (C) any disorder, condition or disfigurement which is temporary in nature leaving no residual impairment. b. 'Major life activities' means functions such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and working. c. 'Has a record of such an impairment' means has a history of, or has been misclassified as having, a mental or physical impairment that substantially limits major life activities. d. 'Is regarded as having an impairment' means (i) has a physical or mental impairment that does not substantially limit major life activities but that is treated as constituting such a limitation; (ii) has a physical or mental impairment that substantially limits major life activities because of the attitudes of others; or (iii) has none of the impairments defined in paragraph a. of this subdivision but is treated as having such an impairment." (North Carolina Statute 168A-3)

Firms applying under the disability category of the HUB program must submit a Disability Affidavit.[24]

Information about North Carolina's Historically Underutilized Businesses Program can be found at: http://www.doa.nc.gov/hub/default.aspx

Information about Executive Order 150 and the General Statutes governing the HUB program, including information about North Carolina's definition of disability for the HUB program, can be found in North Carolina General Statutes § 168A-3: http://www.doa.nc.gov/hub/documents/order.pdf and http://law.onecle.com/north-carolina/168a-persons-with-disabilities-protection-act/168a-3.html and http://www.doa.nc.gov/hub/documents/SWUCDisabilityAffidavit.pdf

Rhode Island

In 2013, the Rhode Island legislature adopted amendments to the Rhode Island General Law (RIGL) Chapter 37-2.2 governing the state's Disability Business Enterprise (DBE) program to reflect a change in program eligibility criteria (to only small disadvantaged businesses owned and controlled by a person(s) with a disability meaning a small business concern which is at least 51% owned by one or more persons with a disability) as well as to reflect a change in who is responsible for certifying the individual business owner as having a disability (the Rhode Island Department of Behavioral, Healthcare, Developmental Disabilities and Hospitals or BHDDH or the Department of Human Services). Final program rules went into effect on April 16, 2013 and a technical review was completed on August 1, 2013. A revised application form is still in development. According to Disability Business Enterprise committee officials, the process of becoming a Disability Business Enterprise will change. A person or firm seeking to apply as a DBE will, under the new program amendments: a) apply for certification as having a disability with the state BHDDH; b) register their business with the Rhode Island Department of Purchasing; and then c) apply for certification under the Disability Business Enterprise Program with the Governor's Commission on Disability.[25]

Application of the Preference (Other)

According to Governor's Commission on Disability officials, certified Disability Business Enterprise firms are currently eligible for technical guidance, information, and referral to helpful business development and management resources, and access to marketing assistance. The Rhode Island Director of Administration, in consultation with the Governor's Commission on Disabilities, has been authorized and directed to establish rules and regulation formulas for awarding contracts to small disadvantaged businesses owned and controlled by persons with disabilities in the procurement of goods, services, construction projects, or contracts funded in whole or in part by state funds, in accordance with Section 37-2-9 (b)(14) on or before January 1, 2013. At present, state officials note that they are working on this provision of the law.[26]

Definition of a Person with a Disability

Currently, as amended by RIGL Chapter 37.2.2, persons with a disability or person with a disability are defined as:

> "Any individual who has a physical or mental impairment which constitutes a substantial barrier to employment as certified by the department of behavioral healthcare, developmental disabilities and hospitals. A physical or mental impairment shall mean any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of the following body systems: neurological; musculoskeletal; special sense organs; respiratory, including speech organs; cardiovascular; reproductive; digestive; genito-urinary; hemic

and lymphatic; skin; and endocrine; or any mental psychological disorder, such as mental retardation, organic brain syndrome, emotional or mental illness, and specific learning disabilities" (RIGL § 37-2.2-2)

Information about the Rhode Island Disability Enterprise Program and amendments can be found at: http://sos.ri.gov/documents/archives/regdocs/released/pdf/GCD/7253.pdf and http://www.gcd.ri.gov/work/buisenterprise.php

Chicago, Illinois

Chicago operates, through its Department of Procurement Services, a program to certify Business Enterprises Owned by People with Disabilities (BEPD), which serves to create increased city contracting opportunities for businesses owned by persons with disabilities, including both for profit and not-for-profit organizations.[27] The Department of Procurement Services conducts the certifications for the BEPD program, and individuals and entities applying must fill out an application (Schedule A; fees for BEPD applicants are exempted), and must show proof of disability through completion of an additional affidavit (Schedule G), and submit a physician's statement if an individual (nonprofit corporations applying for BEDP certification are required to submit other information).[28] Businesses must also be located in one of six Illinois counties (Cook, DuPage, Kane, Lake, McHenry, or Will).

