

# The Power of the Purse: How to Make Government Procurement a Tool for Innovation and Growth in Local Economies

*Funkhouser & Associates*

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## Introduction

State and local governments spend significant portions of their budgets on goods and services—an average of \$1 out of every \$4 spent each year goes to procurement, according to an analysis of procurement data and total government spending.<sup>1</sup> Procurement spending will keep rising given the American Rescue Plan Act (ARPA) and Infrastructure Investment and Jobs Act (IIJA), both passed in 2021, as well as the 2022 Inflation Reduction Act (IRA), which together provide roughly a trillion dollars in additional spending over the next five years for state and local projects. This influx of federal funding makes it more important than ever to improve the process of government contracting through user-friendly design and to make procurement a tool for innovation and problem-solving.<sup>2</sup>

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Procurement offices, however, face significant headwinds. Federal funding often comes with requirements to direct that spending to local businesses, minority- or women-owned businesses (MWBs), and to disadvantaged communities in general. More broadly, the new spending falls under President Biden's Justice40 Initiative, which seeks to provide 40% of the benefits from federal investments in climate and clean energy to disadvantaged communities and workers. Many grant programs also require recipients of these funds to track and report on outcomes, a practice that is still unfamiliar to many of them. All of this comes at a time when state and local governments are losing seasoned employees.

But these challenging times present an opportunity. State and local officials at all levels of government can use the current disruptions to enact meaningful reforms in procurement, such as:

- Modernizing antiquated procurement systems and automating certain processes to free up workers' valuable time for more meaningful work;
- Streamlining the procurement process through cooperative purchasing, user-friendly Request for Proposal (RFP) templates, and user-centered design processes;
- Implementing innovative procurement methods that will ensure adaptability in the face of future disruptions and strengthen the supply chain by increasing vendor access to procurement;
- Standardizing cybersecurity controls and authorizing regular audits and automatic rebidding of older contracts.

If this historic level of federal funding is to be truly transformative, state and local governments must first transform their purchasing tools and strategies. This brief will be a guide for policymakers trying to achieve that goal.

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## Federal Funding and the Implications for Procurement

The American Rescue Plan Act provided \$350 billion in direct payments in 2021 and 2022 to state and local governments for pandemic response efforts. Procurement offices oversaw contracts for billions of dollars in things like personal protective equipment, office equipment, and air filtration systems. Some jurisdictions did use the opportunity to improve the procurement process itself. Long Beach, California, for example, spent ARPA funds on staff training, revamping templates, and implementing a more user-friendly procurement program, but this was the exception rather than the norm.

There is a growing recognition, however, that technological upgrades will be necessary for managing IIJA, ARPA, and IRA grant dollars effectively. In the latest annual survey by the National Association of State Chief Information Officers, “increased attention to digital government services” was the number one priority.<sup>3</sup> Another survey from the Center for Digital Government found that chief procurement officers are seeking technology that is easier to use, can automate common workflows, and can provide better insights on critical factors like supplier performance.<sup>4</sup>

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Procurement offices know they will need this technology to handle not only an increased volume of projects funded by IIJA and IRA but also to comply with the strings attached to that money. Both laws place great emphasis on evaluating outcomes and purchasing new technologies such as carbon-capture monitoring, electric vehicles, and cybersecurity systems. They also prioritize projects and programs that partner with minority business enterprises (MBEs) and local entities. For example, 11 of the 166 projects selected to receive RAISE grant funds in 2022 included a local-hire provision.<sup>5</sup>

Thus, procurement offices are now at a critical juncture. Those able to use these resources to embrace new technology best practices will be able to make the most out of federal funds. Those that rely on legacy systems to navigate this rapidly changing environment risk missing out on federal support and spending public dollars ineffectively.

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## Procurement Reform Challenges

The issues with government procurement are well known.<sup>6</sup> Accessing and navigating online procurement systems for contractors isn't easy. Responding to an RFP is often confusing and time consuming, often prohibitively so for smaller businesses, including those owned by minorities and women. These difficulties result in less competitive bidding for government contracts.

