
Final Report

December 31, 2010

**Indiana Disparity Study –
Final Report**

Indiana Department of Administration
Indiana Department of Transportation
Ball State University
Indiana State University
Indiana University
Ivy Tech Community College
Purdue University
University of Southern Indiana
Vincennes University

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Prepared for

Indiana Department of Administration
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Ball State University
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University of Southern Indiana
Vincennes University

Prepared by

BBC Research & Consulting
3773 Cherry Creek N. Drive, Suite 850
Denver, Colorado 80209-3868
303.321.2547 fax 303.399.0448
www.bbcresearch.com
bbc@bbcresearch.com

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CHAPTER ES.

Executive Summary

As part of its implementation of the Minority and Women’s Business Enterprises (MBE/WBE) Program, the State of Indiana periodically evaluates the effectiveness of the program in encouraging utilization of minority- and women-owned firms (MBE/WBEs) in its contracts. The State most recently performed an independent review in 2006.¹ The State commissioned BBC Research & Consulting (BBC) to conduct the current review of its MBE/WBE Program.

BBC began the study in spring 2009 and presented a final report to the State of Indiana in December 2010. The study included analyses of MBE/WBE participation in contracts and subcontracts for the Indiana Department of Administration (IDOA) and the Indiana Department of Transportation (INDOT) — together, referred to as the “state.”² Unlike previous reviews, BBC’s study also included analyses for seven state educational institutions (SEIs):

- Ball State University;
- Indiana State University;
- Indiana University;
- Ivy Tech Community College of Indiana;
- Purdue University;
- University of Southern Indiana; and
- Vincennes University.

For IDOA, INDOT and each SEI, the BBC study includes a comprehensive analysis of:

- Utilization of MBE/WBEs as prime contractors and subcontractors between July 1, 2006 and June 30, 2009, by race, ethnicity and gender;
- Whether there are disparities between MBE/WBE utilization and what might be expected based on MBE/WBE availability to perform the work;
- Whether there are barriers in the marketplace, public procurement methods, or other factors that might be, in part, causing any identified disparities; and
- Options for improving MBE/WBEs’ access to contracting and subcontracting opportunities.

¹ Bucher + Christian Consulting, Inc. 2006. *Statistical Analysis of Utilization of State Contracts for the State of Indiana*. Prepared for the Indiana Department of Administration.

² Data from a number of state agencies are included in IDOA’s analysis. For a complete list of agencies, see Chapter 1.

BBC's disparity analyses combined certified and non-certified minority- and women-owned firms in both the utilization analyses and the corresponding availability analyses. Comparing outcomes for firms based on race/ethnicity and gender of their ownership — regardless of whether they are certified — allows one to assess whether there are disparities that might be racially- or gender-focused. Firms may be discriminated against because of the race or gender of the business owner regardless of whether the owner has applied for DBE or MBE/WBE certification. Even with this method of analysis, any state or SEI implementation of an MBE/WBE program or INDOT's implementation of the Federal Disadvantaged Business Enterprise (DBE) Program must limit eligibility for certain aspects of the program to firms certified as MBE/WBEs or DBEs.

This Executive Summary is organized in six parts:

- A. Organization of Final Report
- B. Availability of MBE/WBEs for state and SEI contracts and subcontracts;
- C. Utilization of MBE/WBEs on state and SEI contracts and subcontracts;
- D. Disparity analyses and results;
- E. Marketplace conditions; and
- F. Options for improving MBE/WBEs' access to state and SEI contracting opportunities.

A. Organization of Final Report

To provide a comprehensive review of the State of Indiana's MBE/WBE Program, INDOT's implementation of the Federal DBE Program, and the participation of minority- and women-owned firms for each state educational institution, this final report includes 17 chapters and 32 appendices describing information relevant to outcomes for minority- and women-owned firms in state and SEI contracting and the Indiana marketplace. Readers should begin by reading this Executive Summary as well as the summaries for the participating agency and SEI of interest, which are included separately in the following Summary Reports:

- Appendix P. IDOA;
- Appendix R. INDOT;
- Appendix T. Ball State University;
- Appendix V. Indiana State University;
- Appendix X. Indiana University;
- Appendix Z. Ivy Tech;
- Appendix BB. Purdue University;
- Appendix DD. University of Southern Indiana; and
- Appendix FF. Vincennes University.

B. Availability of MBE/WBEs for State and SEI Contracts and Subcontracts

In the disparity analysis, the study team compared the percentage of state and SEI contract dollars going to each racial/ethnic/gender group (MBE/WBE utilization) to the percentage of dollars that each group might be expected to receive based on its availability for specific types, sizes and locations of state and SEI prime contracts and subcontracts (MBE/WBE availability).

BBC collected information about potentially available firms by contacting Indiana businesses that perform specific types of construction, professional services, goods and support services work most relevant to state and SEI contracting. More than 9,000 firms completed telephone interviews, allowing the study team to build a database of firms available for specific types of state and SEI work. Nearly one-quarter of the firms in the availability database were minority- or women-owned.

BBC analyzed the number of MBEs, WBEs and majority-owned firms available for each state and SEI contract and subcontract, then dollar-weighted the results to determine overall availability (see Chapter 5). Figure ES-1 presents the availability results for combined state and SEI procurements that BBC analyzed as part of the study.³ As shown, MBE/WBE firms might be expected to receive about 16 percent of state and SEI contract dollars given the availability of MBEs, WBEs and majority-owned firms for specific types, sizes and locations of state and SEI prime contracts and subcontracts during the study period. This “availability benchmark” reflects dollar-weighted availability — it is not based on a simple headcount of firms. White women-owned firms (“WBEs” in Figure ES-1) comprise a large share of total MBE/WBE availability for state and SEI contracts.

Figure ES-1.
Availability of firms for combined state and SEI contracts,
July 2006–June 2009, by race/ethnicity and gender

Race, ethnicity and gender	Utilization benchmark (availability %)
African American-owned	1.8 %
Asian-Pacific American-owned	0.9
Subcontinent Asian American-owned	1.2
Hispanic American-owned	0.6
Native American-owned	0.6
Total MBE	5.2 %
WBE (white women-owned)	<u>11.0</u>
Total MBE/WBE	16.2 %
Majority-owned	83.8
Total	100.0 %

Note: See Figure K-1 in Appendix K.
 Numbers may not sum perfectly due to rounding.
 Source: BBC Research & Consulting from 2009/2010 Availability Survey.

³ BBC uses the words “contracts” and “procurements” interchangeably throughout the report.

The study team also calculated MBE/WBE availability for construction, goods, professional services and support services contracts. MBE/WBE availability is highest for state and SEI support services contracts (34%) and lowest for construction contracts (12%). Chapter 5 of the disparity study report presents MBE/WBE availability results for IDOA, INDOT and each SEI, by racial/ethnic/gender group and for specific types of work.

C. Utilization of MBE/WBEs on State and SEI Contracts and Subcontracts

To determine MBE/WBE utilization on state and SEI contracts, BBC examined prime contracts and subcontracts that IDOA, INDOT and each SEI awarded between July 1, 2006 and June 30, 2009 (fiscal years 2007, 2008 and 2009). The utilization analysis included procurements worth \$5,000 or more.⁴ Some of those procurements were funded using federal dollars.

BBC began the utilization analysis by examining more than 300,000 contracts and subcontracts for the three-year study period. Most of those procurements and corresponding dollars were not appropriate for the disparity study because they were payments made to organizations that were not businesses, such as government agencies or not-for-profits. For more detail about the dollars that the study team included in the disparity study, see Chapter 3 and Appendix C. The final utilization analysis presented in the study includes more than 85,000 prime contracts and subcontracts totaling \$10 billion that went to businesses within study industries.

Combined state and SEIs. Figure ES-2, on the following page, examines combined state and SEI utilization of each MBE/WBE group (top half of the figure) and utilization of only those firms certified as MBE/WBEs (bottom half of the figure). MBE/WBE firms received 11.3 percent of state and SEI contract and subcontract dollars during the study period. WBEs accounted for much of the overall MBE/WBE utilization.

When examining state and SEI contract dollars by industry, MBE/WBE utilization was:

- 10.2 percent for construction;
- 11.8 percent for professional services;
- 16.9 percent for goods; and
- 16.3 percent for support services.

For more detail about overall state and SEI MBE/WBE utilization by study industry, see Chapter 6 and Figures K-2 through K-5 of Appendix K.

⁴ The study team chose \$5,000 as its analysis threshold because participating state agencies and SEIs typically made purchases worth less than \$5,000 through procurement cards (p-cards) or through other informal purchasing methods. Procurements of \$5,000 or more account for a very large percentage of all procurement dollars.

Figure ES-2.
Utilization of MBE/WBEs and certified MBE/WBEs for combined state and SEI contracts, July 2006–June 2009

Race, ethnicity and gender	Utilization %
MBE/WBEs	
African American-owned	1.7 %
Asian-Pacific American-owned	0.6
Subcontinent Asian American-owned	0.8
Hispanic American-owned	0.8
Native American-owned	<u>0.6</u>
Total MBE	4.5 %
WBE (white women-owned)	<u>6.8</u>
Total MBE/WBE	11.3 %
Majority-owned	<u>88.7</u>
Total	100.0 %
Certified MBE/WBEs	
African American-owned	1.1 %
Asian-Pacific American-owned	0.3
Subcontinent Asian American-owned	0.3
Hispanic American-owned	0.4
Native American-owned	<u>0.1</u>
Total MBE certified	2.1 %
WBE (white women-owned)	<u>2.1</u>
Total MBE/WBE certified	4.2 %
Non-certified	<u>95.8</u>
Total	100.0 %

Note: See Figure K-1 in Appendix K.

