Supply California
Procurement Playbook

LATINO COMMUNITY FOUNDATION

DREXEL UNIVERSITY
Nowak Metro Finance Lab
Lindy Institute for Urban Innovation

Supply California Procurement Playbook: Executive Summary

- **California is a major recipient of federal dollars, receiving $71 billion annually in direct federal spending**—equivalent to 1.8% of its GDP.
- **Over half of these funds come from the Department of Defense (DoD)**, highlighting California's strategic role in defense R&D and manufacturing. Key sectors for the state include clean energy, healthcare, scientific innovation, and aerospace, which are supported by world-class research institutions that secure $12 billion in federal funding each year.
- **Despite this robust federal investment, Latino-owned businesses remain underrepresented in federal procurement.** They capture only **~2% of federal contracts in California**, even though Latinos make up 40% of the population and 11.4% of employer firms. This gap represents a significant economic disparity and a missed opportunity for inclusive growth.
- **We identified three key groups of firms along the procurement journey, from *Procurement Starters* to *Ready-to-Scale* firms gaining traction, to *Larger Vendors*.** More than 4,100 Latino firms in California are part of this pipeline.
- **Several subsectors offer the best procurement opportunities for Latino firms, including Heavy and Civil Engineering, Nonresidential Construction, Security Services, and Facilities Support Services**. Other subsectors present emerging opportunities where targeted support can help Latino firms succeed (e.g., aerospace product and parts mfg., communications equipment mfg., and engineering services).
- **We identified three areas of need in the California Support Ecosystem:** ESOs cited language barriers, and competition for resources within the ecosystem as challenges, and we observed gaps in procurement-focused programs and services across business stages.
- **Four principles guide the future development and implementation of strategies:** (1) Reduce Fragmentation; (2) Adapt to the Shifting Federal Landscape; (3) Focus on Procurement Starters and Ready-to-Scale Firms; (4) Focus on Big-Money and Future-Oriented Sectors.
- **We identified five key opportunities to support Latino firms in scaling through the procurement economy in the region:** (1) Scale 1:1 Bilingual Procurement Advising; (2) Expand firm and ESO networks; (3) Develop a Loan Loss Reserve fund to increase the accessibility of flexible credit; (4) Operationalize ecosystem collaboration between ESOs regionally to support sector and stage-focused programs; (5) Accelerate and Resource Procurement Starters.

Source: Nowak Metro Finance Lab (2025).

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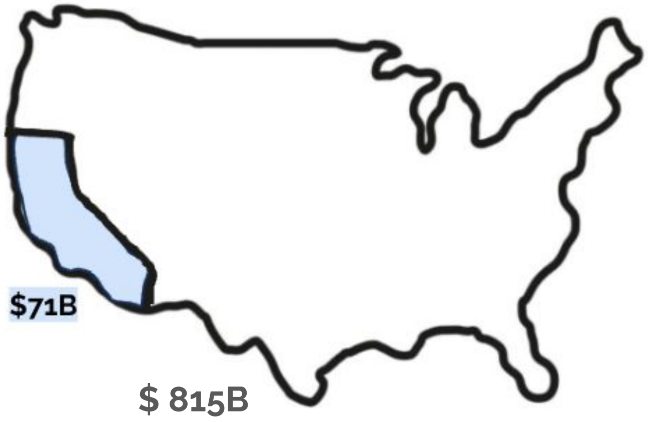
A Substantial Procurement Economy

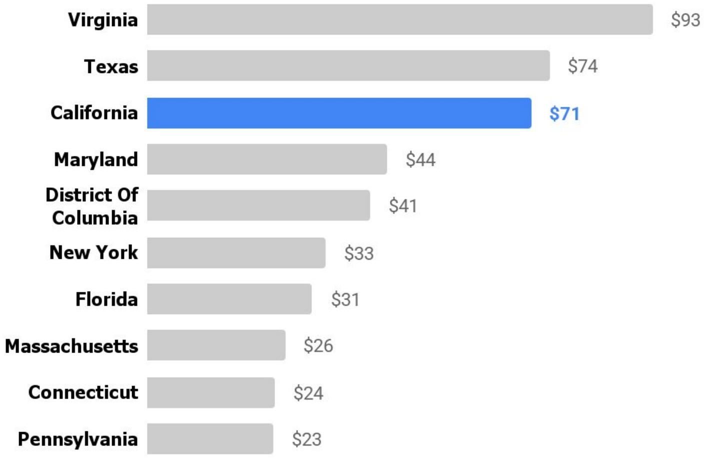
The Procurement Economy represents one of the best shots at unleashing the market-making potential of our diverse population and reducing longstanding disparities in business ownership and growth.

Vendor Direct Federal Spending in the US and CA*. Average 2021-2023.



Every year, the federal government allocates **$71 billion in contracts and grants to be performed in California,** directly funding firms and universities.

Top 10 States with Highest Vendor Direct Spending. In Billions, Average 2021-2023.



This spending represents around **1.8% of California's GDP,** making it the third state in the U.S. with the most direct federal spending.**"

Notes: (*) This spending includes all grants and contracts in the U.S. where the recipient is not a government entity. (**) When including grants to gov. entities, it becomes the top state overall for federal allocations, **Source:** Nowak Metro Finance Lab (2025) based on USASpending.