Definition of Person with a Disability

The Municipal Code of Chicago, for purposes of the BEPD program, defines disability as:

a. "A medically diagnosed severe physical or mental impairment that substantially limits one or more of the major life activities of that individual, such as mobility, communication, self-care, self-direction, interpersonal skills, work tolerance or work skills in terms of employability; or

b. A record of such impairment; or

c. Being regarded as having such impairment"

(Municipal Code of Chicago § 2-92-586)

General information about the Chicago BEPD program can be found at: http://www.cityofchicago.org/city/en/depts/mopd/supp_info/business_enterprisesownedbypeoplewithdisabilities bepdinitiative.html

Information about Chicago's BEPD definition of disability and application for certification can be found at: http://www.cityofchicago.org/content/dam/city/depts/dps/Outreach/Schedule_G_Affidavit_BEPD.pdf and http://www.cityofchicago.org/content/dam/city/depts/dps/Outreach/2013Schedule_A_MWBE_BEPD_Application-1-.pdf

Contracting Goal Only

One state (Michigan) established a goal for contracting with disability-owned businesses, but did not have a business certification process or a set-aside program.

Michigan Public Act 90 of 2005 established a goal of awarding at least three percent of annual state contracts to businesses owned by people with disabilities. Michigan uses an online bid solicitation system to procure goods and services. In order to bid, vendors are required to register within the system and identify themselves as a "person with a disability." Public Act 133 in 2008 established a goal of 5 percent for businesses owned by service-disabled veterans and included a 10 percent pricing preference for service-disabled veterans only (not non-veterans).

Information about Michigan's laws affecting procurement for persons with disabilities can be found at: http://www.michigan.gov/micontractconnect/0,4541,7-225-48677-20051--,00.html

Information about Michigan's vendor registration/business registrant characteristics can be found at: https://dmbinternet.state.mi.us/sbo/ofmcbt/buspayee/player.html

Targeted Assistance

Programs are operating in five states that offer targeted business development and financial assistance programs to disability-owned businesses over and above the general business technical assistance available through state business portals to small and larger firms. Some are state supported, while others are not, but are available to state residents. These states, however, do not have formal state certification programs for disability-owned businesses.

Programs are available in Illinois, Maine, Maryland, Nebraska, and New Mexico that offer low-interest loans to persons with disabilities for starting a business or to support their self-employment. Some are operated and financed by the state, while others are private. Of the six largest U.S. municipalities reviewed, no evidence was found of such financial assistance programs.

It is important to note that while all of these states have well-established business assistance and economic development tools they use to enhance job creation, to provide better access to employment opportunities in their state, and to support employment for residents that can include people with disabilities, this research focused only on identifying targeted strategies for people with disabilities that are available in states today.

In the programs outlined below, many of the loan programs recognize the need for low-interest capital to support needs that may be different than those generally needed by all small business owners. For example, programs in Maine, Maryland, Michigan and New Mexico all note that loan funds can be used for general office equipment, but also to make home-based offices accessible, or for communications and assistive technology that would better support a small business owner with a disability. The Abilities Fund, located in Nebraska, is a national microloan program but currently also operates a program for Nebraska residents who are interested in self-employment. All of the programs identified their finance programs in a variety of ways. For instance, the mPower program in Maine is underwritten by the state's Finance Authority while the Michigan Employment Loan program was established through a federal grant and is sustained by a mix of public and private dollars.

The Programs examined are:

- Illinois Participation Loan Program for Minority/Women/Disabled/Veteran-Owned Businesses — Located in Illinois (Illinois businesses)
- MPower — Located in Maine (Maine residents/businesses)
- WorkABILITY Loan Program for Home-Based Businesses — Located in Maryland (Maryland residents/businesses)
- Michigan Employment Loan Fund — Located in Michigan (Michigan residents/businesses)
- Abilities Fund — Located in Nebraska (Nebraska residents/national)
- SeedLoans Programs — Located in New Mexico (New Mexico residents/businesses)

Advantage Illinois Participation Loan Program for Minority/Women/Disabled/Veteran-Owned Businesses—Located in Illinois (Illinois businesses)

The Illinois Department of Commerce and Economic Opportunity (DCEO) administers a loan program targeted to small businesses that are majority owned and controlled by an owner who is a member of a minority group, female, a person with a disability, and/or a veteran (MWDV). Funding, through a private bank and facilitated by DCEO, is in the form of 'below market' term loans to help MWDV small businesses grow and expand.

Information about the program can be found at: http://www.ildceo.net/dceo/Bureaus/Advantage+Illinois/Participation+Loan+Program/

MPower—Located in Maine (Maine residents/businesses)

Maine established the mPower Loan Fund, also known as the Kim Wallace Adaptive Equipment Loan Program, in 1987. mPower provides low-interest personal loans to Maine residents with disabilities for adaptive equipment and assistive technology, and business loans to Maine businesses to make their businesses more accessible to employees and customers with disabilities.

The business loan program is underwritten by the Finance Authority of Maine and offers long-term (up to 20 years), low-interest loans of up to $100,000 at a fixed rate. Businesses must be located in Maine, and are generally used to improve the accessibility of the workplace or operations.

Information about the program can be found at: http://www.mpowerloans.org/

WorkABILITY Loan Program for Home-Based Businesses—Located in Maryland (Maryland residents/businesses)

The Maryland Department of Disabilities operates the WorkABILITY Loan program, which is designed to help Maryland residents with disabilities start a small business (home based or otherwise) or to buy equipment that would allow a person to telework. The program provides low-interest loans ($500 to $50,000) to qualified candidates who are either starting home-based small employment or are participating in a training program leading to the start of such small business. Loan funds can be used for computer equipment (hardware and software), office machines, telecommunications equipment, accessible home office furnishings, and/or other assistive technology.

