

Understanding the 2019 Report on Washington State's Disparity Study

The [Washington State Disparity Study](#) was commissioned by the Department of Enterprise Services on behalf of the Governor's Subcabinet on Business Diversity to help the state determine the level of disparity in participation by business enterprises owned by minorities, women and veterans in state contracts for public works, goods and services and client services. The study was published on June 19, 2019.

The term **disparity** refers to the condition of something being unequal. Thus, the disparity study was intended to collect data and analyze evidence about both the **availability** of minority-, women- and veteran-owned business enterprises and the level of **utilization** of such businesses in state contracts. The ratio of the utilization of a particular demographic group over the group's weighted availability results in the disparity ratio.

For this study, the authors were unable to compile sufficient data regarding veteran-owned business availability and utilization to complete any disparity analysis for veteran-owned businesses. Instead, the authors collected qualitative evidence regarding possible discriminatory barriers faced by veteran-owned businesses. The authors found that of the 224 minority-, women, and veteran-owned business enterprises they interviewed, none of them "reported barriers on the basis of having served in the military."

The results of this study, therefore, only include disparity ratios and analyses for businesses owned by the following demographic groups:

- African American
- Asian
- Hispanic
- White women
- Other (referred to as Non-MWBE)

Collectively, African American-, Asian-, Hispanic- and White women-owned business enterprises comprise the group described as "M/WBE" contractors in the study.

To compile relevant data and perform this analysis, the study authors collected information from 31 state agencies and two public institutions of higher education in the state of Washington for fiscal years 2012 through 2016. They constructed a spreadsheet that contained data fields for all elements required for them to complete the disparity analysis. Where the complete data required for the analysis was not available from the state, the study authors conducted research to complete the data fields as needed.

The Final Contract Data File used by the study authors for their analysis contained 3,303 total contracts. 613 of these were prime contracts and 2,690 were subcontracts. Of the dollars spent and associated with these contracts, \$2,596,300,922, or 74.5%, went to prime contractors. Subcontractors received \$888,352,435, or 25.5%, of the total contract dollars.

Utilization is expressed as the percentage of state dollars paid to M/WBEs within the relevant geographic boundaries and across those industries that make up at least 75% of the total state spending on the analyzed contracts for the study period.

The relevant industries for this study were determined using North American Industry Classification System (NAICS) codes. In this study, the authors used what they termed a “1 percent” rule which resulted in the inclusion of at least 75% of the total state spending for the study period. This means they included and analyzed:

- all NAICS codes for state contracts where the NAICS codes’ share of total contract dollars was at least 1 percent of the total of all contracts, plus
- all NAICS codes where the share of prime contractor dollars was at least 1 percent of the total dollars spent, plus
- all NAICS codes where the share of the subcontractor dollars was at least 1 percent of total dollars spent.

After narrowing the market based on industries using the most prevalent NAICS codes from the contract data, the market was narrowed to the geographic boundaries that represent the territory covered by most of the state’s purchases. The study authors determined that since 97.9% of the state’s relevant dollars were spent within Washington State, the relevant geographic area for this study was Washington State.

Levels of **availability** were determined based on data regarding the numbers of M/WBEs that existed within the identified NAICS industry markets within Washington State. In addition to the Final Contract Data File that was compiled by the study authors, two additional databases were relied on to estimate availability: (1) an “M/WBE Directory” compiled by the study authors for this study through independent research and (2) a Dun & Bradstreet/Hoovers Database.

The availability numbers were then adjusted to show “weighted” availability percentages of MWBE firms within the relevant geographic and industrial markets. The study authors present this information in **Table 4-9: Aggregated Weighted Availability** as follows:

Black	Hispanic	Asian	Native American	White Women	MWBE Subtotal	Non-MWBE	Total
1.7%	0.7%	2.6%	0.6%	9.6%	15.2%	84.8%	100%

These weighted availability percentages show what the expected utilization rates would be if such businesses were utilized in direct proportion to their availability to provide goods and/or services of the type purchased by the state within the geographic boundaries of the state.

The disparity ratios presented in the study were then calculated by dividing the utilization rate by the weighted availability. Where the utilization rate is less than the availability for that group, it suggests the group is underutilized. Therefore, disparity ratios below 100% suggest that the particular demographic group is underutilized. **Table 4-10: Disparity Ratios by Demographic Group** presents the overall disparity ratios calculated by the study authors:

	Black	Hispanic	Asian	Native American	White Women	MWBE	Non-MWBE
Disparity Ratio	70.4%	86.8%	29.3%	294.5%	116.8%	102.4%	99.6%

It is important to note that the study authors recognized that especially high concentration of a group within a narrow range of NAICS codes and especially strong performance by one or two firms within such a group may be at odds with the performance of most firms in that group. Accordingly, additional analysis is presented by the study authors in Tables 4-11 through 4-13.

Of particular note is Table 4-12 which presents the disparity ratios when client services contracts are excluded from the analysis. **Table 4-12: Disparity Ratios by Demographic Group (without Client Services)** shows:

	Black	Hispanic	Asian	Native American	White Women	MWBE	Non-MWBE
Disparity Ratio	2.5%	110.1%	29.9%	310.3%	79.8%	71.3%	105.3%

Additional information about the methodology used by the study authors is available in Chapter Three, *Model Disparity Study*, of the [Transportation Research Board of the National Academy of Sciences, NCHRP Report 644, Guidelines for Conducting a Disparity and Availability Study for the Federal DBE Program](#) (2010).