



State of Washington 2019 Disparity Study

Colette Holt & Associates
Blackstar Services, Inc.
F.M. Burch & Associates

Disparity Study Team

- Colette Holt & Associates
 - Nationally recognized leader in conducting disparity studies, designing programs & successful litigation defense
 - Conducted WSDOT Study
 - Completing WSDOT/FAA Study
- Subconsultants
 - Blackstar Services, Inc. (MBE)
 - Experienced Native American-owned outreach & supportive services firm
 - F.M. Burch & Associates (M/WBE)
 - Experienced Black woman-owned outreach & supportive services firm

Disparity Study Objectives

- Determine the level of disparity in the participation of minority, women and veteran owned businesses in state contracting
- Provide recommendations to address any disparity in the participation of minority, women and veteran owned businesses in state contracting

Disparity Study Elements

- Comply with all legal requirements of a disparity study
- Determination of the state's geographic markets
- Determination of the state's industry markets
- Determination of the utilization of M/WBEs
- Estimation of M/WBE availability
- Disparity analysis
- Economy-wide analysis
- Anecdotal data collection & analysis
- Review of the state's contracting equity programs
- Recommendations

Utilization Analysis

- Study analyzed state-funded contracts for FFY 2012-2016
- Final Contract Data File = \$3,484,653,357
 - 613 prime contracts
 - 2,690 subcontracts
- Step 1: Gathered prime contracts from 33 agencies to create Sample Contract Data File
- Step 2: Gathered any additional data needed from agencies

Utilization Analysis

- Step 3: CHA contacted primes for missing subcontractor data to develop the Final Contract Data File
 - Assigned missing race, gender & NAICS codes
- Step 4: Determined geographic & industry markets
 - Analyzed data for primes; subs; & primes & subs together

Utilization Analysis

- Step 4, cont.
 - Determined the unconstrained product markets by NAICS codes
 - Construction: 40.5%
 - Construction-related services: 4.9%
 - Goods: 7.7%
 - Client services: 15.9%
 - Services: 31.1%
 - Determined the geographic market for at least 75% of the contracts
 - Market is Washington State
 - Determined product market constrained by geographic market to create Final Contract Data File

Utilization Findings

- Step 5: Calculated detailed utilization by race, gender, industry codes & agency
 - Utilization of MWBEs (all sectors & all agencies combined)
 - MWBEs: 15.54%
 - Blacks: 1.23%
 - Hispanics: 0.58%
 - Asians: 0.75%
 - Native Americans: 1.74%
 - White women: 11.25%
 - Non-MWBEs: 84.46%

M/WBE Availability Analysis

- Created Master Directory of M/WBEs from multiple entities
- Purchased Hoovers for initial business universe
- Assigned NAICS codes
- Assigned missing race & gender status
- Estimated detailed, unweighted & weighted availability for all groups & agencies combined, & disaggregated race, gender & industry codes

M/WBE Availability Findings

- MWBE aggregated weighted availability (all sectors & agencies combined)
 - MWBEs: 15.2%
 - Blacks: 1.7%
 - Hispanic: 0.7%
 - Asians: 2.6%
 - Native Americans: 0.6%
 - White females: 9.6%
 - Non-MWBEs: 84.8%

Disparity Analysis

- Disparity ratio = M/WBE utilization ÷ availability
- Calculated disparity indices for contracts:
 - All race & sex groups & all industry groups combined & disaggregated
 - Examined various impacts by industry & NAICS codes

Disparity Findings

- Disparity ratios (all sectors & agencies combined)
 - MWBEs: 102.4%
 - Blacks: 70.4% ++
 - Hispanics: 86.8%
 - Asians: 29.3% ++
 - Native Americans: 294.5%
 - White females: 116.8%
 - Non-MWBEs: 99.6%

++ Indicates substantive significance

Disparity Findings

- Disparity Ratios (without Client Services & NAICS code 238210)
 - MWBEs: 54.43%^{***} ++
 - Blacks: 2.52% ++
 - Hispanics: 85.87%
 - Asians: 30.37% ++
 - Native Americans: 322.35%
 - White females: 53.05% ++
 - Non-MWBEs: 105.3%^{***}

**** Indicates statistical significance at the 0.001 level*

++ Indicates substantive significance

Economy-Wide Disparity Analysis

- Survey of Business Owners
 - Very large disparities in firms' sales receipts between M/WBEs & Non-M/WBEs
- American Community Survey
 - In most cases, M/WBEs were underutilized relative to White men
 - Wages & business earnings were lower for these groups compared to White men
- Credit discrimination barriers against MBEs remain high
- Human capital constraints continue to impede the success of minority firms

Qualitative Analysis

- Public study information meetings
- Small group stakeholder organization interviews & business owner interviews
 - Grouped by industry
 - Grouped by M/WBE status
- Business owner electronic survey

Qualitative Findings

- 251 meeting/interview participants
- Results
 - Some minorities believed that racism is more subtle in the Northwest than in other parts of the country
 - M/WBEs experience negative bias & exclusion from networks
 - Women continue to suffer from sexism, harassment & hostile work environments
 - Blacks reported some instances of worksite harassment and bullying

Qualitative Findings

- Veteran-owned firms did not face similar discriminatory barriers.
 - None reported barriers on the basis of having served in the military
 - White-male owned participants sought the preference for VBE to boost their business prospects
 - Like some M/WBEs, a VBE reported that certification was a negative.
- Electronic survey results mirror those of the interviews

State Policies Findings

- Most M/WBEs reported it is extremely difficult to obtain work on State projects
- M/WBE certification conferred few benefits
- Long established firms recounted the negative impact of Initiative 200
- Small firms found it difficult to access contracting information
- Contracts were often too large for small firms
- Insurance, bonding, experience requirements, etc., are barriers
- Antiquated & decentralized state systems are challenges

State Policies Findings

- M/WBE suggestions
 - Adopt mentor-protege programs
 - Reduce contract sizes
 - Review qualification, financing, bonding & insurance requirements
 - Centralize procurements
 - Adopt a race & gender-neutral small business target market program
 - Implement race- & gender-conscious contract goals; inclusion plans are not effective

State Policies Findings

- State staff suggestions
 - Increase outreach to targeted industries
 - Provide more training & resources to contracting & procurement personnel to advance equity & inclusion
 - Adopt agency specific contracting forecasts
 - Provide technical assistance & supportive services to M/WBEs
 - Review insurance & bonding requirements

Disparity Study Recommendations

- Implement an electronic data collection & monitoring system
- Examine current policies & provide best practices
- Conduct pre-bid conferences
- Post winning bidders/proposers to WEBS
- Conduct additional outreach efforts
 - Conduct special outreach to M/WBEs in industries where they have received few opportunities
 - Focus outreach on agencies with low M/WBE utilization

Disparity Study Recommendations

- Increase technical assistance to M/WBEs & small firms
- Lengthen solicitation times
- Review contract sizes & scopes
- Raise the Direct Buy limits
- Adopt “quick pay” policies
- Review insurance, surety bonding & experiences requirements
- Train state staff on how to increase diversity in contracting

Disparity Study Recommendations

- Develop pilot race- & gender-neutral SBE programs
 - Bonding & financing support
 - Target Market program
 - Mentor-protégé program
- Develop performance measures for success



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