The Covid-19 pandemic and the ensuing race by governments to secure personal protective equipment highlighted the challenges faced by procurement offices. The decentralized nature of procurement led to governments competing against one another—and sometimes agencies within the same government—for a limited supply of such material. The National Association of State Procurement Officers (NASPO) described this lack of agility as “one of the grave failures” of government procurement in the early days of the pandemic.<sup>7</sup>

Disruptions to global supply chains, as well as rising inflation, have also increased the cost of goods and services for which governments procure. Managing contract costs and tracking outcomes, which was already a challenge for many recipients, are critical pieces of many new and current federal infrastructure programs, and thus have become all the more important.

But perhaps the biggest challenge procurement offices face is an internal one. Like many agencies across government, they are losing experienced staff due to retirements and job changes. “For procurement offices to run successfully, you need a lot of institutional experience and knowledge they bring to the job,” Dugan Petty, a fellow at the Center for Digital Government and former chief state procurement officer, told us. “Sometimes experienced staff is a barrier because they have a slow, methodical way of working, but right now they don't have anything.”<sup>8</sup>

### **The city-state relationship and procurement**

While this playbook is intended to be a tool for local governments, the authors acknowledge that many localities face restrictions beyond their control. It is our hope that state legislators also take note of these very real challenges to local government innovation.

New York City, for example, is the fourth-largest procuring entity in the nation; it contracted for more than \$30 billion in goods and services in 2021 alone.<sup>9</sup> It is responsible for a wide range of governmental functions that are most typically performed by county governments in other jurisdictions. Yet its sources and methods tend to be tightly circumscribed by the state government.

The state imposes limitations on everything from disposing of residential construction waste, to requiring multiple prime contractors on certain construction projects, to an outdated scaffolding law that raises insurance costs—the list of restrictions is long and frustrating for local officials. “The architecture of our system is not controlled by us,” one long-time public servant told us.

State laws mandating across-the-board construction practices and procurement methodology not only handcuff local officials' ability to efficiently manage projects but also drive up costs and stymie innovation. Yet changing those constraints has been a slow process. Confusingly, the state takes advantage of some of the same practices that it does not allow the city to use. For example, in the early 2010s, the state began trying out design-build project delivery, a more affordable and faster approach than procuring and contracting separately for project design and construction. But it wasn't until 2019, when the legislature approved the New York City Public Works Investment Act,<sup>10</sup> that the city was allowed to procure a single contractor for both project

design and construction. Even with that, the law authorized the method for just seven agencies on certain projects. The state should expand the law to include any agency and any project that the city finds could benefit from such delivery.

Mayor Eric Adams's administration has aggressively pushed for procurement reforms in Albany. In January, the city's Capital Process Reform Task Force proposed a nine-part state legislative package aimed at modernizing the city's procurement process.<sup>11</sup> The reforms would mitigate insurance barriers faced by MWBEs and increase the city's opportunities to grow MWBE capacity. The task force also recommended pursuing state legislation to turn the city's Department of Design and Construction (DDC) into a public authority, which has been done with other large public construction entities in the state. Doing so would free DDC from prescriptive local procurement regulations, thus streamlining construction project delivery.

Granting these changes at the state level would enable New York City to execute several of the best practices outlined below. Cities facing similar challenges and constraints on their procurement authority should watch these efforts closely.

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## Rising to the Challenge: Strengthening Local Economies Through Procurement

Before procurement reforms can be implemented at any level, it's imperative that leaders from all levels of government are invested in the effort. Unfortunately, many cities treat procurement and contract management as back-office functions rather than as key strategic activities. Relationship-building between procurement offices and other officials is the first step in any successful transition to a new way of doing business.

"Having come from another city department, I know that it can feel like purchasing is just this department full of people who just hit the 'reject' button," Long Beach purchasing officer Michelle Wilson told us. "So it's important to build those trusted relationships and give purchasing a seat at the table at the beginning of any new program development."

And on the other end, purchasing officers should understand the challenges and priorities of the departments and personnel they interact with the most. Both of these goals can be served by establishing a regular line of communication between procurement and other departments, possibly through regular training sessions or standing meetings. In this way, procurement still provides centralized and streamlined support for purchasing while also giving individual agencies and departments the ability to tailor procurement processes to their specific needs.

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# Streamlining for User-Centered Procurement

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## Cooperative purchasing and umbrella contracts

When the goal is expediency, purchasing through an existing cooperative agreement is a well-established way to take advantage of economies of scale, reduce administrative costs, and get the best price for a solicitation. It can also be effective when demand is expected to increase. For example, the Electric Vehicle (EV) Purchasing Collaborative includes over 250 cities, counties, transit agencies, port authorities, and colleges and universities committed to purchasing over 4,000 EVs.<sup>12</sup> In this case, the goal is to leverage their collective buying power and accelerate the conversion of municipal fleets to electric.