Numbers may not sum perfectly due to rounding.

Source: BBC Research & Consulting from data on state and SEI contracts.

State versus SEIs. As part of the State of Indiana MBE/WBE Program, IDOA and INDOT set MBE/WBE contract goals on certain state-funded contracts. Prime contractors can meet those goals by (a) making subcontracting commitments to MBE/WBE-certified subcontractors at the time of bid; or (b) filling out a MBE/WBE program waiver showing that they made all reasonable good faith efforts to fulfill subcontracting goals but could not do so. As part of the Federal DBE program, INDOT sets similar DBE contract goals on certain federally-funded construction and professional services contracts.

Because MBE/WBE participation on state contracts may be affected by the State of Indiana MBE/WBE Program and the Federal DBE Program, and because SEI contracts are mostly unaffected by those programs, it is instructive to compare overall MBE/WBE participation in state contracts to

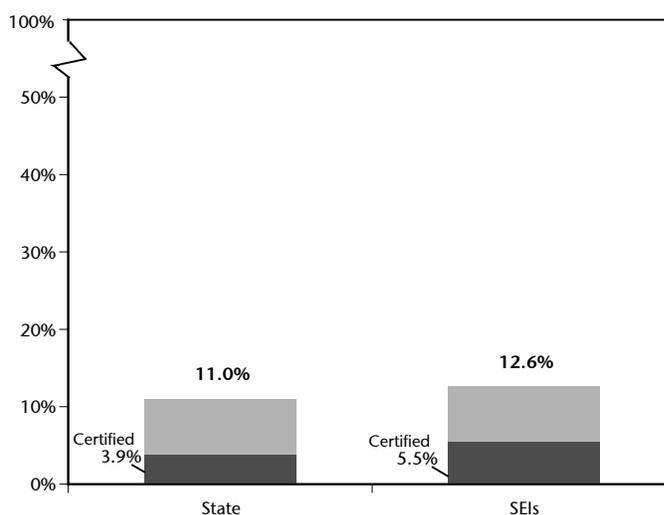
that in SEI contracts.⁵ More details about utilization results for state contracts can be found in Appendix L, and more details about combined SEI contracts can be found in Appendix M.

Overall results. As shown in Figure ES-3, MBE/WBE utilization was similar between state contracts (11.0%) and SEI contracts (12.6%) during the study period. Less than half of MBE/WBE utilization on both state and SEI contracts was with MBE/WBE/DBE-certified firms.⁶ As discussed further below, the state and SEIs differed considerably in how the MBE/WBE participation was achieved.

Figure ES-3.
MBE/WBE and certified
MBE/WBE share of prime
contract/subcontract
dollars for state versus SEI
contracts, July 2006–June
2009

Note:
 “State” refers to IDOA and INDOT contracts.
 Number of contracts/subcontracts analyzed is 54,066 for state and 31,260 for SEIs.
 For more detail and results by group, see Figures L-1 and M-1 in Appendices L and M.

Source:
 BBC Research & Consulting from data on state and SEI contracts.

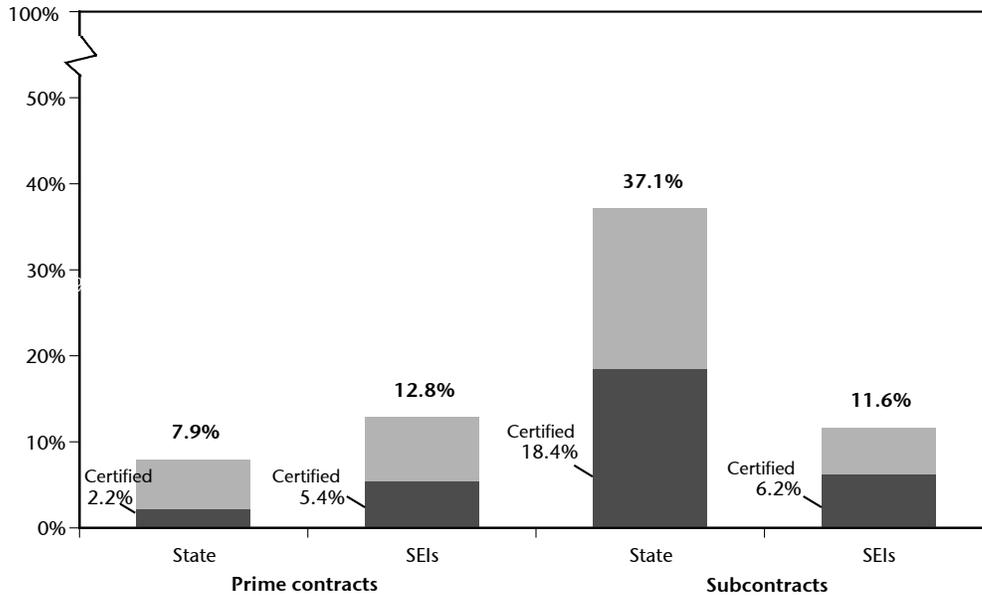


Prime contracts versus subcontracts. BBC compared the utilization of MBE/WBEs as subcontractors on state and SEI contracts awarded during the study period. As illustrated in the right portion of Figure ES-4, 37 percent of subcontract dollars for state contracts went to MBE/WBEs compared to only 11.6 percent of subcontract dollars for SEI contracts. The difference in MBE/WBE utilization on state and SEI subcontracts appears to be due in part to the general absence of MBE/WBE subcontract goals on SEI contracts during the study period.

⁵ Although certain SEIs, such as Purdue University and the University of Southern Indiana, set subcontracting goals on some of their contracts, there are no repercussions for prime contractors who fail to meet those goals or fail to fulfill good faith efforts.

⁶ State contracts included contracts awarded by the Indiana Stadium and Convention Building Authority (ISCBA). During the study period, ISCBA awarded contract dollars in connection with two large construction projects — building Lucas Oil Stadium and the Indiana Convention Center — using an MBE/WBE contracting program. In addition to the analyses presented here, the study team examined MBE/WBE participation in state and SEI contracts after removing contract dollars awarded by ISCBA. MBE/WBE utilization without ISCBA was similar to the results presented in Figure ES-3. MBE/WBE utilization on state contracts without ISCBA was 10.4 percent overall.

Figure ES-4.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for state versus SEI contracts, July 2006–June 2009



Note: "State" refers to IDOA and INDOT contracts.
 Number of prime contracts analyzed is 49,036 for state and 28,832 for SEIs. The number of subcontracts analyzed is 5,030 for state and 2,428 for SEIs.
 For more detail and results by group, see Figures L-6 and L-11 in Appendix L and, and Figures M-6 and M-11 in Appendix M.
 Source: BBC Research & Consulting from data on state and SEI contracts.

D. Disparity Analysis and Results

BBC compared actual utilization of MBE/WBEs on state and SEI contracts (as a percentage of total dollars) to the percentage of dollars that those firms might be expected to receive based on the availability analysis. To help compare results between groups or across sets of contracts, BBC calculated disparity indices by dividing the utilization percentage by availability and then multiplying by 100.⁷ A disparity index of 100 indicates "parity" — that is, for a particular set of contracts, an MBE/WBE group received 100 percent of the dollars that it would be expected to receive based on availability.

⁷ For example, if utilization of WBEs for a set of contracts was 2 percent and availability was 10 percent, the disparity index would be 20 (i.e., 2% divided by 10%, then multiplied by 100).

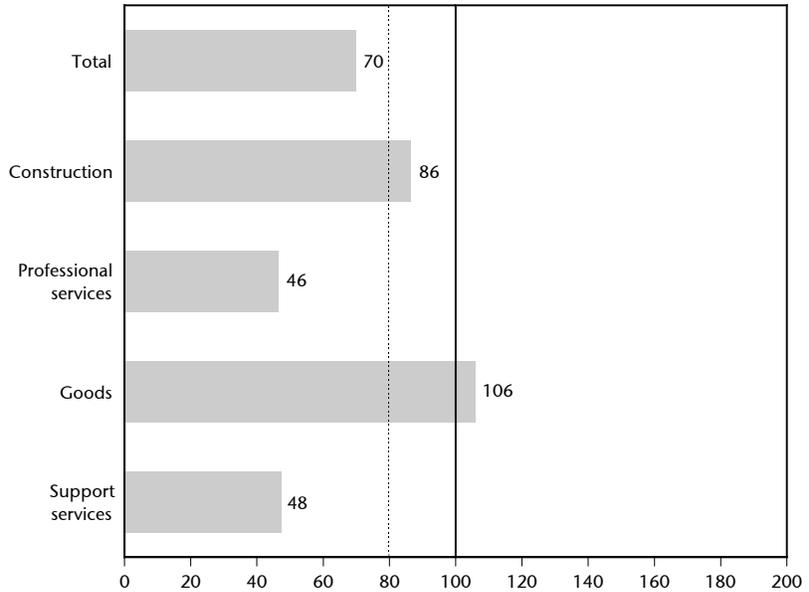
Combined state and SEIs. Figure ES-5 presents overall MBE/WBE disparity indices for combined state and SEI contracts by study industry. The results in Figure ES-5 include data from state and SEI prime contracts and subcontracts.

Overall, MBE/WBEs considered together were substantially underutilized on state and SEI contracts — they received less than three-fourths of the procurement dollars that they would be expected to receive based on availability (disparity index of 70).⁸ MBE/WBEs showed disparities in each study industry except for goods (disparity index of 106).