Information about the program can be found at: http://www.mdod.maryland.gov/mtap.aspx?id=180

Michigan Employment Loan Fund—Located in Michigan (Michigan residents/businesses)

United Cerebral Palsy of Michigan operates the Michigan Employment Loan Fund program for individuals with disabilities who are planning on starting and/or expanding a home-based business, or for working from home or a telework center for a Michigan employer. The program was originally financed through a federal grant from the U.S. Department of Education but is currently supported through public and private donations and is operated in partnership with the Option 1 Credit Union. Individuals can secure low-interest loans for up to $20,000 and for a period of one to five years. Loan funds can be used for office machines, telecommunications equipment, accessible home office furnishings, profession-specific equipment, cars necessary for business and/or other assistive technology.

Information about the program can be found at: http://ucpmichigan.org/our-programs/the-michigan-loan-funds.

Abilities Fund—Located in Nebraska (Nebraska residents/national)

The Abilities Fund is a national nonprofit micro-loan financing and community development organization with locations in Iowa, Nebraska, and Washington, DC that provides technical assistance and training to entrepreneurs with disabilities as well as access to micro-lending to individuals with disabilities interested in starting or expanding a micro-business. Loans are available to businesses with five employees or less and who possess less than $35,000 in capital.[29]

The Fund also operates the Nebraska Self Employment Services program for individuals in the Nebraska Vocational Rehabilitation program who are interested in self-employment. The program provides business counseling, financial literacy, business plan technical assistance and business financial planning training.

Information about the fund can be found at: http://www.abilitiesfund.org/index.php

SeedLoans Programs—Located in New Mexico (New Mexico residents/ businesses)

The New Mexico SeedLoans program was established to help New Mexico residents with disabilities gain access to low-interest loans for equipment that will enable them to operate home-based businesses or be self-employed. Loans are available for one to five years. The program can lend from $1,000 to $30,000 with rates established by a New Mexico bank. Individuals can secure loans for such items as tools, computers, home office supplies and business equipment as well as home modifications for business purposes.

Information about the program can be found at: http://www.tap.gcd.state.nm.us/seedloans.html

Table 5. States with Hiring Tax Credit Programs

State	Program Name	Employer Eligibility	Employee Eligibility
Maryland	Disability Employment Tax Credit	Maryland employers that hire individuals with a disability.	Employees certified as having a disability as defined by the Americans with Disabilities Act by the state Division of Rehabilitation Services.
New York	Workers with Disabilities Tax Credit	New York employers that hire individuals with a disability.	Employees who are receiving (have received) state services.
Tennessee	Jobs Tax Credit Program Hiring Persons with Disabilities	Tennessee employers that hire individuals with a disability.	Employees who are receiving (have received) state services.
Utah	Employers who Hire Persons with Disabilities Tax Credit	Utah employers that hire individuals with a disability.	Employees who are receiving (have received) state services.

Tax Incentive Programs

Four states have business tax incentive programs that promote the hiring of state jobseekers with disabilities in private firms (Maryland, New York, Tennessee, and Utah). There were no large municipalities that had any business tax incentives dedicated to helping businesses hire and retain city residents with disabilities.

The research identified four states (Maryland, New York, Tennessee, and Utah) that have private-sector business hiring incentive programs in the form of state tax credits. None of the six largest U.S. municipalities reviewed had hiring tax incentives or tax credits.

As noted in Table 5, the four state tax credit programs identified are only available to private firms residing in the respective states. The programs vary in the amount of maximum tax credit available to be claimed (from $1,800 to $5,000 per individual depending on the state), as well as in the duration of the claim (one year, two years), eligibility (for example, any employee with a disability or someone certified or who has received services from the state's vocational rehabilitation agency), and duration (e.g., first year hire, second year hire). Three out of four of the programs target individuals using (or who have used) state services such as those through the state's vocational rehabilitation agency or agency for the blind.

Details of these four programs are noted below.

MARYLAND: Disability Employment Tax Credit

The Disability Employment Tax Credit is a Maryland state tax credit whereby employers that hire people with disabilities can claim a credit for wages paid to employees in an amount equal to 30 percent of up to the first $6,000 (or no more than $1,800) of wages in year one of employment, and 20 percent of up to the first $6,000 (or no more than $2,000) of wages in year two of employment. Employers can also claim credit of up to $600 for work-related child care or transportation expenses paid for the employee with disabilities. Employees with disabilities (as defined by the Americans with Disabilities Act) qualify for the tax credit, and must be certified as qualified by the Maryland Department of Education, Division of Rehabilitation Services, or the U.S. Department of Veterans Affairs.

The credit may not be claimed for any employee hired as a result of a layoff or strike replacement, if a business is also receiving federal or state employment training benefits, or if the business is also claiming the same individual under another state tax credit program.