When cooperative purchasing programs function well, they speed up contract-creation and product delivery, increase transparency, reduce administrative costs, and lead to lower prices. However, smaller businesses can find it more difficult to compete either on capacity or price. One way that New York State has responded to this shortfall is with an “incubator” concept in its IT software/hardware umbrella contract, which allows vendors to generally contract with purchasing departments for a full suite of goods and services under one agreement. Umbrella contracts also reduce costs, speed up processes by reducing redundancy across agencies within a single government, and permit smaller-volume companies to build sales through one of the large distributors, and therefore become eligible under future periodic recruitment for their own manufacturer umbrella contract. This approach, while it still puts larger distributors in the driver’s seat, opens the door for smaller businesses to grow. Alternatively, some national and regional cooperative purchasing programs are taking a more grassroots approach to increasing small business participation through active outreach, help with certification, and education on navigating government procurement.<sup>13</sup>

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## Agile procurement and user-centered design

Agile methods, on the other hand, are more suited to smaller businesses, which can often be more flexible than a typical large corporation. Increasing local business access to government procurement contracts helps create a more resilient supply chain while also expanding the government’s tax base.

More broadly, agile procurement is based on user-centered design. Consumers value features like one-click purchasing, side-by-side comparison shopping, and monthly deliveries for essentials, because they make it easier to buy and track purchases and manage their money. Streamlining government procurement is based on the same basic idea: a user-centered process is more cost effective for everyone involved. That means first understanding a project’s goals and then designing the procurement process accordingly.

Instead of a cost-based contract or an RFP specifying products or services, an agile procurement process starts with an iterative product-development phase with input from various stakeholders, including the end users. Engaging users—particularly hard-to-reach community members—is already something governments have raised as a priority when it comes to economic development, health care, and other services. Cities can also build a pilot phase into the procurement to test the good or service for viability and cost. The approach requires a clear objective at the onset but ultimately provides greater efficiency.

An agile procurement process is especially good at resolving timeline issues in technology service procurements, where technological capabilities can advance much faster than the procurement process itself. It's also an alternative to procuring for large management IT systems, such as Enterprise Resource Planning (ERP) systems and human-resource-management systems, which are generally developed for the private sector by large companies and modified after the fact for governments. Because governments have to adapt to what's already been developed, they often end up paying for products that don't meet all their needs and for features not suited to the public sector, only to get locked into ongoing customization, implementation, and maintenance contracts.

### **User-centered procurement in Long Beach, California**

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In 2017, Long Beach, California, undertook an effort to overhaul its procurement process with the goal of increasing competition and participation by local businesses. The project, which received technical assistance from the Harvard Kennedy School, started with staff engagement. Through surveys and work sessions across all city departments, procurement officers got a better understanding of what was and wasn't working for staff across the entire spectrum of contracting. Based largely on that feedback, the purchasing department made user-friendly changes such as simplified RFP templates in plain-language documents and regular training sessions across departments.<sup>14</sup>

The procurement department then turned outward, engaging current vendors and others who wanted to do business with the city to better understand what barriers they were facing. The next year, Long Beach used ARPA funding to start testing out improvements, including plain-language documents and RFPs; pre-bid information sessions; videos and other "how-to" materials in all the languages commonly spoken in Long Beach; direct outreach via email, text, and phone calls to inform local vendors about purchasing opportunities; and forecasting reports of upcoming purchasing opportunities. The office also worked with the city attorney to speed up pandemic-related work by pre-writing contracts and making pandemic recovery contracts a standing consent item on the council agenda.<sup>15</sup>

"These are small, easily feasible ideas that any place can do," Augusta Gudeman, Recovery and Equity in Contracting Officer for the city of Long Beach, said during a Living Cities webinar in late 2022. "When taken together, our hope has been it will make a difference toward making procurement more equitable for [all our local businesses]."<sup>16</sup>

To track its progress, Long Beach's new procurement platform records vendor demographics and other statistics. The preliminary results are promising. In a sample of health and human services and economic recovery-related projects in 2022, there were an average of 15 vendors per request, and nearly all had at least three bids. By comparison, in 2021, nearly half of RFPs had three or fewer bids. What's more, after these changes, nearly 60% of the responses were from local businesses, and participation from minority- and women-owned businesses jumped by as much as 10 percentage points over 2021.