Strong DoD Presence in the State

Federal direct spending in California is led by the Department of Defense, which accounts for half of all federal procurement spending.

Federal Direct Spending by Agency in California. Average 2021-2023.

51% *($36B)*

Department of Defense

Focus on aerospace mfg., R&D, shipbuilding, health services, and infrastructure projects.

Top 3 counties:
San Diego ($10.8B); Los Angeles ($9.4B); Sacramento ($3.9B)

13% *($9.4B)*

D. of Health & Human Services

Focus on early childhood education, COVID-19 response, scientific research & pharmaceutical manufacturing.

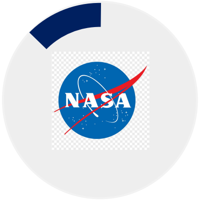
Top 3 counties:
Los Angeles ($1.7B); San Diego ($1.2B); San Francisco ($0.7B).

8% *($5.4B)*

Department of Energy

Focus on scientific research, clean energy advancements, and the operation of key national laboratories.

Top 3 counties:
Alameda ($4.2B); Santa Clara ($0.7B); San Diego ($0.2B).



7% *($5.0B)*

NASA

Focus on space exploration, scientific research, and advanced aerospace manufacturing.

Top 3 counties:
Los Angeles ($4.2B); Santa Clara ($0.5B); Kern ($0.1B).

The top federal agencies funding contracts and grants in California demonstrate a strategic focus on defense, clean energy, healthcare, scientific innovation, and aerospace.

Note: When including grants to public entities, it becomes the top state overall for federal allocations.
Source: Nowak Metro Finance Lab (2025) based on USASpending.

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Federal Procurement Spending is Concentrated in High-Value Sectors

Almost half of federal spending performed in CA was directed toward defense manufacturing and R&D, highlighting a highly strategic investment in national priorities.

Research & Development

Total Spending

$20.5 B (28.8%) to support national laboratories, aerospace & defense innovations, space exploration missions, & biotech. California captures 23% of all federal R&D contract spending in the U.S.

Top Agencies

Department of Defense	Department of Energy	NASA
27% ($5.5B)	**24%** ($4.9B)	**21%** ($4.3B)

National Positioning

California's universities are key to this strength, receiving about $12 billion annually (17% of federal funding to higher education), primarily funded by HHS (31%), NASA (22%), and the DoE (17%).

Manufacturing

Total Spending

$18.6 B (26.1%) which includes military aircraft, unmanned systems, radar, missiles, and shipbuilding

Top Agencies

Department of Defense	Dept. of Agriculture	Department of Treasury
82% ($15B)	**5.2%** ($970M)	**2%** ($970M)

National Positioning

Prior analysis of the geography of high-value DoD manufacturing contracts identified 41 key metros, 3 of which are in California, highlighting the state's role in **hosting major vendors for nationally significant projects.**

Note: (*) LQ is an abbreviation for "location quotient", which is a measure of industry specialization within a defined geography.

Source: Nowak Metro Finance Lab (2025) based on USASpending; "The Spatial Geography of Defense Manufacturing," Nowak Metro Finance Lab (2024).

Federal Spending Patterns Vary Across Counties

Federal direct spending in California is primarily concentrated in counties with strong ties to the DoD, with a focus in manufacturing and construction sectors.

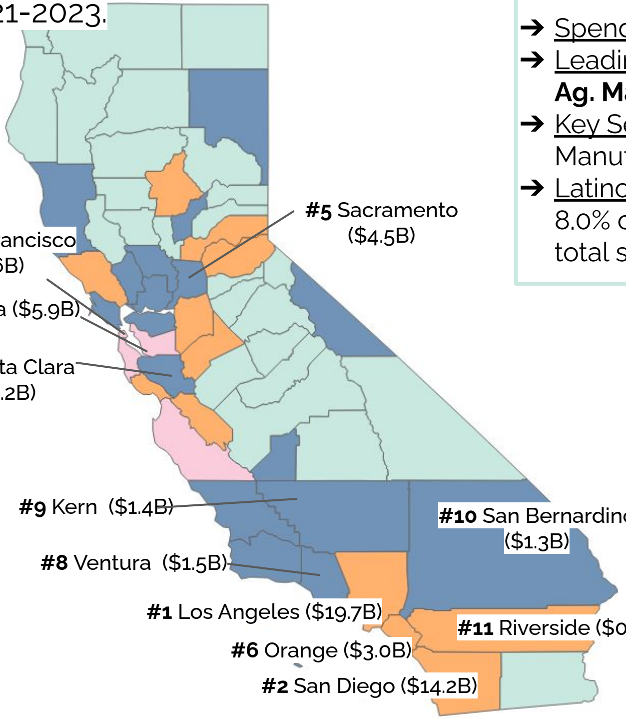
Grouping California Counties by Procurement Patterns.
Average federal procurement spending, 2021-2023.