Information about Maryland's Disability Employment Tax Credit can be found at: http://www.dllr.state.md.us/employment/mdetc.shtml

NEW YORK: Workers with Disabilities Employment Tax Credit

The Workers with Disabilities Employment Tax Credit is a New York State tax credit for businesses up to a maximum of $2,100 for each person with a disability hired. Persons receiving vocational rehabilitation services (with a written plan) from the state's Adult Career and Continuing Education Services-Vocational Rehabilitation within the New York State Education Department or the Commission for the Blind and Visually Handicapped or who is eligible for a (first year) federal Work Opportunity Tax Credit are eligible.

The tax credit equals 35 percent of the first $6,000 in wages paid during year two of employment, following the federal Work Opportunity Tax Credit (which provides a federal tax credit for the first year of employment).

Information about New York's Workers with Disabilities Employment Tax Credit can be found at: http://www.acces.nysed.gov/vr/business/save_money/tax_credits.htm

TENNESSEE: Jobs Tax Credit for Hiring Persons with Disabilities

In 2005, Tennessee established a one-time tax credit for the hiring of persons with disabilities who are receiving state services directly related to their disability. Qualified employers must be for-profit firms with franchise and excise tax accounts with the State Department of Revenue. The credit is only available to taxpayer firms participating in existing state employment incentive programs for persons with disabilities in the state, and is available in amounts of $2,000 for each qualifying part-time job created, and $5,000 for each qualifying full-time job created. The employee with a disability must be working in a new full-time permanent job for at least 37.5 hours per week with minimal health benefits, or in a new part-time job at least 10 hours per week.

Information about the Tennessee Jobs Tax Credit for Hiring Persons with Disabilities can be found at: http://www.tn.gov/labor-wfd/wotc_tjtc_faqs.shtml

UTAH: Employers who Hire Persons with Disabilities Tax Credit

The Utah Targeted Jobs Tax Credit is a nonrefundable Utah state tax credit that can result in a maximum of $3,000 for each individual with a disability hired by a Utah business. The tax credit is taken against a firm's franchise or income tax for employees with disabilities who work for the employer for at least six months in the tax year, and who have been receiving services from a state Department of Human Services' certified day training or supported employment program for at least six consecutive months prior to working for the employer, or were eligible for services for the state's Division of Services for People with Disabilities at the time work began with the employer. Employees with disabilities must also be paid at least minimum wage and must have worked at the firm for at least 180 days in the taxable year.

Information about the Utah Targeted Jobs Tax Credit for Employers who Hire Persons with Disabilities can be found at:

http://www.workabilityutah.org/hiring/taxcredits.php and http://tax.utah.gov/forms/current/tc-40hd.pdf and http://le.utah.gov/code/TITLE59/htm/59_07_060800.htm

Preferred Purchasing Programs

Significantly more states have established "preferred purchasing programs" or "state use industries and commissions" that allow government agencies (e.g., state, city, county, other political sub-divisions, educational institutions) a noncompetitive avenue for state agencies to purchase goods and services made by prison inmates working in correctional institutions or persons with disabilities working in nonprofit agencies (which may include facilities known as sheltered workshops), than states with preference programs targeting private business firms.

State preferred source programs were historically established to provide training and work opportunities for both prison inmates and/or individuals with disabilities (predominantly those with more significant mental and/or intellectual/cognitive disabilities) with an original intent to help individuals learn work and pre-employment skills while providing lower-cost goods and services to government agencies. It is often the officially declared policy of states with these programs that state agencies are required to purchase approved goods and services from these preferred sources when those goods and services meet their required needs. In most instances, purchases from these preferred sources take precedence over all other sources of supply and competitive procurement for in-state government agencies. While identifying preferred source programs was not within the scope of this study, preliminary research shows that the number of states with this type of preference program (as many as 46) far outnumbers states that focus on for-profit disability-owned businesses or tax incentives that encourage hiring in the private sector.

Challenges and Opportunities

States and municipalities have been establishing various business incentive programs during the past three decades as a way to create, retain, or expand jobs and grow their local economies. States do so in a variety of ways as documented in this report, including using policy tools (such as state procurement preferences and tax policy) to meet certain socioeconomic goals, and financial tools (such as low-interest lending and grants) to facilitate access to capital for entrepreneurs to grow small businesses. They also offer other services and supports such as technical assistance, training, and dedicated access to a variety of business-generating resources (Chi & Hofmann, 2000; Kopicki, Krepcio, & Van Horn, 2009).

However, the use of state procurement preferences and tax incentives has shown to be both popular and controversial. Proponents of preference policies maintain that such policies are necessary to help disadvantaged businesses be fully competitive and viable and that targeting public procurement contracts assists in both righting historical labor market disadvantages in addition to helping to generate economic activity in the state and local economy by possibly decreasing unemployment and increasing hiring. Similar arguments are made in support of hiring tax incentives; that is, as a policy tool to promote justice and fairness in addition to being a tool necessary to create jobs and economic opportunity for hard-to-hire populations. Supporters also argue that tax incentives are relatively easy to implement and target, and they compensate for other deficiencies in the market (Dale, 2006; Kopicki, Krepcio, & Van Horn, 2009; National Association of State Procurement Officials, 2012; Surrey, 1970; Thai, 2001; Urban Institute, 2001).