"A lot of times, people think purchasing has to be done a certain way," purchasing officer Michelle Wilson told us. "It's hard to fix anything if you don't see it from the other end."<sup>17</sup>

## Focusing on Outcomes and Results

The pandemic underscored the importance of tracking outcomes and making evidence-based decisions, and many federal funding opportunities emphasize these approaches. When it comes to procurement, several practices can support those priorities.

### **Granting policy access**

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It's not common for procurement officers to be involved in policymaking, but they're often tasked with helping to execute certain aspects of it, particularly things like local business contracting. Policymakers and elected officials should know how the goals they set might be implemented and the potential barriers to doing so. Do the systems exist for measuring outcomes? If not, what changes or new technologies are needed? And how long will that take? Governors or mayors should give a procurement officer a cabinet-level position or assign an administrative advisor to procurement to ensure that the policy goals and outcomes can be established and accounted for at the start of a new program.

### **Competitive proof-of-concept requests**

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Most procurements are executed to solve a problem—whether a simple one like distributing needed supplies or a complex one like increasing mobility. But often, RFPs are structured as a pre-defined solution. In contrast, competitive proof-of-concept requests state a problem and ask for solutions, thus opening up a larger world of potential options that officials may not have considered.

This idea was put to use recently in California after the particularly devastating wildfire season in 2018 that burned nearly 2 million acres and took more than 100 lives. Early in 2019, Governor Gavin Newsom created the Wildfire Innovation Sprint, and the state issued a “Request for Innovative Ideas” to speed up the way the state acquires and delivers cutting-edge firefighting technology to emergency responders. “The use of innovative and groundbreaking technology to bolster response to wildfires will help our firefighters and first responders tremendously, and if we can predict the patterns of a fire, we will be able to save lives and property,” Newsom said at the time.<sup>18</sup>

The California Department of Forestry and Fire Protection (CAL FIRE), the California Department of Technology, and the Department of General Services collaborated with experts and government leaders to develop a problem statement to address wildfire management, focusing on detection, prediction, and notification. Out of 131 proposals, two innovators were selected to conduct a proof-of-concept.<sup>19</sup> That is, to develop a working model to be initially tested on a small scale in the field.

By 2020, CAL FIRE had deployed simulation technology that helped firefighters battling the Sonoma-Lake-Napa fires to predict the fire's movement and deploy resources more quickly where needed. The equipment was distributed across all CAL FIRE units by the end of that year.

“It's going to have a huge impact for timing,” Christine McMorro, CAL FIRE resource management communications officer, told *Emergency Management* that year. “This can do in minutes what it used to take our predictive services hours or days to do. We're going to be able to get this information and have real-time data about predictions, fire growth, and modeling within a few minutes in the palm of our hands.”<sup>20</sup>

### **Tracking outcomes**

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As more places incorporate data and analytics into all phases of the procurement process, the ability to capture spending data has improved. But those analytics practices tend to end once a contract is out the door. Most governments do not track project outcomes for every new program—and even when they do, that data isn't always shared with procurement. On the policy side, many cities have minority-owned or local-business hiring goals that get a lot of focus in areas such as major construction projects. But those statistics aren't necessarily tracked as a rule for all contracting.

As a result, cities are unable to determine if their services are ultimately mitigating social problems or, instead, potentially wasting public dollars on ineffective programs. Without knowing how a vendor performed, procurement officers only have a partial picture of how their office contributes to running an effective government.

Some states, such as Connecticut, Minnesota, and New York, offer a helpful model. Once contracts are awarded, these states use detailed key performance indicators, sometimes paired with balanced scorecards and electronic dashboards, to closely track vendor performance and customer satisfaction. New York State, for example, uses tools such as biannual surveys of employees and vendors, actual savings vs. estimated savings, and increasing vendor participation in contracts.<sup>21</sup>

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## **Recruitment and Retention**

Procurement officials know that new technology and data analytics are essential to operating more smoothly with fewer staff. But as these time-saving efficiencies are incorporated into the process, leaders must be deliberate in how to best use that time for the benefit of their employees.

### **Elevating the status of procurement work**

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New technology can automate paperwork such as invoice payments or processing change orders, thus freeing up time for contract managers to do active performance-based contract management. When the job becomes more about analytics and problem-solving, it attracts higher-skilled workers.