Group 1: DoD, Manufacturing

- ➔ Spending: $33.3 B (12 counties)
- ➔ Leading Agency: **DoD** (59%) - **Navy & Air Force**.
- ➔ Key Sectors: Manufacturing (65%).
- ➔ Latino Footprint: 982 Latino businesses; 5.9% of all vendors in Group 1; 2.1% of spending in Group 1.

Group 2: DoD, DoE, Prof. Svcs., IT

- ➔ Spending: $7.1 B (4 counties)
- ➔ Leading Agencies: **DoD** (22%) **& DoE** (20%) - **Energy (DoE) & Army**.
- ➔ Key Sectors: Professional Services & IT (63%).
- ➔ Latino Footprint: 223 Latino businesses; 4.1% of all vendors in Group 2; 0.8% of total spending in Group 2.



Group 3: DoA, Construction

- ➔ Spending: $1.2 B (25 counties)
- ➔ Leading Agency: **DoA** (52%) - **Forest & Ag. Marketing Srvs**.
- ➔ Key Sectors: Construction (31%) and Manufacturing (15%).
- ➔ Latino Footprint: 541 Latino businesses; 8.0% of all vendors in Group 3; 7.0% of total spending in Group 3.

Group 4: DoD, Construction

- ➔ Spending: $15.5 B (17 counties)
- ➔ Leading Agency: **DoD** (74%) - **Navy & Army**.
- ➔ Key Sectors: Construction (34%) and Prof. Services (23%).
- ➔ Latino Footprint: 872 Latino businesses; 6.3% of all vendors in Group 4; 1.4% of total spending in Group 4.

Note: (*) We leveraged data analytics and machine learning to classify California's counties into distinct groups based on similarities in procurement spending patterns. These groups are defined along two key dimensions: procurement size (total spending and median contract value) and procurement type (primary awarding agencies, procurement instrument such as contracts and grants, and dominant sectors). **Source:** Nowak Metro Finance Lab (2025) based on USASpending.

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Federal Spending Falls Short on Inclusive Economic Growth

Latino businesses are underrepresented in employer firm ownership and procurement.

Latino-Owned Firm Participation in California. [Estimates].

Population

40.4%

of the state's population is Latino, totaling 16 million people (2023). This is double the national Latino population share of 19.4%.

Employer Firms

11.4%

of all employer firms in California are Latino-owned, representing 80,000 businesses (2021). The population-to-firm ratio is 3.4, above the U.S. average of 2.7, showing greater challenges for Latino entrepreneurs in California.

Registered Federal Vendors

8.4%

of firms registered in SAM** between 2021 and 2023 to contract with the government are Latino-owned. This highlights an even greater disparity in federal procurement.

Federal Prime Spending***

2.0%

of federal spending in California from prime contracts—just $1.4 billion of $71 billion—go to Latino-owned firms yearly.

Federal Subcontracting Spending

1.4%

of federal spending in California going from prime to subcontractors —just $0.7 billion of $47.6 billion—go to Latino-owned firms yearly.

Note: (*) This analysis includes only subcontracting dollars tied to prime contracts with submitted subcontracting plans, representing a subset rather than the full universe of subcontracting data. (**) System for Award Management. (***) Vendor Direct Spending.

Source: Nowak Metro Finance Lab (2025) based on Annual Business Survey (ABS), American Community Survey (ACS), USASpending and SAM.

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A Procurement Playbook for a Pivotal Moment

The California Procurement Playbook is designed to assess the state's federal procurement landscape, identifying opportunities, obstacles, and strategies for Latino firms and ESOs.

The **California Procurement Playbook** evaluates the state's federal procurement economy, focusing on key sectors and business opportunities while emphasizing firm capacity and navigating legal constraints.

Goals

1. **Analyze** Latino firms' specifics barriers to obtain public contracts.
2. **Identify key support organizations** in California that can play a pivotal role in advancing Latino-owned businesses.
3. **Locate Latino-owned firms** with growth potential that can be supported in securing opportunities.
4. **Outline key actions to help local and Latino businesses** succeed in federal procurement.

Research Team:

Drexel University Nowak Metro Finance Lab, Lindy Institute for Urban Innovation

Funded by:

Latino Community Foundation

Partners:

*Steering Committee members**

As the new U.S. context reshapes federal spending and reduces targeted support for firms, coordinated action to address well-identified supplier development needs becomes even more critical.

Note: (*) In progress. **Source:** Nowak Metro Finance Lab (2025).

A Local, Firm-centric Approach to Small Business Support

The Playbook identifies key areas for supplier development amidst a dynamic political and policy environment.

California's Procurement Economy*

Our focus

- Federal**
- State & Local
- Private

The Buy Side

Place of performance***

- Performed in California
- Performed outside of California
- Latino-Owned
- Non-Latino Owned
- Prime
- Subprime
- California-based vendors
- Outside of California vendors

marketplace

Local and Latino Opportunities

The Supply Side

Vendors

- Performed in California
- Performed outside of California
- Latino-Owned
- Non-Latino Owned
- Prime
- Subprime
- California-based vendors
- Non-California-based vendors

Support Ecosystem

Entities in the broader ecosystem to support firms at various stages and provide avenues by which buyers and vendors can connect with one another.
This includes advocacy and support organizations, government small business programs, and capital providers.