Figure ES-5.
Disparity indices for
MBE/WBE utilization on
state and SEI contracts, July
2006–June 2009, by study
industry

Note:
 See Figures K-1 through K-5 in Appendix K.
 Number of contracts/subcontracts analyzed was 24,021 for construction, 30,769 for professional services, 25,783 for goods, 4,753 for support services and 85,326 total.

Source:
 BBC Research & Consulting from data on state and SEI contracts.



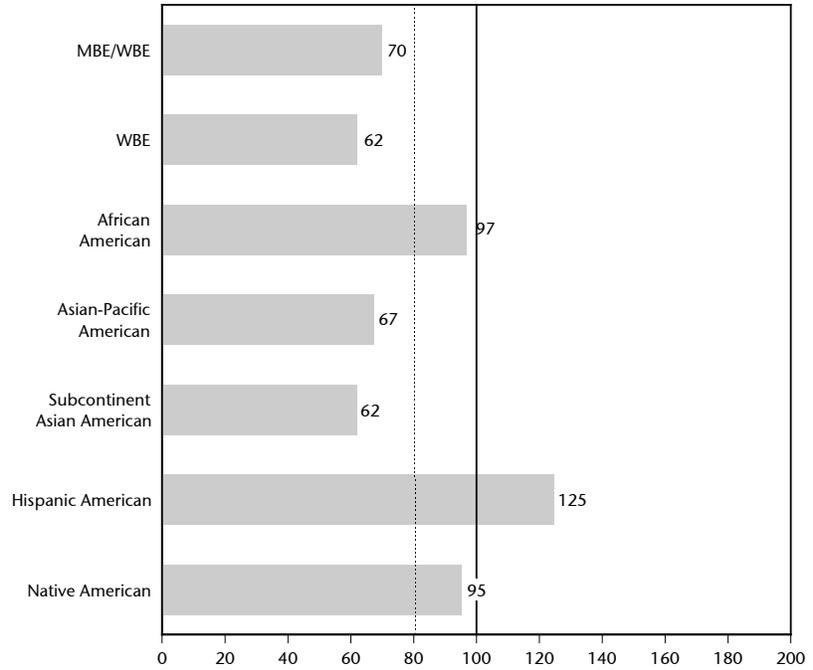
⁸ BBC’s use of the word “substantial” in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

Figure ES-6 presents disparity indices by MBE/WBE group for combined state and SEI prime contracts and subcontracts. Three groups exhibited substantial disparities — Asian-Pacific American-owned firms (disparity index of 67), Subcontinent Asian American-owned firms (disparity index of 62) and WBEs (disparity index of 62).

Figure ES-6.
Disparity indices for utilization on combined state and SEI contracts, July 2006–June 2009, by MBE/WBE group

Note:
See Figures K-1 in Appendix K.

Source:
BBC Research & Consulting from data on state and SEI contracts.



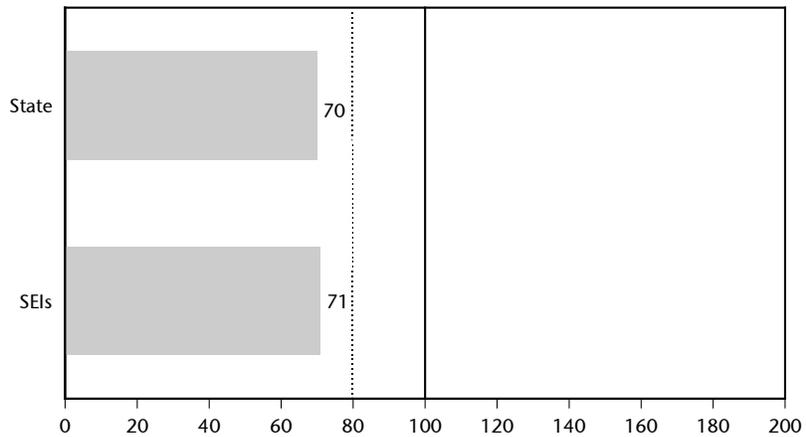
State versus SEIs. Because MBE/WBE participation on state contracts may be affected by the State of Indiana MBE/WBE Program and the Federal DBE Program, and because SEI contracts are mostly unaffected by those programs, it is instructive to compare MBE/WBE disparity indices between state and SEI procurements.

Overall results. Figure ES-7 shows that MBE/WBEs were comparably underutilized on state and SEI procurements — MBE/WBEs considered together exhibited a disparity index of 70 for state contracts and a disparity index of 71 for SEI contracts.

Figure ES-7.
Disparity indices for
MBE/WBE utilization on
state versus SEI contracts,
July 2006–June 2009

Note:
 “State” refers to IDOA and INDOT contracts.
 Number of contracts/subcontracts analyzed is 54,066 for state and 31,260 for SEIs.
 For more detail and results by group, see Figures L-1 and M-1 in Appendices L and M.

Source:
 BBC Research & Consulting from data on state and SEI contracts.



Prime contracts and subcontracts. As one assessment of the effectiveness of the state’s implementation of the State of Indiana MBE/WBE Program and the Federal DBE Program, Figure ES-8 presents overall MBE/WBE disparity indices for state subcontracts (to which goals often applied) versus SEI subcontracts (to which goals largely did not apply). The top portion of Figure ES-8 shows disparity indices for prime contracts and the bottom portion shows disparity indices for subcontracts.

MBE/WBEs were substantially underutilized on SEI subcontracts (disparity index of 68) — they received approximately two-thirds of SEI subcontract dollars that would be expected based on availability. In contrast, MBE/WBE utilization far exceeded availability for state subcontracts (disparity index of 180). Those results may indicate the success of the MBE/WBE contract goals that the state applied to many of its contracts during the study period. It appears that the State of Indiana MBE/WBE Program and the Federal DBE Program is effective in expanding contracting opportunities for minority- and women-owned firms through work as subcontractors.

MBE/WBEs were substantially underutilized on state prime contracts (disparity index of 52) and on SEI prime contracts (disparity index of 71).⁹

⁹ BBC also examined MBE/WBE disparity indices for state contracts without including data from ISCBA. The results of those analyses were similar to the results presented in Figures ES-7 and ES-8. Without ISCBA, the disparity index for MBE/WBEs was 66 for state prime contracts and subcontracts considered together, 51 for state prime contracts and 171 for state subcontracts.

Figure ES-8.
Disparity indices for
MBE/WBE utilization on
state versus SEI prime
contracts and subcontracts,
July 2006–June 2009

Note:

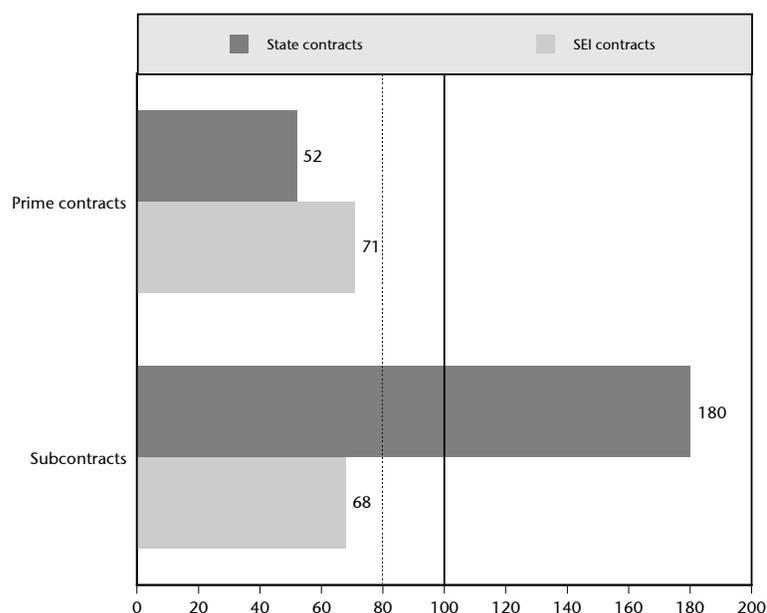
“State” refers to IDOA and INDOT contracts.

Number of prime contracts analyzed is 49,036 for state and 28,832 for SEIs. The number of subcontracts analyzed is 5,030 for state and 2,428 for SEIs.

For more detail and results by group, see Figures L-6, L-11, M-6 and M-11 in Appendices L and M.

Source:

BBC Research & Consulting from data on state and SEI contracts.



E. Marketplace Conditions

BBC examined whether certain barriers exist for minority- and women-owned firms in the Indiana marketplace as a whole. Barriers in the marketplace may help explain some of the disparities that BBC observed for certain MBE/WBE groups in state and SEI construction, professional services, goods and support services contracts. BBC examined potential barriers in the Indiana marketplace in four primary areas:

- Entry and advancement;
- Business ownership;
- Access to capital, bonding and insurance; and
- Success of businesses.

In addition to collecting quantitative data about the Indiana marketplace, the study team also examined qualitative information that it collected from several sources, including:

- In-depth interviews that the study team conducted with Indiana businesses and trade associations;
- Perceptions of local marketplace conditions and contracting opportunities from more than 1,400 firms that the study team collected as part of availability interviews ;
- Two public forums hosted by the Indiana Department of Administration; and
- Written comments that IDOA collected as part of a public posting of the draft report.

Chapter 4, Appendices E-H and Appendix J of the full report provide detailed information about marketplace conditions in Indiana.