### **Staff engagement and training**

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In any agency, when budgets are tight, regular staff training is often one of the first things that is cut and last to be added back. But given the current turnover rates, training is more important than ever. It's also an opportunity to introduce new ideas and gain mission buy-in, which can instill a sense of commitment and community within the procurement agency.

“We have to go back to the nuts and bolts of finding the right talent—in and out of procurement—and investing in the opportunity for them to grow in an organization,” said Rick Grimm, the CEO of NIGP, the National Institute for Government Purchasing. “Cultivating talent is about the need to give professionals the tools, authority, and ability to conduct procurement in the right way.”<sup>22</sup>

## Transparency and Security

Most everything states and localities buy today has some element of technology—even physical goods typically use technology in their delivery system or in connecting them to cloud computing. Meanwhile, technology services are becoming a bigger slice of the overall procurement pie. Thus, it is imperative for procurement offices to protect against cyberattacks or other potential breaches. “Procurement is a huge vulnerability,” said Dugan Petty, “So whether a procurement officer likes it or not, they’re a part of the cybersecurity team.”<sup>23</sup>

### Cybersecurity controls

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With ransomware attacks on governments on the rise and cybersecurity insurance becoming more expensive, cybersecurity officers are turning more to remediation tactics. To that end, NASPO is helping governments create a “united front” against cybersecurity threats in two key ways.

- Cooperative purchasing can help standardize government cloud security. For example, the NASPO ValuePoint Cooperative Purchasing Organization has a 10-year agreement with a cloud solutions provider with more than 30 states participating,<sup>24</sup> an arrangement Petty says is “tremendously successful.”
- NASPO recently announced a partnership with the nonprofit StateRAMP to educate procurement offices on best practices and provide third-party verification for governments.<sup>25</sup> StateRAMP auditors verify that providers’ cloud offerings meet the appropriate NISC controls through independent audits and continuous monitoring. The vendor’s own security practices are also potential weak points where taking a standardized approach reduces risk.

### Auditing and accountability

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While cybersecurity is about keeping information safe from unwanted outsiders, auditing is about ensuring internal security measures are working.

While independent procurement audits should be conducted regularly to ensure that public dollars are being spent effectively, purchasing officers should be actively monitoring the purchasing process for red flags. These include:

- Missing project documentation, including bid paperwork and clarification requests;
- An unusual RFP process such as a shortened bid timeframe, poor advertising for submittals, or accepting submittals after the deadline;
- Low number of responses to RFPs, or bid spreads of less than 1% or more than 20%.

A process that isn’t fair and transparent harms all parties involved. As longtime Atlanta City Auditor Amanda Noble noted: “Corruption on either the government side or the vendor side increases prices the public pays for goods and services. . . [it] also reduces participants’ trust that the process is fair and equitable . . . and in the worst cases, corruption can result in catastrophic failure of a bridge or a building.”<sup>26</sup>

A robust and transparent auditing process can also reduce bid-protest challenges from vendors who were not selected for contracts.

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## Increasing Efficiency and Savings

Cyberattacks and corruption are extreme examples of the risks inherent in procurement, but there are many more subtle, day-to-day risks that can drag down the procurement process. To avoid redundancy, cost-overruns, and other slow-creep forms of loss or complacency, purchasing officers should be regularly evaluating existing contracts and purchase orders for potential cost savings.

### **Rebidding of contracts**

The Government Finance Officers Association (GFOA) warns that contracting for “too long with any provider may create complacency” and advises that procurement officers reevaluate vendors regularly.<sup>27</sup> Simply renewing a contract with a known vendor may seem like a low-risk approach, but over time it enforces a “this is the way we’ve always done it” mentality. It also reduces competition and thus may lead to higher costs for services.