Legend: Within the Playbook focus | Outside the Playbook focus

Notes: (*) This study primarily focused on those dimensions of the ecosystem that appear in dark blue. (**) Federal procurement involves government agencies acquiring goods and services across the US. Our emphasis here is on the direct procurement spending via contracts and grants. (***) Distinction based on place of performance of the contract (where the main economic activity is conducted). **Source:** Nowak Metro Finance Lab (2025).

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Large and Strategic Federal Contractors Operate in California

The state is already home to a well-integrated and robust vendor network in defense and R&D focused on health, technology, and environmental science.

Top 10 Recipients of Federal Direct Spending in California. In Billion, Average 2021-2023.

Health Net Federal Services: $3.4B in DoD funding for managed care support for the TRICARE program and physician services for VA's Patient-Centered Community Care.

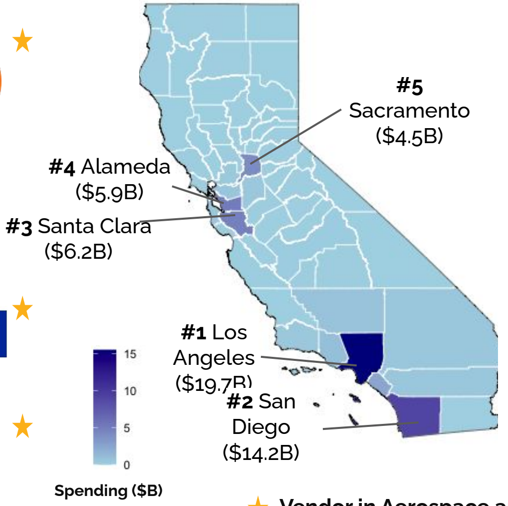
★ **California Institute of Technology: $2.6B** in contracts with NASA through the Jet Propulsion Laboratory, which focus on R&D for major space exploration missions.

Lawrence Livermore National Security: $2.8B in DoE contracts for scientific research, medical tec development, environmental projects, and space exploration initiatives.,

★ **Northrop Grumman: $2.5B** in contracts by the DoD and NASA, focusing on aerospace mfg, r&d, engineering services, and communications equipment.

★ **General Atomics Aeronautical Systems: $1.9B** for contracts from DoD and DHS, primarily for aerospace product mfg, logistics support, and scientific research.

Total Federal Spending Secured by California-Based Vendors.
By County, Average 2021-2023



★ Vendor in Aerospace and Defense

★ **The Boeing Company: $1.9B** in contracts from DoD for aerospace product and parts mfg, communications equipment manufacturing, and scientific research.

★ **Lockheed Martin: $1.8B** in DoD contracts for aerospace product manufacturing, scientific research, and missile defense projects.

★ **Raytheon Company: $1.6B** in DoD and NASA, for a variety of services such as manufacturing, engineering, and defense system development.

★ **Space Exploration: $1.5B** in NASA and DoD contracts for scientific research, aerospace manufacturing, and non scheduled air transportation services.

Stanford University $1.4B in HHS , DoE and DoD contracts for biomedical advancements, energy resilience and decarbonization, space exploration, and cutting-edge technology development for national security.

Source: Nowak Metro Finance Lab (2025).

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California's Latino Firms Are Already in the Procurement Journey

We designed a firm-first framework to define and understand the Latino firm's procurement path.

Latino Firms in California by Stage of their Procurement Journey with the Federal Government.** Avg. 2021-2023.

Stage 1:
Registered firms yet to secure federal procurement contracts

 # 2,884 Latino firms

Registered federal vendors in SAM with likely limited or no prior federal procurement experience*.

Stage 2(a):
Firms with Subcontracting experience

 # 230 Latino firms

Firms with proven federal procurement experience as subcontractors, but not as prime contractors.

Stage 2(b):
Firms securing Small Prime Contracts

 # 963 Latino firms

Firms with proven experience securing federal primes contracts, with transactions up to $5 million annually.

Stage 3:
Firms securing Major Prime Contracts

 # 60 Latino firms

Firms with extensive experience, securing prime contracts with the federal government of at least $5 million annually.

Procurement Starters

Ready-to-Scale firms

Note: (*) Firms that registered in SAM in 2021 or after. (**) Interviews suggest that professionals with prior experience in companies engaged in federal contracting are more likely to transition more seamlessly from Stage 1 to Stage 2(a) and Stage 2(b). **Source:** Nowak Metro Finance Lab (2025) based on USASpending and SAM.

Firms at Different Stages Have Different Capabilities and Needs

A closer look at firms that are in each stage reveals distinct characteristics and capabilities.

Latino Firms in California by Stage of their Procurement Journey with the Federal Government*. Avg. 2021-2023.