Opponents of the use of procurement preferences and tax incentives as a way to promote social policy objectives state that such policies divert administrative resources from revenue collection and erode the revenue base, constrain free market commerce, violate the open market principles, reduce competition, and create unintended consequences, adverse results, and other impacts on public procurement processes that undermine the "importance of fair, open and transparent competition in the marketplace" (National Association of State Procurement Officials, 2012; Surrey, 1970; Thai, 2001; Urban Institute, 2001). Detractors also argue that states spend billions annually on tax incentive programs alone, with little evidence on the scope and quality of these investments or whether these incentives are effective in delivering a return on investment to state taxpayers (Pew Center on the States, 2012).

As state and municipal budgets and revenues continue to face restraints post-Great Recession, states are under pressure to both ameliorate the continuing higher unemployment and underemployment of job-seeking residents as well as support business growth and development in a variety of both financial and non-financial ways. As such, there is opportunity for a broader adoption of public procurement preferences and hiring tax incentives by more states to promote both the hiring of jobseekers with disabilities as well as supporting entrepreneurship and the inclusion of business owners with disabilities.

Such tools, however, may not be viable options in states with either a history of not supporting preferences (for example, California passed Proposition 209, which prohibits state government institutions from considering race, gender, or ethnicity in the areas of public employment, public contracting, or public education)[30] or a history of limited tax incentives. As noted in the research, many, but not all, states have procurement policies that promote supplier diversity through preferences, and when they do, they vary considerably from state to state. This is also true of state tax incentives where not all states support hiring preferences (and at times, for only a set period of time). However, as noted by the Pew Center on the States (2012), most states do not measure or evaluate the economic impact of their incentive programs. Therefore, while there is ample opportunity to encourage more states to adopt and/or expand similar programs and policies to the disability community, a challenge remains in being able to foster a commitment in states to record and evaluate whether the policies are meeting their intended goals.

In addition to the variety of state for-profit directed procurement preference, many more U.S. states operate a form of preference referred to as "preferred purchasing" which focuses on hiring people with disabilities in nonprofit organizations. There is scant information in the literature about the depth, breadth, and extent of these programs in the public procurement and contracting literature, or how embedded they are in state purchasing policy and practice. Programs such as these have been used historically by states as a policy tool for promoting the employment and hiring of individuals with disabilities. As noted by Hill (2010), as currently structured, these programs more often than not support "segregated employment of people with disabilities, and may support employment below minimum wage, as permitted by other state and federal laws." While the challenge may be in reducing state reliance on these contracts, especially where state agencies are required to purchase goods and services as a first option in the procurement process, there are opportunities to educate states about alternatives that support fair and open competition while promoting both a dual goal of getting fair-priced goods and services and providing integrated employment opportunities for individuals and entrepreneurs with disabilities.

Finally, another area of both challenge and opportunity is state participation in the federal Disadvantaged Business Enterprise (DBE) program through the U.S. DOT. All states, as a condition of receiving federal transportation funding, must operate the federal DBE program. A fair number of states operate simultaneously the federal DBE program and a state supplier diversity program for minority- and women-owned businesses (and others such as veterans and individuals with disabilities). Many states have their own business certification program for their state programs, yet some use the federal DBE certification process for their state programs. And, as noted earlier, the federal DBE program does not recognize "disability" as a socioeconomic disadvantage, but individuals may apply for certification under the federal DBE program as socially and economically disadvantaged on a case-by-case basis. This means that in states with no state supplier diversity program, or states using the federal DBE certification, individuals with disabilities may be certified and served. For states with no state procurement preference program and thus no state business certification program (or no history of such), changing or making explicit disability as a criteria for disadvantage under the federal program may be an opportunity for the inclusion of business owners with disabilities in public contracting on a scale wider than transportation contracting.

Summary and Recommendations

There are, as documented in this report, some states that have been leading the way in addressing longstanding barriers to economic opportunity for their citizens with disabilities by using well-known state tax and contracting policies and tools to support their broader inclusion. Expanding the use of these tools by states and municipalities to address the well-documented and persistent unemployment and underemployment of individuals with disabilities seems both viable and doable, but requires dedicated education and awareness strategies that advocate state adoption of these tools and a commitment to goal setting, monitoring, and data to capture the effectiveness of these measures.

The recommendations noted below are based on the recognition that people with disabilities are one of the most disadvantaged populations living in the United States, and therefore efforts to increase their inclusion in existing state hiring and business development preference strategies and business incentive programs should be supported and encouraged. The most promising targets for inclusion are those states that have a history of supporting and establishing state contracting preferences for minority-owned, women-owned, and other disadvantaged businesses, and states that support and finance state business incentives to create, retain, or expand jobs for various groups, such as veterans and/or service-disabled veterans.

Recommendation #1

The federal government should conduct an education and awareness campaign to encourage states to expand their existing preference, tax incentive, and financing programs for minority, women, and veteran-owned businesses to disability-owned small business owners, where there is evidence of their effectiveness.