### **Regular inspection of orders**

Managers should also have mechanisms in place to regularly review open or umbrella contracts and routine purchases. As GFOA’s Michael Mucha has argued, “governments focusing on this strategy have found a surprising percentage of orders that contained unneeded or unusable materials.” He also points out that instilling a practice of regular review will likely pay off when savings are most needed: “Governments may be spending money on lower priority items that are hard to justify during a fiscal emergency. . . . Even if these changes do not result in big savings, they help create a culture of frugality and make sure that staff in all departments are focused on making smart purchases.”<sup>28</sup>

### **Continued improvements in New York City procurement**

After years of neglect, New York City now has an opportunity to continue the momentum for procurement reform generated by Mayor Eric Adams’s new efforts. Importantly, Adams has tapped individuals with deep expertise in city procurement and its flaws. Lisa Flores, the former deputy comptroller for contracts and procurement who led that office’s work highlighting procurement’s registration delays, is now the chief procurement officer. Deputy Mayor Sheena Wright previously headed up the United Way of New York City and is well versed in the troubles nonprofits face in working with the city. Together with Comptroller Brad Lander, they are pushing hard for changes aimed at transparency, efficiency, and a better experience for vendors.

Initial efforts from the Mayor’s Office of Contract Services (MOCS) have included establishing the Joint Task Force to Get Nonprofits Paid on Time and a 12-week “Clear the Backlog Initiative” to address the billions of dollars the city owed nonprofits for work that had already begun. This initiative targeted contracts that were yet to be filed, or “registered,” ultimately clearing \$4.3 billion owed to over 450 providers. They have also begun publishing more procurement information online through the launch of Passport Public and have engaged consultants to outline and roadmap the more fundamental reforms required to improve procurement.

These steps are encouraging, but there is a long road ahead. One-quarter of contracts are still unregistered, and payments take months, which particularly burdens nonprofits and small businesses. An analysis in late 2022 by City & State suggests nonprofits have yet to be paid for 27% of the work they have done under registered contracts. According to reporter John MacIntosh, “delays have reached the point where they threaten the ability of the partners to pay their staff—let alone continue the work.”<sup>29</sup>

Comptroller Lander is now pushing the city’s procurement board to evaluate policies that address nonprofits, small businesses, and MWBEs. And in early 2023, the Capital Process Reform Task Force completed its initial comprehensive review of the city’s capital procurement, from project initiation to closeout. Recommendations included a number of state-level reforms as well as internal changes to the RFP and contract-design process to speed up timelines.

Addressing these ongoing issues will be imperative as the city contends with how best to spend its additional federal transportation funding. The IIJA increased NYC DOT’s direct funding by one-third to more than \$1 billion in total funds over the next five years, while also providing more than \$400 billion in competitive grants for projects that advance environmental sustainability, quality of life, economic competitiveness, state of good repair, innovation, and partnerships. The city’s DOT has said it “has several such projects—including the interagency Cross Bronx Expressway proposal specifically cited by Senator Schumer—that meet these criteria, and so will be well positioned to compete for these funds.”<sup>30</sup>

With money already flowing and a limited window in which to spend it, the pace of reform has to be quick. New York City has made tremendous strides over the past year, but it still faces many challenges in executing Mayor Adams’s vision for reform.

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## Recommendations for New York City and Other Localities

While certain reforms will require coordination with the state legislature, there are still many immediate actions that New York City and other localities facing governance restrictions can implement now. Prioritizing these more short-term objectives can go a long way toward achieving long-term goals.

### **Improving supply chain diversity and vendor competition**

- Increase vendor outreach with direct messaging on multiple channels, including text messaging, email, phone calls, social media, and through community partners.
- Hold informational events in communities where new potential vendors are based, with language interpretation available.
- Create a vendor task force to make recommendations on plain-language procurement documents and procedures.
- Post how-to documents and videos in multiple languages.
- Conduct regular virtual “office hours” to answer general vendor questions.

**Elevating procurement staff**

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- Invest in regular continuing education and problem-solving training for procurement staff.
- Conduct annual procurement training or “brush up” sessions for each city agency or department.
- Identify bottlenecks and pain points by interviewing all procurement system users, from RFP to contract execution to payment. Include those users in designing system or procedural changes.
- Include user/staff input on identifying technology that can streamline their work and allow them to focus on problem-solving.
- Create a cabinet-level position focused on procurement policy.

**Spending smarter**

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- Invest in a data collection strategy and/or public-facing tool.
- Conduct regular, data-based vendor performance reviews.
- Allow independent procurement audits.
- Hold vendor debriefings following bid selection to increase transparency and reduce potential for cumbersome bid protests.
- Utilize (or get authorization to use) competitive proof-of-concept requests for problem-solving.
- Coordinate with Chief Information Security department heads to ensure that purchasing is aligned with that department’s priorities.