		Stage 1	Stage 2(a)	Stage 2(b)	Stage 3
	Number of Latino firms	**2,884**	**230**	**963**	**60**
	Latino Market size**	**-**	**$0.5B *out of* $37.6B**	**$0.4B *out of* $6.4B**	**$1.2B *out of* $73.4B**
Procurement experience	**Years in procurement**	*1* (0 - 2 years)	*10* (5 - 16 years)	*10* (5 - 17 years)	*15* (11 - 19 years)
	Total transaction spending***	**-**	*$273,000* ($80,000 - $1.1M)	*$83,000* ($18,000 - $400,000)	*$12.3M* ($7.6M - $17.1M)
	8a certified******	1.2%	1.7%	15.2%	41.7%
Size	**Annual Sales**********	*$1.3M* ($660,000 - $4.7M)	*$10.5M* ($2.5M - $24.9M)	*$8.7M* ($4.0M - $28.5M)	*$96.1M* ($26.1M - $187.0M)
	Employees********	*2* (1 - 5 employees)	*8* (4 - 23 employees)	*8* (3 - 21 employees)	*19* (6 - 46 employees)
Sectoral characteristics	**Woman-owned**	33.2%	29.6%	31.0%	21.7%
	Primary sectors (# of firms)	Construction (17%) Professional Srvs. (16%) Administrative Srvs. (12%)	Manufacturing (20%) Construction (18%) Professional Srvs. (16%)	Manufacturing (22%) Construction (19%) Administrative Srvs. (12%)	Construction (62%) Manufacturing (12%) Professional Srvs. (8%)

Notes: (*) The numbers shown are the median, and the range represents the interquartile range (25th and 75th percentiles). (**) The Latino Market Size reflects how much of the total federal spending is captured by Latino-owned firms within each stage, compared to all firms in that stage. (***) The total transaction spending accounts for the average annual transaction value based on data from 2021–2023, considering only years with available data for each firm. (****) The analysis identifies firms that held 8(a) certification at some point, based on multiple datasets. However, we cannot determine the exact years of participation or current certification status, and some firms that previously held 8(a) may not be fully captured. (*****) Annual sales and employee data are estimated due to data limitations, as this information was available for less than 18% of firms across all stages.
Source: Nowak Metro Finance Lab (2025) based on USASpending and SAM.

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Several Latino Firms Are Demonstrating Successful Procurement Journeys

Among Latino Firms with contracting experience in California, we identified ~215 that were able to succeed in procurement.

~215

'Ready-to-Scale' Latino firms in California have grown their prime contracts with the federal government over the past decade, representing 3 in 10 firms achieving growth.

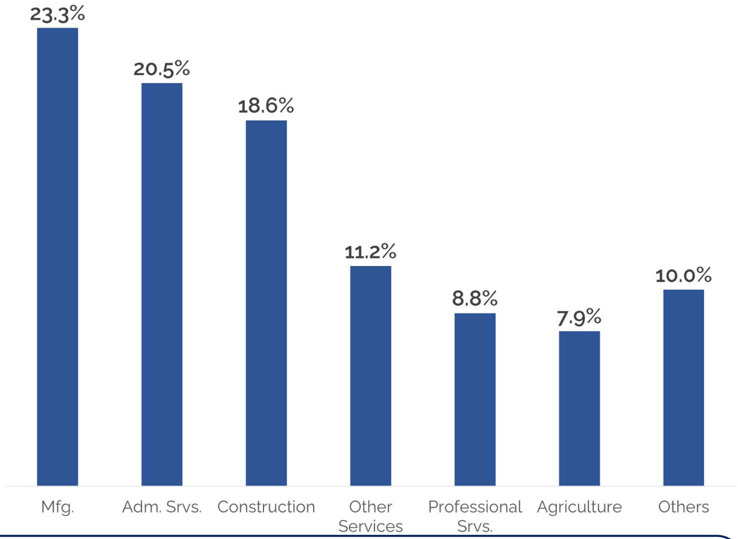
x1.3 times

Latino firms are 1.3 times more likely to achieve growth than Non-Latino firms, suggesting that while they face significant entry challenges, their growth potential appears comparable to that of Non-Latino firms.

75%

Of the growing Latino firms are in concentrated in four sectors: Manufacturing (23.3%), Administrative Services (20.5%), Construction (18.6%), and Other Services (11.2%).

Latino Growing Firms in California.
By sector, 2021-2023.



Criteria to define "Growing firms":

Increasing federal spending | Consistently winning federal contracts | Active in the last 3 years | +3 years of activity

Source: Nowak Metro Finance Lab (2025) based on USASpending and SAM.

Several Latino Firms Are Demonstrating Successful Procurement Journeys

We engaged with Latino firms that have made the journey from Procurement Starters to Ready-to-Scale firms, to learn how they have built capacity and succeeded.

Tracing the Growth Journey of Latino Firm's in Procurement. Based on insights gathered from interviews.

Construction Firm

Starting Point

- Founded in 2002, the firm leveraged its experience in federal contracting to secure its first contracts, with most early work coming from federal agencies.
- In its early years, the firm transacted **~$5.7M annually** with the federal government.

First steps

- Expansion into state and local contracts brought growth, but limited financial literacy led to over-expansion, reducing profitability.

Today

- By strengthening financial management, the firm improved profitability.
- Certifications, such as HUBZone, SDB, and DBE, were key in helping secure more than half of its contracts.
- The firm now transacts ~**$14.6M annually** with the federal government.