Entry and advancement. BBC's analyses indicated that certain minority groups and women are underrepresented in the construction, professional services, goods and support services industries in Indiana compared to non-Hispanic whites and men, even after accounting for factors such as education. Results indicated that:

- African Americans and women exhibited relatively low representation in the Indiana construction industry compared to their representation in the entire Indiana workforce. In addition, there appeared to be barriers to advancement for minorities and women.
- There was relatively low representation of African Americans, Hispanic Americans and women in the Indiana professional services industry. Among all professional services workers, there was particularly low representation of African Americans and women in engineering- and architecture-related lines of work.
- African Americans and women exhibited relatively low representation in the Indiana goods industry compared to their representation in the entire Indiana workforce. Among goods workers, African Americans and women were also less likely than non-Hispanic whites and males to advance to supervisory and managerial positions.
- Two groups showed lower representation in the support services industry compared to their representation in all Indiana industries considered together — Asian Americans and women. Minorities and women were far less likely to advance to supervisory or managerial positions.
- During in-depth interviews and public forums that BBC held as part of the disparity study, some individuals reported stereotypical attitudes on the part of customers and buyers in Indiana as a contributor to unfavorable work environments for minorities and women. Other interviewees reported instances of racial slurs or sexist comments. Some interviewees indicated that they have not experienced difficulties associated with entry and advancement, or that certain factors — such as stereotypical attitudes — have worked to their advantage.

Business ownership. Quantitative analyses of the Indiana construction, professional services, goods and support services industries revealed statistically significant disparities in business ownership for some racial/ethnic/gender groups after accounting for various neutral factors such as age and education.

- Compared to similarly-situated non-Hispanic whites and men, there were disparities in business ownership rates for African Americans, Hispanic Americans and women working in the Indiana construction industry.
- Asian Americans and women exhibited substantial disparities in business ownership rates in the professional services industry.

- White women own goods businesses at less than two-thirds the rate of similarly-situated white men in Indiana.
- African Americans exhibited a substantial disparity in business ownership rates in the support services industry compared to similarly-situated non-Hispanic whites.

Access to capital, bonding and insurance. If racial/ethnic or gender discrimination exists in capital, bonding and insurance markets, minorities and women may have difficulty starting or expanding a business. BBC examined whether MBE/WBEs' access to capital — both from their homes and businesses — is comparable to that of majority-owned firms. In addition, BBC examined information about whether minorities and women face barriers in obtaining bonding and insurance.

- African Americans, Hispanic Americans and Native Americans applying for home mortgages in Indiana were more likely to have their applications denied. In addition, African Americans and Hispanic Americans were approved for business loans at rates that were much lower than that of similarly-situated non-Hispanic whites.
- Several interviewees reported that business credit is difficult to obtain and indicated that race and gender discrimination affected access to business credit. There was also some information that indicated difficulties for small businesses — particularly MBE/WBEs — in obtaining bonding and insurance in Indiana. Other interviewees indicated that they have not experienced difficulties associated with access to capital, bonding or insurance.

Success of businesses. BBC completed analyses that assessed whether the success of minority- and women-owned businesses differs from that of majority-owned businesses in the Indiana marketplace. The study team examined business success primarily in terms of business closures, contractions and expansions, and in terms of business receipts and earnings.

- Between 1997 and 2001, African American- and Hispanic American-owned firms in Indiana closed at higher rates than all firms considered together.¹⁰
- African-American-owned firms were less likely than other firms to expand. However, Hispanic American- and Native American-owned firms were more likely to expand than other firms.
- African American-, Hispanic American- and Native American-owned firms in Indiana were less likely than all firms considered together to experience contraction between 1997 and 2001. Asian American-owned firms were as likely as all Indiana firms considered together to experience contraction.
- African American-, Hispanic American-, Native American- and women-owned firms in Indiana earned substantially less in gross revenue than all firms considered together. The study team also developed regression models of business owner earnings in the East

¹⁰ These were the most recent business closure, contractions and expansion data available for Indiana at the time of the disparity study.

North Central region, which includes Indiana, based on 2000 U.S. Census data.¹¹ The models examined the impact of race/ethnicity/gender on business owner earnings after statistically controlling for neutral factors. The study team identified statistically significant disparities in business earnings for female business owners in construction, professional services, goods and support services. There were also statistically significant disparities for African American construction business owners.

- Data from telephone interviews that BBC conducted as part of the availability analysis indicated that, across all subindustries except professional services, a larger share of majority-owned firms than of MBE/WBEs reported gross revenues of \$5 million or more.
- Several interviewees described difficulties that may affect business success for MBE/WBEs in the study industries. Interviewees discussed participation as prime- and subcontractors; unfair denial of bid opportunities and contract awards; and the existence of a “good ol’ boy” network. Other interviewees indicated experiencing no difficulties in these areas.

F. Options for Improving MBE/WBEs’ Access to IDOA Contracting Opportunities

After reviewing contracting practices and business assistance programs that IDOA, INDOT and SEIs currently have in place, BBC suggests several steps that the state and SEIs might consider to further encourage the future participation of small businesses — including MBE/WBEs — in its contracting and procurement. Some of those suggestions may require changes to existing state and administrative code. When implementing any program focusing on minority- and women-owned firms, the State of Indiana must ensure that it is in compliance with U.S. Supreme Court, federal and state court decisions regarding such programs.¹² For more detail about BBC’s review, see Chapters 16 and 17.

Expand use of small business set-asides and preferences. Indiana state code allows state agencies to solicit bids or quotes only from businesses that qualify as small businesses for certain goods and support services contracts. In addition, state code allows state agencies to use price preferences for small businesses bidding on certain goods and support services contracts. IDOA, INDOT and other state agencies might consider expanding this program to include certain construction and professional services contracts.

Increase competitive opportunities for small contracts. IDOA, INDOT and SEIs might consider increasing the number of small contracts that it awards by segmenting large contracts into multiple, smaller contract elements. Encouraging bid opportunities on small contracts might increase the likelihood of small businesses — including MBE/WBEs — to compete for them. BBC’s analyses indicated that IDOA, INDOT and most SEIs showed higher MBE/WBE utilization on small contracts than on all contracts (see Chapters 7 through 15).

¹¹ This was the most current Census data source available at the time of this study.

¹² *City of Richmond v. J.A. Croson*, 488 U.S. 469 (1989); *Adarand Constructors, Inc. v. Peña*, 515 U.S. 200 (1995). See Appendix B for more detail about related case law.

Insurance and bonding requirements. IDOA, INDOT and SEIs might consider reviewing their insurance and bonding requirements to ensure that they do not act as barriers to smaller and newer firms. BBC's analyses of the Indiana marketplace indicated that certain MBE/WBE groups may face barriers in obtaining insurance and bonding and that those barriers may lead to reduced participation in state contracting (see Chapter 4).

Finance, bonding and insurance assistance. BBC's analyses identified disparities in access to capital, bonding and insurance for certain MBE/WBE groups. The state and SEIs offer technical assistance related to obtaining bonding and finance, but they might also explore ways to better connect contractors and consultants with programs offered by local public and private organizations.

Technical assistance and mentoring. IDOA, INDOT and SEIs offer many technical assistance programs in various business areas, including managing financial resources, developing a business plan and doing business with state agencies and SEIs. The state and SEIs might consider partnering with local organizations to offer further technical assistance and training. For example, some agencies in other states host a construction management school that staff members from a local construction firm teach. The state and SEIs might consider partnering with a large construction firm or other organizations to host similar construction management or general business management courses.

Outreach and advocacy, including notification of bid opportunities. IDOA, INDOT and SEIs host and/or participate in many outreach and advocacy events that include information about marketing, the MBE/WBE certification process, doing business with the State of Indiana and available bid opportunities. Many firms interviewed as part of the disparity study complimented the state and some SEIs on their outreach and advocacy efforts in the Indiana marketplace (see Appendix J for specific comments). The state and SEIs might consider broadening their outreach and advocacy efforts to include more partnerships with local trade organizations and other public agencies.

Expand MBE/WBE outreach and assistance measures, and data collection, to include uncertified firms. The state and SEIs might consider expanding the measures they use to encourage the participation of MBE/WBE-certified firms to include minority- and women-owned firms that are not currently certified. BBC's analyses indicate that a large portion of MBE/WBE utilization on state and SEI contracts occurred with firms that were not certified. Further cultivating relationships with those firms could help encourage MBE/WBE participation in state and SEI contracting. In addition, IDOA, INDOT and SEIs might consider monitoring utilization of uncertified minority- and women-owned firms as prime contractors and subcontractors, in addition to utilization of certified MBE/WBEs. Participation in any MBE/WBE or DBE contract goals programs, however, would still need to be limited to firms certified as MBE/WBEs or DBEs.

Continue the use of MBE/WBE contracting goals. Results from the disparity and marketplace analyses suggest that certain MBE/WBE groups face barriers in obtaining work with IDOA, INDOT and SEIs. Currently, the State of Indiana's MBE/WBE Program allows state agencies to set contract-specific MBE/WBE goals on their contracts and procurements (see Figure 16-1 of Chapter 16 for MBE/WBE goals that the State of Indiana set for fiscal years 2009 and 2010). The State of Indiana might consider continuing to use such goals if it determines that race- and gender-neutral measures alone will not address the observed disparities for minority- and women-owned firms. The State of Indiana will need to ensure that the use of any race- or gender-conscious programs is narrowly tailored, as described further in Chapter 16.

CHAPTER 1.

