

## Stimulating Economic Growth through Local Purchasing



Local purchasing is one way in which anchor institutions can invest directly in community development. Like local hiring, local purchasing is a way to leverage an institution's economic power for the benefit of the community. Both hospitals and universities have massive purchasing power, spending over \$500 billion in goods and services annually. By targeting this money to purchase goods and services locally, institutions encourage local business improvement and growth that will ultimately help to create more healthy and stable communities.

Additionally, local purchasing carries with it added benefits in terms of environmental concerns and infrastructure stability. Purchasing goods locally requires less transportation, decreasing costs and offsetting carbon emissions. Similarly, buying locally reduces both pressure and dependency on our nation's overtaxed transportation infrastructure and illuminates the risk of inconvenience or stoppage due to weather as well as natural (and man-made) disasters.

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*By directing their massive purchasing power locally, anchor institutions encourage local business improvements and, ultimately, economic growth and stability*

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### Making it Work

Redirecting purchasing dollars locally usually requires internal changes to an institution's procurement policies. These changes may take the form of providing incentives that encourage decision makers to purchase goods locally or opening-up new opportunities for local, minority and women-owned businesses to work with the institutions. To facilitate local purchasing, it is often necessary for the investing institution to develop an infrastructure to build up local business capacity that includes active outreach as well as additional resources and staff that engage local vendors and prepare them to deal with the university. Here are some ways that anchor institutions can direct purchasing locally:

- Establish institution-wide local purchasing goals
- Create incentives that encourage decision makers to purchase goods locally
- Work with local community-based groups to reach out to local vendors as well as to build the capacity of local vendors.
- Start a center, office or program that coordinates local purchasing efforts.

### Best Practices

#### *Gundersen Lutheran Health Systems*

In 2010, Gundersen Lutheran, a Wisconsin-based health care system, set the goal of purchasing 20% of its food locally. As a result, Gundersen helped create the Fifth Season Cooperative, a multi-stakeholder farm cooperative that connects local farmers and producers of meat and dairy products to local purchasers (in addition to Gundersen). The goal of this program is to support local farmers and producers while improving the health of Gundersen's patients and reducing transportation and environmental costs.



### *The University of Pennsylvania*

The University of Pennsylvania maintains one of the best known, largest and most successful local purchasing programs among universities. Penn's efforts began in the 1980s with its "Buy West Philadelphia" program whose goal was to increase the University's spending with local minority-owned businesses. The program included requirements that all contractors partner with local vendors, incentives tying purchasing staff's evaluation to local businesses, requirements for partnerships with community-based organizations to facilitate community involvement, and provisions for technical assistance to local businesses. Since then, the University has directed 10 percent of its annual purchasing toward local vendors within West Philadelphia and injected over \$94.8 million into that neighborhood's economy. Penn's "buy local" initiative has become a model program for other institutions and cities looking to encourage local purchasing.

### *University of Minnesota, Twin Cities*

In 1999, the University of Minnesota established the Office for Business and Community Economic Development to oversee practices of local economic inclusion. This office provides incentives to University departments that do business with targeted local businesses and works to increase expenditures with these businesses. Additionally, this office also provides training and technical assistance to vendors and local businesses. Currently, the University requires that at least 10% of all base contracts are made with local, minority and women-owned businesses. In 2008 alone, \$75 million of the university's \$700-million spent on goods and services went to women- and minority-owned businesses.

## **Resources**

National Association of Educational Procurement,  
[http://www.naepnet.org/imis15\\_prod/NAEPPub/Home/NAEPPub/Home.aspx](http://www.naepnet.org/imis15_prod/NAEPPub/Home/NAEPPub/Home.aspx)

University of Pennsylvania, <http://www.upenn.edu/campus/westphilly/>

Fifth Season Cooperative, <http://fifthseason.coop/about/>

University of Minnesota, Office for Business and Community Economic Development, <http://www.bced.umn.edu/>