Logistics Firm

Starting Point

- The company started in procurement in 2005 with small projects. Its first move into public procurement was through a contract with a NGO.
- In its early years, the firm transacted **~$0.4M annually** with the federal government.

First steps

- In 2011, its largest federal customer required GSA Schedule certification. This certification was key to accessing the federal contracting market and competing for larger contracts.

Today

- Currently, federal contracts account for 75% to 80% of the company's revenues, transacting **~$2.0M annually** with the federal government.

Food Mfg. Latino Firm

Starting Point

- The company started in contracting in 2008.
- At first, it operated only in commercial markets for retailers, distributors and final consumers.

First steps

- In 2017, the company began contracting with the federal government, transacting **$1.5M** in its first year.
- The contracting relationship with the government began through the USDA's Section 32 Purchasing program, an initiative designed to manage agricultural surpluses.

Today

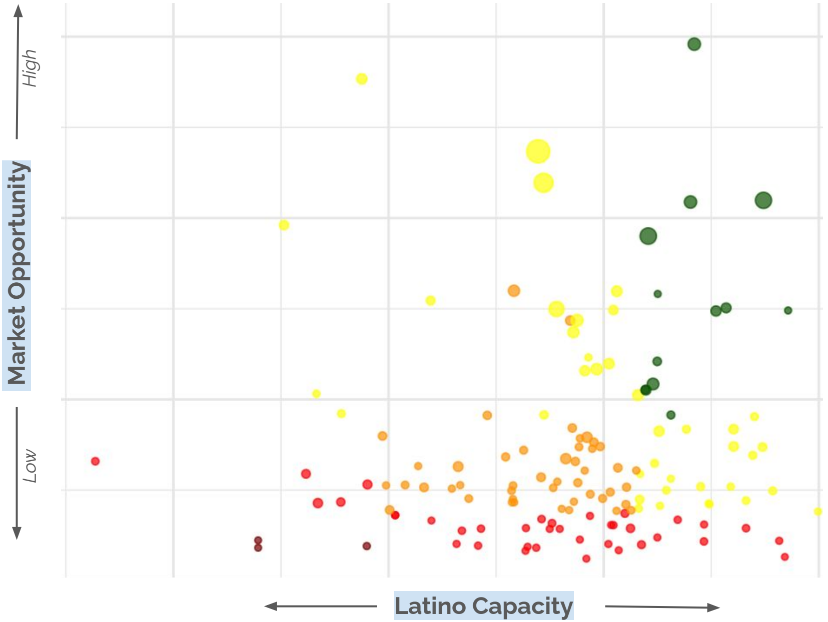
- The company is now actively engaged as a prime contractor in federal programs, with federal contracts accounting for 50% of its revenue.
- The firm now transacts ~**$19.0M annually** with the federal government.

Source: Nowak Metro Finance Lab (2025) based on interviews.

We Identified High-Opportunity Sectors for Latino Firms in California

We categorized subsectors based on market opportunity and firm capacity to better target them. Through this process, we identified five groups based on the level of opportunities.

Opportunity Index: Latino Capacity and Market Potential.
By 4-digit NAICS. Bubble size represents total spending.



Suggested Sector Focus

	Sectors	Latino spending	Latino Firms (SAM)
Priority Growth	**13** sectors	**$2.3B** Latino spending	**695** Latino Firms (SAM)
Emerging opportunities	**48** sectors	**$1.7B** Latino spending	**2,650** Latino Firms (SAM)
Moderate Development	**46** sectors	**$0.3B** Latino spending	**826** Latino Firms (SAM)
Limited Potential	**51** sectors	**$0.1B** Latino spending	**576** Latino Firms (SAM)
Low Strategic Focus	**11** sectors	**$0.01B** Latino spending	**14** Latino Firms (SAM)

Source: Nowak Metro Finance Lab (2025) based on USASpending and SAM.

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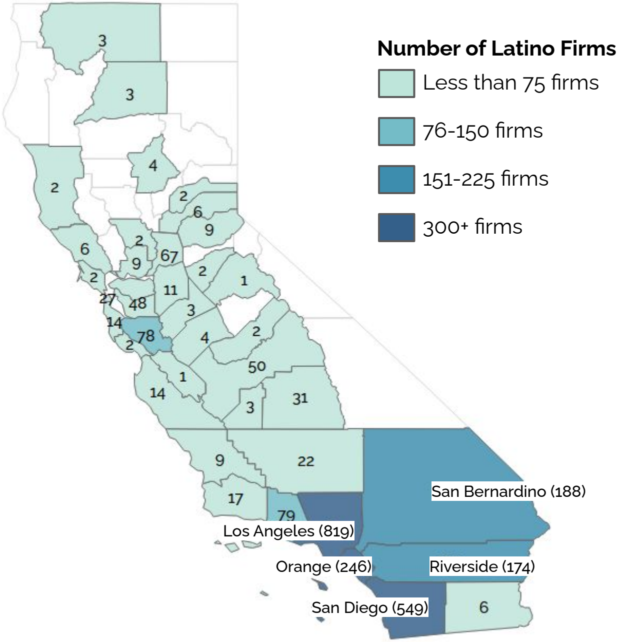
We Mapped Latino Firms in High-opportunity Sectors

Latino firms in the sectors with the greatest opportunities are concentrated in Southern California and operate in industries such as construction, mfg., and professional services.