**Federal grants**

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The IRA and IIJA also contain competitive grant programs that state and local officials could tap as part of any effort to modernize procurement.

**State and Local Cybersecurity Grant Program (IIJA)**

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This program provides \$1 billion in competitive grant funding over four fiscal years for state, local, and tribal governments to address cybersecurity risks and cybersecurity threats to information systems that they own or operate.

**Neighborhood Access and Equity Grant Program (IRA)**

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This program provides \$3.2 billion in competitive grant funding for government projects that mitigate negative impacts of urban renewal in disadvantaged communities. Among the wide range of eligible uses, the law states government recipients can use the funding to “administer or obtain technical assistance” for projects in underserved communities. In addition, at least \$50 million in subgrants are available to “local governments to build capacity to assume responsibilities to deliver surface transportation projects.”

In addition, numerous federal programs in the IRA are centered on the procurement of goods, which can provide opportunities to conduct modernized procurement practices, including: \$1 billion to purchase zero-emission, heavy-duty vehicles, \$3 billion to purchase and install zero-emission port equipment and technology, and \$3 million to purchase and deploy air quality sensors in disadvantaged communities.

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## Conclusion

Procurement offices have made considerable strides toward making the process more user-friendly and accessible, particularly since the pandemic accelerated digital adoption. Still, there is much more to do to ensure that governments use their purchasing power more effectively. The one-time influx of federal funds to thousands of cities represents a critical moment for states and cities to modernize their procurement processes. In New York and other cities facing similar governance constraints, some energy will necessarily be directed at gaining more autonomy, so they have more freedom to innovate.

Still, there are many steps that officials can take now to leverage procurement as a driver of economic growth. By implementing the practices and ideas outlined in this brief, it is our hope that state and local governments can wield the powerful tool of procurement to boost local economies, create value for taxpayers through competition and efficiency, and generate innovative and sustainable solutions.

### Resources

FACT SHEET: Biden-Harris Administration Advances Equity and Economic Opportunity Through Federal Procurement and State and Local Infrastructure Contracting

Growing Adoption of StateRAMP Across All State, Local Government, & Education Sectors

Retooling Metropolis (2016)

GFOA: Fiscal First Aid for the Procurement Office

City Accelerator—Culture, Collaboration, and Capital: Leveraging Procurement for Economic Equity

NYC.gov Fact Sheet on the IIJA

“How is the Adams Administration doing on procurement reform?” (City & State)

NYC Comptroller Letter to Mayor Adams on Procurement Reform

New York City Capital Process Reform Task Force 2022 Year-End Report

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## Endnotes

- <sup>1</sup> Brian J. Baldus and Lindle Hatton, “U.S. Chief Procurement Officers’ Perspectives on Public Procurement,” *Journal of Purchasing and Supply Management* 26, no. 1 (2020): 100538; Randy Moore, Kristen Ricks, and Jeffrey Little, “Annual State and Local Government Finances Summary: 2020,” U.S. Census Bureau, Sept. 22, 2022.
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- <sup>8</sup> Author conversation with Dugan Petty.
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- <sup>13</sup> Scott Becker and Stephen Goldsmith, “Cooperative Procurement: Today’s Contracting Tool, Tomorrow’s Contracting Strategy,” October 2018.
- <sup>14</sup> Liz Farmer, “2 Practical Approaches to More Equitable Government Spending,” *Route Fifty* (blog), Nov. 1, 2022.
- <sup>15</sup> Ibid.
- <sup>16</sup> Living Cities, “Using Procurement to Create Inclusive Local Economies,” webinar recording.
- <sup>17</sup> Author conversation with Michelle Wilson.
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- <sup>19</sup> Ibid.
- <sup>20</sup> Jim McKay, “New Simulation Technology Helps Get the Jump on Wildfires,” *Government Technology*, Oct. 2, 2020.
- <sup>21</sup> See, for example, New York State Office of General Services, “Measuring Success in Procurement How to Identify, Measure, and Work Toward Procurement Goals,” presentation, Apr. 30 and May 1, 2019.
- <sup>22</sup> Author conversation with Rick Grimm.
- <sup>23</sup> Author conversation with Dugan Petty.
- <sup>24</sup> NASPO ValuePoint, Carahsoft Technology Corporation.
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- <sup>26</sup> Presentation by Amanda Noble at AGA Atlanta Chapter meeting, June 2020.
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