Americans with disabilities have experienced a consistent and persistent higher rate of unemployment than other recognized disadvantaged groups such as minorities and women. While over 40 states already have existing procurement preference policies for minority-owned small businesses, disability is not widely recognized as a targeted disadvantaged population. An education and awareness campaign should be aimed at acknowledging the disadvantage business owners with disabilities face in the labor market, and how small business owners with disabilities can benefit from the many special procurement, tax, and financial policies and incentives currently offered by states to minority- and women-owned businesses.

Recommendation #2

The federal government should support research that identifies states where "preferred source purchasing programs" or "state use" noncompetitive contracting is established with the objective of understanding the state fiscal, political, and socioeconomic factors that sustain these programs, and their effect on broader systems efforts toward increased integrated, competitive employment for people with disabilities.

Preferred source contracting is a form of noncompetitive preference provided to nonprofit organizations for the provision of goods and services using a majority of labor from persons with disabilities. Many of these programs support segregated employment, but little is known about the depth, breadth, and fiscal extent of their use in states.

Recommendation #3

The federal government should provide expanded technical assistance and training to the public workforce system, including America's Job Centers and vocational rehabilitation agencies, about the availability of various resources (state preferences, federal preferences, state tax credits, loan programs, etc.) to entrepreneurs and business owners with disabilities in the regions where they exist.

Despite the availability of the various preferences, tax credit, and other financial programs in states noted in this research, this study showed that information about these programs is often difficult to find, confusing, and complicated. Notwithstanding the availability of state Websites and powerful Internet search engines, the ability to readily and easily discover the existence and/or details of these programs in the states is uneven, time consuming, and requires a high level of user savvy. For example, information was easy to find in Alaska and Illinois. Both states have preference programs with information on state Websites that is clear in regard to the inclusion of business owners with disabilities. Illinois also includes a photograph of businesses owners that features an individual with a disability. Other states such as Connecticut, Iowa, and North Carolina (which includes disability under other categories of minority, targeted, or historically underutilized small businesses) as well as Michigan and Rhode Island had public Website information that was less clear and often confusing. In the majority of the states, it took considerable time and effort to find the details of their programs.

Recommendation #4

The federal government, in partnership with business organizations, should conduct an in-depth study of whether private employers (small, mid-size, and large) find federal (and state) hiring tax credits to be a useful incentive for hiring individuals with disabilities. The study could also include analysis of whether and how these incentives might change to the benefit of employers and jobseekers with disabilities.

As noted by the Pew Center on the States (2012), use of state tax incentives is popular among states yet little is known about their impact and effectiveness on growing jobs and increasing hiring. This research concludes that while policymakers spent billions annually on tax incentives, few states evaluate whether these investments are working and little is known about their positive impact on job creation and hiring. The federal government should work in partnership with business organizations and states to explore the use and viability of these incentives targeted at individuals with disabilities, and evaluate whether they should continue, why, and in what form, or whether other strategies to incentivize businesses of all sizes would work more effectively.

Recommendation #5

Congress should request the Government Accountability Office study the current use of the U.S. DOT's DBE program and the U.S. SBA's small business set-aside and small disadvantaged business preference programs by individuals with disabilities.

Every state must establish and manage a federal DBE program as a condition of receiving federal funding in whole or in part from the Federal Aviation Administration, Federal Highway Administration, and the Federal Transit Administration. Individuals with disabilities are not presumed in the DBE program to be disadvantaged, but may apply for DBE certification on a case-by-case basis. Similarly, SBA programs do not explicitly target individuals with disabilities in both their set-aside or loan programs. A study to investigate the extent to which individuals with disabilities apply for and are certified under the existing DBE program, the extent to which individuals with disabilities are served by SBA programs, the extent to which these preferences benefit business owners with disabilities, and whether "disability" should be included as a targeted disadvantaged category similar to ethnic and racial minorities and women would provide valuable information.

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ENDNOTES

[1] *U.S. Department of Labor, Bureau of Labor Statistics. Disability Employment Profile for February 2013. Table A-6. Retrieved from:* http://www.bls.gov/news.release/empsit.t06.htm

[2] The Small Business Act of 1953. Retrieved from: http://uscode.house.gov/cod/t53/exp.pdf. Federal Acquisition Regulations governing the small business programs can be found in Part 19. Retrieved from: http://www.acquisition.gov/far/current/html/FARTOCP19.html. The Service-Disabled Veteran-Owned Small Business program was established by the Veterans Benefits Act of 2003 (Public law 108-183) in which Section 308 amends the Small Business Act.

[3] The U.S. Department of Transportation operates the Disadvantaged Business Enterprise (DBE) program to increase the participation of small disadvantaged businesses in federal transportation contracting and to ensure that these small businesses can complete for federally funded transportation related projects. The program requires that at least 10 percent of authorized funds for transit and highway programs be expended by DBE businesses. The federal agencies operating the program include the U.S. Department of Transportation, the Federal Highway Administration, the Federal Aviation Administration (FAA), and the Federal Transit Administration. In addition, the FAA also operates the Airport DBE program and the Airport Civil Rights Program. Further information can be found at: http://osdbuweb.dot.gov/DBEProgram/.