California-based Latino vendors registered in SAM in Priority Growth and Emerging Opportunities Sectors. By County.



Sectors with the greatest opportunities for Latino businesses:

Priority Growth

Construction
(Heavy and Civil Eng.; Nonresidential; Utility Systems; Highway, Streets and Bridges).

Maintenance
(Investigation and Security Services; Facilities Support Services; other support services).

Manufacturing & Others
(Ship & Boat Building; Wood Product Mfg; Motor Vehicle Mfg; Warehousing & Storage; Forest Products Gathering; Forestry).

Emerging opportunities

Manufacturing
(Aerospace Product & Parts Mfg; Navigational, Measuring, Electromedical & Control Instruments Mfg; Communications Equipment Mfg; Other Food Mfg.).

Prof Services
(Scientific R&D; Computer Systems Design; A&E; Other Prof Svcs; Management, Scientific & Technical Consulting Services; Electronic & Precision Equipment Repair & Maintenance).

Healthcare
(Offices of Physicians; Emergency and Other Relief Services; Medical and Diagnostic Laboratories).

Source: Nowak Metro Finance Lab (2025) based on USASpending and SAM.

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The Supplier Development & Entrepreneurial Support Ecosystem

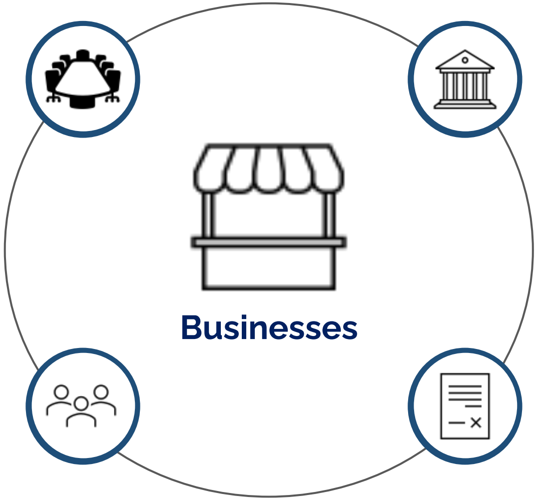
The support ecosystem encompasses Entrepreneurial Support Organizations (ESOs), membership associations (e.g., Chambers of Commerce), and capital providers.

Business Advisory

Through business advisory services, whether through a cohort-styled program or 1:1 advising, entrepreneurial support organizations can help businesses register, obtain certifications and/or licenses, develop business plans, and more.

Matchmaking

Organizations can facilitate networking events/convenings and support matchmaking programs that can introduce firms to subcontracting opportunities, procurement officers, and other firms that can provide support throughout their business journey.



Capital Providers

Traditional, and innovative, capital products are necessary for starting, sustaining, and growing businesses, particularly in procurement where more flexible capital products are necessary.

Procurement-focused services

Business support for vendors in public contracting is specialized - business planning and working capital needs for a B2G business are different than that for a B2C or B2B firm. As such, firms need access to procurement specialists and procurement-oriented resources.

Through a variety of programs, events, and service offerings, these entities engage and support businesses at varying stages.

Source: Nowak Metro Finance Lab (2025).

The Need to Strengthen and Leverage California's Support Ecosystem

Support organizations, and the ecosystem at large, face barriers in effectively assisting Latino-owned businesses.

Challenges in the Entrepreneurial Support Ecosystem.

Resourcing	Raising funds for programs and services to businesses and being able to market offerings to businesses is important. Competitive pressures within the ecosystem, for funding and clientele, makes this a challenge.
Gaps in procurement-focused services	Within the business support ecosystem, there are limited programs and offerings **across business stages** that focus on the challenges inherent to contracting and procurement.
Language Barriers	At the service level, language barriers pose a challenge, particularly as it pertains to serving Spanish-speaking entrepreneurs.

Quotes from ESOs

"The ecosystem is noisy… [we need to be] leveraging resources instead of competing for clients"

"You [firms] don't know what you don't know, so you don't know what questions to ask"

"One of the worst things you can do as a small business is win a contract"

"I consider myself trilingual, I speak government"

Source: Nowak Metro Finance Lab (2025).

Consensus on Three Primary Barriers in Procurement

Both firms and support organizations agree that there are three distinct challenges facing Latino-firms, necessitating firm-centered solutions.

#1 Navigating the Procurement Process

Firm perspective

*"Certifications are only effective if you understand <u>how</u> to leverage them within the system; **otherwise, they can lead to wasted opportunities**."*
- Construction firm

Support organization perspective

*"If the processes were less complicated, more people could participate [...] **you do procurement, or you do your business, you cannot do both**."*
- LA-based ESO

#2 Accessing Networks of Mentors & Peers

Firm perspective

*"Mentors and industry connections are vital for small businesses **to navigate procurement processes and build trust**."*
- Logistics Firm

Support organization perspective

*"[We try] to **be the bridge between the procurement department, programs and small businesses**"*
- San Diego-based ESO

#3 Financial Literacy & Capital Readiness

Firm perspective

*"Securing capital was a significant challenge, **requiring months to navigate application processes while managing daily operations**."*
- Administrative services firm

Support organization perspective

*"Challenges on the small business who [can perform] **but may not be able to be bonded and insured**"*
- Central Valley-based ESO

Existing language barriers exacerbate these challenges - necessitating cross-cutting action

Source: Nowak Metro Finance Lab (2025).

