

## Verifying In-State Businesses for the Supplier Diversity Program

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### Issue

Explain how a small business verifies that its principal place of business is maintained in Connecticut for purposes of eligibility for the state's Supplier Diversity program.

### Summary

The Department of Administrative Services (DAS) is responsible for certifying businesses as small business enterprises (SBEs) and minority-owned businesses enterprises (MBEs) for participation in the state's Supplier Diversity (a.k.a. set-aside) Program (see BACKGROUND). A contractor, subcontractor, manufacturer, service company, or nonprofit corporation may qualify as a small business enterprise if the business: (1) maintains its principal place of business in Connecticut; (2) grossed revenues of \$20 million or less during its most recently completed fiscal year; and (3) is independent.

According to the DAS Supplier Diversity Unit, the principal place of business is defined as the location of the company's "nerve center" (i.e., the place where the corporation's officers direct, control, and coordinate the corporation's activity). A company's principal place of business is deemed to be in Connecticut if its nerve center or active management is in Connecticut, which is determined based on factors including the location of corporate officers, lease and rental agreements, and the location of employees and company sales.

Documents DAS reviews include a business's:

- Operating Agreement
- Bylaws
- Certification of Incorporation (the company does not have to be incorporated in-state; however, DAS looks at this along with other documents)
- Federal Tax Return
- Secretary of the State Concord System (specifically the principal place of business of record) Website
- Application list (key personnel validate where they are generally located on a daily basis)

In addition, an on-site visit may be conducted if a DAS reviewer determines it is necessary to validate the principal place of business.

## **Background**

### ***Supplier Diversity Program***

By law, state agencies with a budget of more than \$10,000 and contractors awarded state-financed municipal public works or quasi-public agency contracts must annually set-aside or reserve (1) 25% of the total value of all contracts they let for construction, goods, and services for exclusive bidding by state certified SBEs and (2) 25% of that amount (6.25% of the total) for exclusive bidding by small contractors that are certified MBEs (i.e., owned by women, ethnic minorities, or people with disabilities) ([CGS § 4a-60g](#) as amended by [PA 19-117](#), § 348). Public works contracts awarded by agencies that are valued at \$10,000 or less are exempt from the set-aside provisions. State-funded contracts awarded by municipalities or quasi-public agencies valued at \$50,000 or less are also exempt.

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