[4] For a list of various state procurement preferences as it pertains to individuals with disabilities, see http://www.canadainternational.gc.ca/sell2usgov-vendreaugouvusa/opportunities-opportunites/procu-pass_marche.aspx?lang=eng#Alabama

[5] Interview with Ron Romano, President of the State Use Programs Association (SUPRA), April 4, 2013. According to Mr. Romano, 25 states are members of the SUPRA and have active State Use Commissions. However, he noted that there may be as many as 40 states with state use or preferred purchasing statutes, which may be active.

[6] The U.S. Department of Transportation, under its Disadvantaged Business Enterprises program, considers African American, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans and women as socially and economically disadvantaged. As noted "other individuals can also qualify as socially and economically disadvantaged on a case-by-case basis". Under the federal DBE program, individuals with disabilities, including service-connected disabled veterans, can apply for DBE certification on an individual basis,

even if they are not members of groups presumed to be socially and economically disadvantaged for purposes of the DBE program. Appendix E to Part 26 in CFR 46 explains how an individual who is not a member of one of the groups presumed to be disadvantaged can show that he/she is disadvantaged on an individual basis. The Appendix specifically provides that individuals with disabilities are among those who can use this approach to enter the DBE program. Retrieved from: http://www.gpo.gov/fdsys/pkg/CFR-2011-title49-vol1/pdf/CFR-2011-title49-vol1-part26-appE.pdf.

[7] Information can be found on Maryland's Web sites: Maryland Department of Transportation http://www.mdot.maryland.gov/Office%20of%20Minority%20Business%20Enterprise/Application%20Forms%20Page.html; Maryland Governor's Office of Minority Affairs http://www.mdminoritybusiness.org/documents/SubgoalGuidanceImplementationGuidelinesFinal-website_000.pdf; and Maryland Department of General Services http://www.dgs.maryland.gov/smallbusiness/index.html

[8] Connecticut's *Hiring Incentive Tax Credit and Displaced Worker Tax Credit* programs retrieved from: http://www.ct.gov/ecd/lib/ecd/guide_to_ct_business_tax_credits_3-1-12.pdf, Washington State's *Customized Employment Training Program B&O Tax Credit* program retrieved from: http://dor.wa.gov/docs/Pubs/Incentives/TaxIncentivesOverview_web.pdf, and Rhode Island's *Job Training Tax Credit* program retrieved from: http://www.dlt.ri.gov/bwc/taxcredits.htm.

[9] The three predominant federal tax credits or incentives are the Work Opportunity Tax Credit, which encourages employers to hire job seekers in nine targeted groups, including people with disabilities; the Disabled Access Credit, which is a tax incentive to encourage small businesses to comply with the Americans with Disabilities Act; and the Architectural and Transportation Barrier Removal Deduction, which provides businesses with a tax deduction for making a business facility or transport vehicle accessible and useable by people with disabilities. More detailed information can be found at: http://askjan.org/media/tax.html

[10] The SBA's 7(a) program provides financing to businesses (not individuals) for most business purposes, for both start-up and established businesses and is available through banks and other lending institutions. Retrieved from: http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs/7a-loan-program. The SBA's Microloan program is available for entrepreneurs looking for small loans (up to $50,000) for start-up and expansion provided through intermediary nonprofit community lenders who also provide technical assistance. Retrieved from: http://www.sba.gov/content/microloan-program

[11] The Missouri Small Business Loan program retrieved from: http://www.ded.mo.gov/BCS%20Programs/BCSProgramDetails.aspx?BCSProgramID=98; the New York State Small Business Revolving Loan Fund retrieved from: http://www.esd.ny.gov/BusinessPrograms/SBRLF.html; the Georgia Small Business Credit Initiative retrieved from: http://www.georgia-ssbci.org/ and the California's Small Business Loan Guarantee program retrieved from: http://business.ca.gov/StartaBusiness/OperatingaBusiness/LoansandFinancialAssistance.aspx

[12] The New York State Small Business Storm Recovery Program retrieved from: http://www.esd.ny.gov/StormRecovery.asp and Tennessee's Small and Minority Owned Business Program retrieved from: http://treasury.tn.gov/smob/

[13] The Canadian Web site can be accessed at: http://www.canadainternational.gc.ca/sell2usgov-vendreaugouvusa/opportunities-opportunites/procu-pass_marche.aspx?lang=eng

[14] The six municipalities reviewed were the six largest municipalities by population as identified in the 2010 U.S. Census and had populations over 1.5 million: New York, New York (population 8,175,133); Los Angeles, California (population 3,792,621); Chicago, Illinois (population 2,695,598); Houston, Texas (population 2,099,4541); and Philadelphia, Pennsylvania (population 1,526,006).

[15] This includes either a copy of an eligibility state for State of Alaska Division of Vocational Rehabilitation services, or at least a narrative report from a licensed physician that described the disability, or similar documentation of the disabling condition and a narrative of the business owner's work history or resume. Retrieved from: http://www.labor.state.ak.us/dvr/ppga.pdf

[16] Alaska Statute defines an employment program as: "a nonprofit program to increase employment opportunities for individuals with physical or mental disabilities that constitute substantial barriers to employment. (AS §36.30.990(11)) Retrieved from: http://codes.lp.findlaw.com/akstatutes/36/36.30./10./36.30.990.