Contents

The Path Forward: Guiding Principles

The path forward needs to consider these principles in developing and implementing strategies to strengthen Latino firms.

1 Reduce Fragmentation

Vertical and horizontal fragmentation across levels of government, ESOs and agencies—each with disparate procurement platforms, processes, resources and vendor requirements—creates barriers for small businesses.

2 Adapt to the Shifting Federal Landscape

Legal challenges to traditional supplier diversity means that growing the Latino business share of federal vending in CA will take **concentrated, sector-specific efforts in business-building and supplier development**.

3 Focus on Procurement Starters and Ready-to-Scale Firms

California already has a pipeline of at least 4,100 Latino firms engaged in the procurement journey. The focus must now shift to **supplier development, particularly for ready-to-scale firms that are well-positioned to anchor supply chains** and drive substantial job creation.

4 Focus on Big-Money and Future-Oriented Sectors

Traditional approaches to procurement support have focused on conventional agencies like DOT and construction sectors, **future economic opportunities lie in high-growth, innovation-driven areas like technology and R&D**, particularly driven by DoD spending.

Source: Nowak Metro Finance Lab (2025).

The Path Forward: A Focus on a Firm-centric Supplier Development Ecosystem

	Current State	Future State
Firm Challenges	**Navigating the Procurement Process.** Longstanding navigation challenges for vendors, with language barriers (both business-level fluency and technical understanding) worsening the issue.	Procurement-specific resources are accessible to Latino vendors and facilitate their growth journey, with resources available in Spanish.
	Accessing Networks of Mentors & Peers. Limited access to networks of peers, primes, and buyers.	Robust network of peer firms, primes, buyers, and ESOs.
	Financial Literacy & Capital Readiness. Financial literacy, institutional trust challenges, and limited availability of flexible and low-cost growth capital.	Accessible quality, growth capital to support contract management and execution.
Support Ecosystem Challenges	**Fragmentation & Ecosystem Coordination.** Saturated ecosystems see intra-ecosystem competition for resources and clientele.	Economies of scale in the ecosystem due to collaboration and coordination built around shared goals.
	Resource Awareness & Outreach. Procurement-focused programming and services are available but not widely utilized at all firm stages.	Latino vendors know the resources available for their specific growth stages and can easily connect with resource providers and access them.

In coalescing stakeholders around a shared vision and understanding, a **Supplier Development Steering Committee** can design governance and programmatic interventions to realize the Future State.

Source: Nowak Metro Finance Lab (2025).

The Path Forward: The Analysis Points to Five Opportunities for Impact

Opportunities	Description
Scale Bilingual Procurement 1:1 Advising	**Invest in enhancing access to Spanish-speaking procurement advisors and Spanish language resources** via grantmaking for ESO staffing or direct hiring of Spanish-speaking advisors that can work across the statewide geography.
Expand Firm and ESO Networks	**Expand networking programs focused on matching existing and potential contractors with other Procurement Economy actors**, including experienced vendors, public purchasers (i.e., procurement officers), and ESOs .
Develop a Loan Loss Reserve fund	**Create a grant program to support the balance sheet of regional banks and CDFIs to offer higher risk, revolving credit to Latino-owned firms** in the contracting industry and broader procurement economy.
Operationalize Ecosystem Collaboration	**Drive collaboration in regional support ecosystems** joint programming, and joint grantmaking to address inefficient duplication of programs and services, existing programmatic gaps, as well as stage and sector-focused programming.
Accelerate and Resource Procurement Starters	**Target specialized resources to early-stage firms** looking to start in procurement, ensuring that these firms can compete for prime and subcontracting opportunities.

Source: Nowak Metro Finance Lab (2025).

About the Latino Community Foundation:

The Latino Community Foundation (LCF) is on a mission to unleash the civic and economic power of Latinos. LCF has the largest network of Latino philanthropists in the country and has raised $100 million to build Latino civic and political power. It is the largest Latino-serving foundation in the nation. In 2023, LCF named former U.S. Housing and Urban Development Secretary Julián Castro as its CEO.

For more information, please visit latinocf.org

About the Nowak Lab:

The Nowak Metro Finance Lab was founded in 2018 to help cities identify and implement innovative strategies to leverage public assets and fund public infrastructure for public benefit, with a focus on supporting inclusive and equitable growth. The Nowak Lab honors the legacy of Jeremy Nowak, the widely respected urban thought leader and practitioner. The Lab's founding director is Bruce Katz, co-author of *The New Localism: How Cities Can Thrive in the Age of Populism* with Jeremy Nowak.

To learn more, please visit drexel.edu/nowak-lab