Introduction

As part of its implementation of the Minority and Women's Business Enterprises (MBE/WBE) Program, the State of Indiana periodically evaluates the effectiveness of the program in encouraging utilization of minority- and women-owned firms in state contracts. The State of Indiana most recently performed an independent review in 2006.¹

To conduct the current review, the State of Indiana engaged a team led by BBC Research & Consulting (BBC). BBC began the assignment in spring 2009 and presented a draft report to the State in fall 2010. Unlike previous reviews, the BBC study also includes analysis of MBE/WBE participation in contracts and subcontracts for seven state educational institutions (SEIs). For each participating entity, the BBC study includes a comprehensive analysis of:

- Utilization of MBE/WBEs as prime contractors and subcontractors by race, ethnicity and gender between July 1, 2006 and June 30, 2009;
- Whether there are disparities between the entity's utilization of MBE/WBEs and the relative availability of MBEs and WBEs to perform the work;
- Whether there are barriers in the marketplace, public procurement policies and procedures, or other factors that might be, in part, causing any identified disparities; and
- Options for improving MBE/WBEs' access to contracting and subcontracting opportunities.

BBC's disparity analyses include certified and non-certified minority- and women-owned firms in both the utilization analyses and the corresponding availability analyses. Comparing outcomes for firms based on race/ethnicity and gender of their ownership— regardless of whether they are certified— allows one to assess whether there are disparities that might be racially- or gender-focused.

The BBC study includes an analysis of opportunities for minorities and women to enter, advance and form businesses within the Indiana construction, professional services, goods and support services industries. BBC researched access to business credit, bonding and insurance, and the relative success of minority- and women-owned firms in the broader Indiana marketplace. Because these types of MBE/WBE studies include analysis of whether there is a disparity between the utilization and availability of minority- and women-owned firms, they are often referred to as disparity studies. The State of Indiana can use the BBC disparity study to make decisions about future implementation of its MBE/WBE Program and consider other changes to policies and procedures to increase and improve opportunities for minority- and women-owned businesses. And because the Indiana

¹ Bucher + Christian Consulting, Inc. 2006. *Statistical Analysis of Utilization of State Contracts for the State of Indiana*. Prepared for the Indiana Department of Administration.

Department of Transportation (INDOT) operates the Federal Disadvantaged Business Enterprise (DBE) Program for certain U.S. Department of Transportation (USDOT)-funded contracts, INDOT can use information from the study to refine its future implementation of the Federal DBE Program.

Chapter 1 introduces the study in four parts:

- A. The State MBE/WBE Program and the Federal DBE Program;
- B. Entities participating in the disparity study;
- C. Study team; and
- D. Study scope.

A. The State MBE/WBE Program and the Federal DBE Program

The State of Indiana operates an MBE/WBE Program pertaining to state-funded contracts. INDOT also implements the Federal DBE Program for its USDOT-funded contracts. To complement the overview provided below, Appendix A provides definitions of key terms used in the State of Indiana MBE/WBE Program and the Federal DBE Program and explanations of concepts used in the disparity study analysis.

State of Indiana MBE/WBE Program. In 1982, the State of Indiana established a Governor’s Commission on Minority and Women’s Business Enterprises (the “Commission”) to encourage utilization of minority- and women-owned businesses. The Commission is responsible for overseeing the State of Indiana’s MBE/WBE program. The Commission’s primary responsibilities as well as elements and provisions of the State of Indiana’s Program are specified in IC 4-13-16.5, IC 5-16-1-7 and Title 25 of Indiana Administrative Code (IAC), Article 5.

Setting annual goals for MBE and WBE participation. Each year, the Commission establishes goals for MBE and WBE participation in State of Indiana contracts. The goals reflect combined utilization of MBE and WBE prime contractors and subcontractors. The Commission sets separate goals for construction, professional services, goods and support services based on appropriate research. The Commission may establish subgoals for specific race and gender groups.²

Annual MBE/WBE goals are aspirational — there is no requirement that the State of Indiana as a whole or individual state agencies or SEIs meet the annual goals. Failure to meet the goals does not automatically cause changes to how the State of Indiana implements the Program.

² 25 IAC 5-7-3.

Promoting MBE/WBE participation as prime contractors. The MBE/WBE Program calls for the State of Indiana to encourage use of MBEs and WBEs in its contracting and procurement as prime contractors.³ Specific program elements include:

- Outreach;
- Small business programs;
- Bonding training and assistance;
- Development of a bidders list;
- Coordination with small business assistance organizations; and
- Feedback to unsuccessful bidders.

There is no provision in the MBE/WBE Program that gives preference to an MBE/WBE bidder over a non-MBE/WBE bidder on State of Indiana contracts.

Promoting MBE/WBE participation as subcontractors. The State of Indiana may set goals for MBE and WBE participation on individual contracts. Prime contractors bidding on a contract that includes goals must either meet the goals or request a waiver. The State of Indiana reviews the waiver request and will grant it if the prime contractor has demonstrated good faith efforts towards compliance with the Program.⁴ If the State of Indiana does not grant a waiver, it may reject the contractor's bid.⁵

When reviewing state and local programs similar to Indiana's MBE/WBE Program, many courts have held that setting contract goals and requiring bidders to meet the goal or show good faith efforts to do so constitutes a racial classification and is subject to the strict scrutiny standard of judicial review, as explained in Chapter 2.

Federal DBE Program. USDOT requires INDOT to implement the Federal DBE Program in order to receive federal transportation funds. Key elements of the Federal DBE Program include the following.

Setting an overall annual goal for DBE participation. Similar to the State of Indiana MBE/WBE Program, INDOT must develop an overall annual goal for DBE participation in its FHWA-funded contracts. The Federal DBE Program sets forth the steps INDOT must follow in establishing the goal, including development of a "base figure" and consideration of possible "step 2" adjustments to the goal.⁶

³ 25 IAC 5-5.

⁴ 25 IAC 5-7-5.

⁵ 25 IAC 5-7-6.

⁶ 49 CFR Section 26.45.

As with the State of Indiana MBE/WBE Program annual goal, INDOT's overall annual goal for DBE participation is aspirational — INDOT does not need to meet the goal and failure to do so does not automatically cause any USDOT penalties.

Establishing the portion of the overall annual DBE goal to be met through neutral means.

Regulations governing implementation of the Federal DBE Program allow, under certain circumstances, for state and local governments to implement the program without the use or with limited use of race- or gender-based measures such as DBE contract goals. According to program regulations 49 CFR Section 26.51, a state or local agency must meet the maximum feasible portion of its overall goal for DBE participation through “race-neutral means.” Race-neutral program measures include removing barriers to participation of firms in general or promoting use of small or emerging businesses (see 49 CFR Section 26.51(b) for a full list of race-neutral program measures). If an agency can meet its goal solely through race-neutral means, it must not use race-conscious program elements. Some states implement the Federal DBE Program solely through neutral measures and without the use of DBE contract goals.

The Federal DBE Program requires that every three years states project the portion of the overall annual DBE goal that it will meet through neutral measures and the portion, if any, that it will meet through any race-conscious measures such as DBE contract goals. USDOT has outlined a number of factors for a state to consider when making that determination.⁷

Determining whether all racial/ethnic/gender groups will be eligible for race or gender-conscious elements of the Federal DBE Program. USDOT provides a waiver provision if a state determines that it does not need to include certain race/ethnic/gender groups in the race- or gender-conscious portions of the Federal DBE Program.

For example, the Colorado Department of Transportation (CDOT) received a waiver from USDOT that allowed CDOT to set contract goals for “Underutilized DBEs” (UDBEs), which do not necessarily include all DBE groups. CDOT has counted the participation of all DBEs toward CDOT's overall annual goal, but only UDBEs can be used to meet individual contract goals. Over the years, CDOT has tracked total utilization of minority- and women-owned firms by group to determine which racial, ethnic and gender groups are “underutilized” and therefore eligible to be UDBEs.

Promoting DBE participation as prime contractors. The Federal DBE Program calls for state DOTs to remove any barriers to DBE participation as prime contractors, but does not require states to implement programs that give preference to DBE primes. Quotas are prohibited, but under extreme circumstances, a state can request USDOT approval to use preference programs related to prime contractors. Small business preference programs, including reserving contracts on which only small businesses can bid, are allowable under the Federal DBE Program.

Promoting MBE/WBE participation as subcontractors. Subject to USDOT approval, a state can decide that it will use DBE contract goals as part of its implementation of the Federal DBE Program. The process of setting DBE contract goals and requiring bidders to meet them or show good faith efforts to do so is similar to the process Indiana follows in its MBE/WBE Program.

⁷ See: <http://www.dotcr.ost.dot.gov/Documents/Dbc/49CFRPART26.doc>.

Although states are required to implement the Federal DBE Program in order to receive USDOT funds, different groups have challenged that implementation in court. State transportation departments in Illinois, Minnesota and Nebraska successfully defended their implementation of the Federal DBE Program. The Washington State Department of Transportation was not able to successfully defend its Federal DBE Program. Chapter 2 and Appendix B review those legal cases in detail.

B. Participating Entities

The State of Indiana MBE/WBE Program applies to state agencies, which are defined in state administrative code as follows:⁸

- An authority, board, branch, commission, committee, department, division, or other instrumentality of the executive, including the administrative department of state government;
- An entity established by the general assembly as a body corporate and politic; and
- A state educational institution.

The State Lottery Commission and the Indiana Gaming Commission are specifically excluded from the definition of state agencies to which the statute applies. Each of those entities has conducted its own study of minority- and women-owned business participation in its contracting.

The following agencies participated in the disparity study.