[17] Group One Alaska Preferences include the Alaska Bidders Preference, Alaska Veterans Preference, Alaska Products Preferences and the Recycled Products Preference. Retrieved from: doa.alaska.gov/dgs/docs/pref1.doc

[18] Illinois Statutes § 30 ILCS 575/1 and 2. Business owned by a person with a disability in Illinois statute is defined as "a business concern that is at least 51% owned by one or more persons with a disability and the management and daily business operations of which are controlled by one or more of the persons with disabilities who own it." A not-for-profit agency for persons with disabilities that is exempt from taxation under Section 501 of the Internal Revenue Code of 1986 is also considered a 'business owned by a persons with a disability'.

[19] For further information on Illinois DBE agency compliance plans, see Illinois Statutes § 30 ILCS 575/6.

[20] A certified business is defined as: "any business (1) certified annually by the department of administration that is a sole proprietorship, partnership, association or corporation domiciled in Kansas, or any corporation, even if a wholly owned subsidiary of a foreign corporation, that: (A) Does business primarily in Kansas or substantially all of its production in Kansas; (B) employs at least 20% of its employees who are individuals with disabilities and reside in Kansas; (C) offers to contribute at least 75% of the premium cost for individual health insurance coverage for each employee. The level of such coverage shall be at least equal to the level of benefits offered by the state employee benefit program established by K.S.A.

75-6501 et seq., and amendments thereto. The department of administration shall require a certification of these facts as a condition to the certified business being awarded a contract pursuant to subsection (b); and (D) does not employ individuals under a certificate issued by the United States secretary of labor under subsection (c) of 29 U.S.C. § 214 (K.S.A 75-3740d.) Retrieved from: http://www.kslegislature.org/li/b2013_14/statute/075_000_0000_chapter/075_037_0000_article/075_037_0040d_section/075_037_0040d_k/

[21] University Minnesota, Administrative Policy, Purchasing Goods and Services, Purchasing from Targeted Group Businesses. Retrieved from: http://policy.umn.edu/Policies/Finance/Procurement/PURCHASING.html#900

[22] Ohio Department of Administrative Services. Frequently Asked Questions: Agency. EDGE Program. Retrieved from: http://das.ohio.gov/LinkClick.aspx?fileticket=dYelmTfafy0%3d&tabid=182

[23] "Technical assistance includes assistance with online vendor registration and HUB certification, assistance with updating vendor profiles, bid searching techniques, marketing strategies, one-on-one consulting, business development needs assessment, resource and financial assistance referrals." Retrieved from: http://www.doa.nc.gov/hub/faq.aspx

[24] North Carolina Department of Administration. *Disability Affidavit*. Retrieved from: http://www.doa.nc.gov/hub/documents/SWUCDisabilityAffidavit.pdf

[25] Interview and e-mail communication with Christine Rancourt Bruzzi, Assistant State ADA Coordinator – Employment and DBE Coordinator, Rhode Island's Governor's Commission on Disability, April 3, 2013 and August 26, 2013.

[26] Ibid.

[27] To be considered eligible for the Chicago BEPD program, individuals and businesses must be "a for-profit corporation that is 51% or more owned or operated by one or more persons with disabilities and is certified as a BEPD with the City of Chicago. A non-profit that employs people with disabilities, pays at least minimum wages and whose management and daily business operations are controlled by one or more persons with disabilities and they directly or indirectly serve persons with disabilities [and/or] a persons with a disability who is contracting with the City as a sole proprietorship or individually:" http://www.cityofchicago.org/city/en/depts/dps/provdrs/cert/svcs/business_enterprisesownedbypeoplewithdisabilitiesbepd.html

[28] Information required by Chicago for nonprofit corporations under the BEPD program are " a) an organizational packet describing the mission of the organization; b) an organizational chart with indications of which employees are individuals with disabilities; c) a physician's certification regarding disability for any and all members of the board of directors or senior management that are individuals with disabilities. This includes a narrative from the physician certifying the disability on letterhead from their practice, group or hospital that clearly describes the functional limitation of each individual with a disability; d) a current annual report; and e) list of the contributions of money, equipment or real estate made by any donors or founders to establish the organization." (Schedule G: Disability Declaration Affidavit for Business Enterprise owned by People with Disabilities (BEPD). Retrieved from: http://www.cityofchicago.org/content/dam/city/depts/dps/Outreach/Schedule_G_Affidavit_BEPD.pdf

[29] The Abilities Fund National Microloan program is currently suspended. The Nebraska program is funded by the Nebraska Department of Vocational Rehabilitation. Assistance in the Nebraska program is in the form of grants and technical assistance, not loans. Interview and e-mail communication with Carol Blood, Business Specialist, Nebraska Self Employment Services, April 8, 2013.

[30] California Proposition 209, which ends preferences in California. Retrieved from: http://www.senate.ucla.edu/committees/executiveboard/documents/KSRProposition209Overview.pdf

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