Indiana Department of Administration. The disparity study analyzed contracting and procurement data from the Indiana Department of Administration (IDOA) as well as from state agencies for which IDOA tracks and administers contracting and procurement data, including:

- Indiana Stadium and Convention Building Authority;
- Indiana Department of Corrections;
- Governor's office; and
- Family and Social Services Administration.

Collectively, for purposes of this study, these agencies are all referred to as IDOA. Figure 1-1, on the next page, provides a complete list of the state agencies whose data were analyzed along with IDOA's.

⁸ 25 IAC 5-2-1 Definitions.

Figure 1-1.
Indiana state agencies whose data were included in the disparity study as part of the Indiana Department of Administration

State agency		
Alcohol and Tobacco Commission	FSSA Medicaid	North Central Juvenile Correctional Facility
Atterbury Correctional Facility	Governor's Council for People with Disabilities	Northeast Juvenile Correctional Facility
Bloomington Juvenile Correctional Facility	Governor's Office	Northwest Indiana Regional Development Authority
Board of Animal Health	Henryville Correctional Facility	Office of Faith-Based and Community Initiatives
Branchville Correctional Facility	Historical Bureau	Office of Federal Grants and Procurement
Bureau of Motor Vehicles	Housing and Community Development Authority	Office of Inspector General
Camp Summit Correctional Facility	Indiana Arts Commission	Office of Management and Budget
Chain O' Lakes Correctional Facility	Indiana Board of Tax Review	Office of Technology
Civil Rights Commission	Indiana Bond Bank	Pendleton Correctional Facility
Commission for Higher Education	Indiana Department of Aging Administration	Pendleton Juvenile Correctional Facility
Correctional Industrial Facility	Indiana Department of Environmental Management	Plainfield Correctional Facility
Criminal Justice Institute	Indiana Department of Homeland Security	Plainfield Educational Re-entry Facility
Department of Administration	Indiana Economic Development Corporation	Port Commission - State
Department of Agriculture	Indiana Stadium and Convention Building Authority	Prison Enterprises Network
Department of Child Services	Indiana State Library	Professional Licensing Agency
Department of Correction	Indiana State Police	Professional Standards Board
Department of Education	Indiana State Prison	Public Access Counselor
Department of Financial Institutions	Indiana Utility Regulatory Commission	Public Employees' Retirement Fund
Department of Fire and Building Services	Indiana Veterans' Home	Public Safety Training Institute
Department of Health	Indiana Women's Prison	Putnamville Correctional Facility
Department of Insurance	Indianapolis Juvenile Correction Facility	Reception Diagnostic Center
Department of Labor	Indianapolis Men's Work Release Center	Richmond State Hospital
Department of Local Government Finance	Indianapolis Women's Work Release Center	Rockville Correctional Facility
Department of Natural Resources	Information Technology Oversight Commission	School Lunch Division
Department of Revenue	Integrated Public Safety Commission	South Bend Juvenile Correctional Facility
Department of Veterans' Affairs	Lakeside Correctional Facility	South Bend Work Release Center
Department of Workforce Development	Larue Carter State Hospital	State Board of Accounts
Disability - State Personnel	Law Enforcement Training Board	State Budget Agency
Division of Disability and Rehabilitation Services	Legislative Services	State Fair Commission
Division of Family Resources	Lieutenant Governor's Office	State Personnel Department
Division of Mental Health	Logansport Juvenile Intake/Diagnostic Facility	State Racing Commission
Edinburgh Correctional Facility	Logansport State Hospital	Tobacco Prevention and Cessation Trust Fund
Education Employment Relations Board	Madison Correctional Facility	Utility Consumer Counselor
Environmental Adjudication	Madison State Hospital	Wabash Valley Correctional Facility
Evansville Psychiatric Child Center	Maximum Control Facility	Westville Correctional Facility
Evansville State Hospital	Medaryville Correctional Facility	Westville Transitional Facility
Family and Social Services Administration	Miami Correctional Facility	White River State Park Commission
Fort Wayne Juvenile Correctional Facility	New Castle Correctional Facility	Worker's Compensation Board
Fort Wayne State Developmental Center	New Castle State Developmental Center	Youth Rehabilitation Facility

Source: BBC Research & Consulting.

Indiana Department of Transportation. The study team separately examined results for INDOT. In addition to operating the State of Indiana MBE/WBE Program for state-funded contracts, INDOT implements the Federal DBE Program for its contracts involving USDOT funds. USDOT funds primarily come from the Federal Highway Administration (FHWA).

State educational institutions. The disparity study also examines contracting and procurement data from seven SEIs in Indiana:

- **Ball State University**, based in Muncie;
- **Indiana University**, based in Bloomington and with other campuses in Gary, South Bend, Kokomo, Richmond and New Albany, and a joint campus with Purdue University in Indianapolis that IU manages (Indiana University-Purdue University Indianapolis — IUPUI);
- **Indiana State University**, based in Terre Haute;
- **Ivy Tech Community College of Indiana** , which has 23 campuses throughout the state;
- **Purdue University**, based in West Lafayette with other campuses in Hammond, Westville, and a joint campus with Indiana University in Fort Wayne that Purdue manages (Indiana University-Purdue University Fort Wayne — IPFW);
- **University of Southern Indiana**, based in Evansville; and
- **Vincennes University**, based in Vincennes with additional campuses in Jasper and Indianapolis.

Study management and participation of each entity. In conducting the study, BBC worked closely with contracting and procurement staff from IDOA, INDOT and each SEI. Staff from each organization was actively involved throughout the study process, including:

- Selecting the study team based on competitive proposals;
- Reviewing the proposed methodology and study tasks, including approaches to collecting utilization and availability data;
- Obtaining electronic contract, payment and vendor information that the study team analyzed;
- Helping the study team locate required hard copy records related to past procurements;
- Examining preliminary utilization and availability databases that BBC submitted;
- Discussing possible enhancements to entity procurement procedures, outreach activities and other efforts that could assist small businesses, including MBE/WBEs; and
- Reviewing chapters of the draft report.

The study team presented quarterly study progress updates to the Commission and representatives from IDOA, INDOT and each SEI. Staff in the Indiana Minority and Women’s Business Enterprises Division at IDOA managed the study contract.

C. Study Team

The State of Indiana commissioned BBC Research & Consulting to provide information to help it review implementation of the State's MBE/WBE Program and the Federal DBE Program.

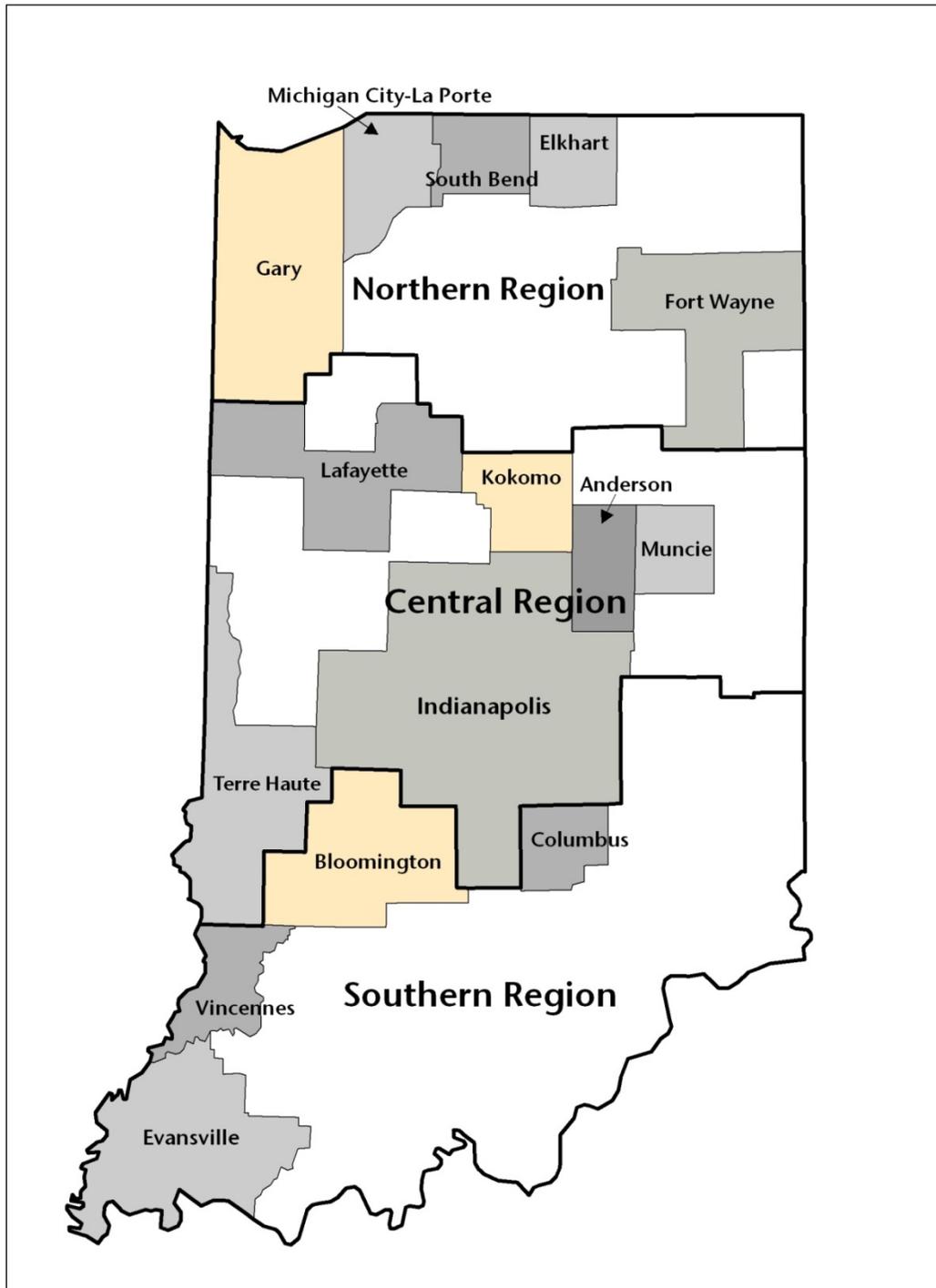
The Indiana disparity study team consisted of:

- **BBC Research & Consulting (BBC)**, a Denver-based economic and policy research firm (prime consultant). BBC has overall responsibility for this study and performed most of the required quantitative analyses. BBC is one of the leading disparity study consultants in the United States, having conducted more than 70 studies since 1989, including studies for the states of California, Idaho, Nevada, New Mexico, Oklahoma and Massachusetts.
- **Holland + Knight LLP (H+K)**, a national law firm. H+K conducted the legal analysis that provides the basis for this study and also analyzed anecdotal information collected through in-depth personal interviews of business owners and trade associations. H+K has worked with BBC on disparity studies throughout the country and has 29 years of experience relating to MBE/WBE programs, including defending programs in court.
- **Engaging Solutions, LLC**, an Indianapolis firm specializing in fiscal management, planning, and economic development. The firm, an MBE/WBE, conducted in-depth interviews, analyzed testimony from public forums and researched program options as part of the study. Engaging Solutions had prior disparity study experience in Indiana, as well as a long-term working relationship with BBC in the state.
- **Briljent, LLC.**, a broad-reaching research firm with offices in Fort Wayne and Indianapolis. Briljent conducted in-depth interviews with Indiana businesses, compiled contract data and conducted case studies of recent public procurements. The firm is a WBE/DBE.
- **Bischoff Performance Improvement Consulting**, a policy analysis and performance improvement consulting firm in Indianapolis. Bischoff Performance Improvement Consulting conducted in-depth interviews with business owners and other groups throughout the state. The firm is a WBE.
- **ENTAP, Inc.**, an information technology services firm in Indianapolis. ENTAP assisted in collection and analysis of electronic procurement data. ENTAP is an MBE.
- **Survey Research Center (SRC)**, an interdisciplinary survey research center. Under the direction of BBC, SRC conducted telephone interviews with thousands of business owners and managers throughout the state. SRC is one of the premier telephone survey research organizations in the state.

D. Study Scope

The study team examined quantitative and qualitative information concerning public contracting and marketplace conditions in Indiana. Figure 1-2 on the following page shows the metropolitan statistical areas (MSAs) and the three regions of the state — Northern, Central and Southern Indiana — considered in the disparity study.

Figure 1-2.
Regions and metropolitan statistical areas included in the disparity study



Information reviewed to develop disparity study framework. BBC’s methodology for this disparity study reflects a review of information related to MBE/WBE programs and the Federal DBE Program, including:

- Indiana state statutes;
- Relevant court decisions (see Appendix B);
- Provisions in 49 CFR Part 26;
- Guidance and “Questions and Answers” from USDOT related to implementing the Federal DBE Program and conducting related analyses;
- Recommendations for disparity studies by the U.S. Commission on Civil Rights;⁹
- Suggestions made by critics of disparity studies;¹⁰ and
- Other disparity studies conducted throughout the country.¹¹

The BBC study presents one of the most comprehensive and in-depth studies for any state government conducted to date.

Types of public contracting examined. In total, BBC began by considering more than \$41 billion of IDOA, INDOT and SEI procurements in the disparity study. For various reasons that are described in detail in Chapter 3 and Appendix C, BBC ultimately analyzed approximately \$10 billion of procurements as part of the disparity study. BBC examined four general areas of public contracting and procurement:

- Construction;
- Goods;
- Professional services; and
- Support services.

As described in Chapter 3, the study focused on the specific types of construction, goods, professional services and support services contracts predominately made from firms with locations within Indiana. The study team did not examine types of purchases that mostly went to out-of-state firms. Case law related to MBE/WBE programs requires disparity analyses to focus on the “relevant geographic

⁹ U.S. Commission on Civil Rights. May 2006. *Disparity Studies as Evidence of Discrimination in Federal Contracting: A Briefing Before The United States Commission on Civil Rights Held in Washington, D.C., December 16, 2005.* <http://www.usccr.gov/pubs/DisparityStudies5-2006.pdf>.

¹⁰ La Noue, George R. 1991, revised edition 1994. *Local Officials’ Guide to Minority Business Programs and Disparity Studies.* Washington, D.C.: National League of Cities.

¹¹ Transportation Research Board of the National Academies. 2010. *NCHRP Report 644 – Guidelines for Conducting a Disparity and Availability Study for the Federal DBE Program.* Prepared for the National Cooperative Highway Research Program. http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_rpt_644.pdf.

market area.”¹² However, BBC did include utilization of out-of-state firms in its analysis of construction, goods, professional services and support services made primarily within the state.

The study included data from prime contracts as well as from subcontracts.

Racial/ethnic/gender groups examined in the study. The racial/ethnic/gender groups that are the focus of this study are defined in the State of Indiana MBE/WBE Program and the Federal DBE Program.¹³

State MBE/WBE Program. An MBE under state code is a business owned and controlled by a minority, as defined by the federal government in 13 CFR Part 124.103 and 49 CFR Sections 26.5 and 26.67:

- Black Americans (or “African Americans” in this study);
- Hispanic Americans;
- Native Americans;
- Asian-Pacific Americans; or
- Subcontinent Asian Americans.

A WBE is a business owned and controlled by a woman.¹⁴ There is no size limit to an MBE or WBE under the current State of Indiana MBE/WBE Program.

Federal DBE Program. Under the Federal DBE Program, a DBE is a small business owned and controlled by one or more individuals who are socially and economically disadvantaged. The Federal DBE Program specifies the racial, ethnic and gender groups that can be presumed to be socially disadvantaged:

- Black Americans (or “African Americans” in this study);
- Hispanic Americans;
- Native Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Women of any race or ethnicity.

¹² See, e.g., Croson, 448 U.S. at 509; 49 C.F.R. § 26.35; Rothe, 545 F.3d at 1041-1042; N. Contracting, 473 F.3d at 718, 722-23; Western States Paving, 407 F.3d at 995.

¹³ 49 CFR Section 26.5.

¹⁴ MBEs and WBEs may also be owned by more than one minority or woman.

Because these are the same groups as noted in 13 CFR Section 124.103 and 49 CFR Sections 26.5 and 26.67, BBC uses these classifications in the disparity study.

Under the Federal DBE Program, economic disadvantage is based on firm revenue and personal net worth limits, which firms and firm owners must not exceed to be eligible for DBE certification:

- Gross revenue must not exceed \$22,410,000, with lower limits for certain lines of business.¹⁵
- Personal net worth must not exceed \$750,000, not including equity in the business and in personal residence.^{16, 17}

White male-owned firms can also meet the federal certification requirements and be certified as DBEs. (However, few white male-owned firms apply for DBE certification.)

In this study:

- The term “DBEs” refers to disadvantaged business enterprises that have been certified as such according to the federal definitions in 49 CFR Part 26.
- BBC’s term “potentially-certified DBEs” refers to firms that are or could be certified as DBEs given BBC’s information about firm size and the race/ethnicity/gender of firm owners.
- “Certified MBE” and “Certified WBE” are firms that have been certified as such according to the criteria in the State MBE/WBE Program.
- “MBEs” and “WBEs” are firms owned and controlled by minorities or women, according to the race/ethnicity/gender definitions listed above, regardless of whether they:
 - Are certified as such by the State or by a DBE certifying agency;
 - Meet the revenue and net worth requirements for DBE certification; or
 - Have a location within Indiana.
- “Non-profit” MBEs and WBEs are also recognized under the State MBE/WBE Program, but, because they are not businesses, BBC does not include them in the definition of MBEs or WBEs.

¹⁵ The federal government periodically adjusts gross revenue limits.

¹⁶ 49 CFR Subpart D.

¹⁷ A USDOT Notice of Proposed Rulemaking published on May 10, 2010 proposes adjusting the personal net worth threshold for inflation.

Another difference between the state and federal programs is that firm owners must be United States citizens to be certified under the State MBE/WBE Program (for the Federal DBE Program, the firm owner must be either a citizen or lawfully permitted permanent resident). BBC's investigation of this difference suggests that it is minor.¹⁸ Appendix A provides additional definitions important in this study.

Quantitative, qualitative and other information examined in the study. The disparity study collected and analyzed information on several other topics, including:

- **Chapter 2** presents the legal framework analyzing recent cases relating to programs such as the State's MBE/WBE Program and the Federal DBE Program.
- **Chapter 3** discusses how the study team defined the geographic area and study industries that are the focus of the study.
- **Chapter 4** presents information on local marketplace conditions. The study team examined whether there is any evidence of barriers for minorities and women to enter, advance within and start businesses in Indiana. BBC also analyzed access to business credit, insurance and bonding; different measures of business success; access to prime contract and subcontract opportunities; and other issues potentially affecting minorities and women in the local marketplace. Quantitative and qualitative information was included in this assessment, including results of interviews with business owners and managers throughout the state.
- **Chapter 5** presents information related to the relative availability of minority- and women-owned firms for state and SEI contracts and subcontracts. BBC estimated availability based on analysis of contract and subcontract opportunities and on information collected through telephone interviews on the availability of businesses to perform work for the state and SEIs. Chapter 5 also presents information on INDOT's "base figure" for its overall annual DBE goal.
- **Chapter 6** presents utilization and disparity results combined across participating agencies. The study team analyzed utilization of minority- and women-owned firms on IDOA, INDOT and SEI contracts and subcontracts. BBC then compared utilization of minority- and women-owned firms with the availability of firms to perform that work. The study team also examined possible explanations for why any disparities occurred.
- **Chapter 7** provides utilization and disparity results for IDOA.
- **Chapter 8** provides utilization and disparity results for INDOT and examines information relevant to its implementation of the Federal DBE Program.

¹⁸ Based on U.S. Census data for 2000, approximately 93 percent of minority and female business owners in Indiana were born in the United States. Non-native minority and female business owners could also be U.S. citizens. The number of minority- and women-owned firms in Indiana potentially owned by non-citizens appears to be very small, so no further differentiation between citizen-owned MBE/WBEs and non-citizen-owned MBE/WBEs is made in this report.

- **Chapters 9 through 15** present utilization and disparity results for individual SEIs, beginning with Ball State University (Chapter 9) and ending with Vincennes University (Chapter 15).
- **Chapter 16** discusses considerations related to contracting practices; business assistance programs and other race-neutral initiatives; and recommendations related to the State's MBE/WBE Program.
- **Chapter 17** presents considerations related to INDOT's future implementation of the Federal DBE Program.

In addition to the chapters described above, a number of appendices provide supporting information concerning study methodology and results, including detailed disparity analyses for each participating entity.

CHAPTER 2.

Legal Framework

Setting MBE/WBE participation goals for individual contracts is one element of the State of Indiana MBE/WBE Program. Using DBE contract goals is one tool established in the Federal DBE Program, which is implemented by the Indiana Department of Transportation (INDOT) for its U.S. Department of Transportation (USDOT)-funded contracts. Many courts have found that programs using MBE/WBE and DBE contract goals are “race- and gender-conscious.”

Throughout the country, a number of non-minority businesses, trade associations and other groups have filed lawsuits challenging the legality of MBE/WBE programs as well as the Federal DBE Program. Many of the courts hearing these cases have found state and local MBE/WBE programs to be unconstitutional. Several decisions have found the Federal DBE Program to be constitutional.

Information in this disparity study can help the Indiana Department of Administration (IDOA), INDOT and state educational institutions (SEIs) determine whether the State of Indiana MBE/WBE Program and INDOT’s implementation of the Federal DBE Program meet the standards that the courts have established for legally defensible programs.

Chapter 2 reviews legal information relevant to race- and gender-conscious programs in four parts:

- A. U.S. Supreme Court decisions regarding MBE programs and the Federal DBE Program.
- B. Standard for evaluating the validity of race-conscious programs;
- C. Standard for evaluating the validity of gender-conscious programs; and
- D. Federal regulations governing INDOT’s implementation of the Federal DBE Program.

A. U.S. Supreme Court Decisions Regarding MBE Programs and the Federal DBE Program

The U.S. Supreme Court has established that government programs including race-conscious elements must meet the “strict scrutiny” standard of constitutional review. The two key U.S. Supreme Court cases in this area are:

- The 1989 decision in *City of Richmond v. J.A. Croson Company* (“*Croson*”), which established the strict scrutiny standard of review for race-conscious programs enacted by state and local governments;¹ and

¹ *City of Richmond v. J.A. Croson*, 488 U.S. 469 (1989).

- The 2005 decision in *Adarand Constructors, Inc. v. Peña* (“*Adarand*”), which established the same standard of review for federal race-conscious programs.²

The strict scrutiny standard is an extremely difficult burden for a government entity to meet — it presents the highest threshold for evaluating the legality of race-conscious programs short of prohibiting them altogether. Under the strict scrutiny standard, a governmental entity must:

- Have a *compelling governmental interest* in remedying past identified discrimination; and
- Show that any program adopted is *narrowly tailored* to achieve the goal of remedying the identified discrimination. There are a number of specific elements to consider when determining whether a program is narrowly tailored (see Appendix B for more detail).

B. Standard for Evaluating the Validity of Race-conscious Programs

A government agency must meet the two components of the strict scrutiny standard to have a race-conscious program — a program that fails either one is unconstitutional. The discussion below provides examples of court rulings in which:

- Programs failed to meet the compelling government interest test; and
- Programs failed to meet the narrow tailoring test.

Examples of programs that satisfied both components of the strict scrutiny standard are also reviewed.

Programs that have failed to meet the compelling governmental interest test. In *Croson*, the U.S. Supreme Court held that “[w]here there is a significant statistical disparity between the number of qualified minority contractors willing and able to perform a particular service and the number of such contractors actually engaged by the locality or the locality’s prime contractors, an inference of discriminatory exclusion could arise.”³ Because analyzing whether there is a disparity between the utilization and availability of minority-owned firms is such a central feature of examining whether there is a compelling governmental interest for remedial action, research related to this topic is often referred to as *disparity studies*.

Lower court decisions since *Croson* have held that a compelling governmental interest must be established for each minority group for which the race-conscious program applies. It is not necessary for the government entity itself to have discriminated against minority-owned firms for the government to act. In *Croson* the Supreme Court found “if [the government entity] could show that it had essentially become a ‘passive participant’ in a system of racial exclusion practiced by elements of the local construction industry ... [i]t could take affirmative steps to dismantle such a system.”

² *Adarand Constructors, Inc. v. Peña*, 515 U.S. 200 (1995).

³ 488 U.S. at 509.

As discussed in Appendix B, many state and local race-conscious programs that have been challenged in court were found to be unconstitutional because the evidence of discrimination produced by the government entity was not sufficient to show a compelling governmental interest. States from California to Florida have failed to defend MBE/WBE programs for this reason.

Programs that have failed to meet the narrow tailoring test. The U.S. Supreme Court in *Croson* also held the City of Richmond failed to demonstrate that its program was “narrowly tailored” to achieve the goal of remedying the identified discrimination. As developed in *Croson* and subsequent cases, review of narrow tailoring includes:

- Whether the government agency seriously considered race-neutral means to increase minority business participation in contracting (e.g., simplification of bidding procedures, relaxation of bonding requirements and training);
- Limitation of the remedy to only those minority groups for which there is evidence of discrimination in the local area;
- The flexibility and duration of the relief, including the availability of waiver provisions;
- The relationship of numerical goals to the relevant labor market; and
- The impact of race-, ethnicity-, or gender-conscious remedies on the rights of third parties.

In *Western States Paving*, the Ninth Circuit Court of Appeals found that the Washington State DOT failed to show its implementation of the Federal DBE Program to be narrowly tailored. After that 2005 ruling, state DOTs in Ninth Circuit states operated entirely race-neutral programs until studies could be completed that would help show whether any race-conscious elements of the Federal DBE Program were needed in those states, and, if so, for which racial, ethnic and gender groups.⁴

Because Indiana is located within the jurisdiction of the Seventh Circuit, the Ninth Circuit ruling in *Western States Paving* is not controlling on INDOT, yet it does indicate one court’s requirements for legally defensible implementation of the Federal DBE Program. (See Appendix B of this report as well as USDOT Guidance for further discussion of the implications of this case.⁵)

Many programs that have failed to meet the narrow tailoring test also fail the compelling governmental interest test. In some cases, public agency programs have been found to fail the narrow tailoring requirement without the court reaching a conclusion as to whether the program met the compelling interest test. (See Appendix B for a comprehensive discussion of relevant case law.)

⁴ Disparity studies have been completed or are underway for state DOTs in each Ninth Circuit state — Alaska, Hawaii, Washington, Idaho, Montana, Oregon, California, Nevada and Arizona — as well as many local transit agencies and airports in those states.

⁵ <http://www.osdbu.dot.gov/DBEProgram/dbeqna.cfm>.

Programs that have met the strict scrutiny standard. The Federal DBE Program has been held to be constitutional in legal challenges to date (see discussion in Appendix B of *Northern Contracting, Inc. v. Illinois DOT*,⁶ *Sherbrooke Turf, Inc. v. Minn DOT* and *Gross Seed v. Nebraska Department of Roads*,⁷ *Western States Paving Co. v. Washington State DOT*⁸ and *Adarand Constructors, Inc. v. Slater*⁹).

In the *Northern Contracting* decision (2007), the Seventh Circuit Court of Appeals cited its earlier precedent in *Milwaukee County Pavers v. Fielder* to hold “that a state is insulated from [a narrow tailoring] constitutional attack, absent a showing that the state exceeded its federal authority. IDOT [Illinois DOT] here is acting as an instrument of federal policy and Northern Contracting ... cannot collaterally attack the federal regulations through a challenge to IDOT’s program.”¹⁰

The Seventh Circuit Court of Appeals distinguished both the Ninth Circuit Court of Appeals decision in *Western States Paving* and the Eighth Circuit Court of Appeals decision in *Sherbrooke Turf*, relating to an as-applied narrow tailoring analysis. The Seventh Circuit held that the IDOT’s application of a federally mandated program is limited to the question of whether the state exceeded its grant of federal authority under the Federal DBE Program.¹¹ The Seventh Circuit analyzed IDOT’s compliance with the federal regulations regarding calculation of the availability of DBEs, adjustment of its goal based on local market conditions and its use of race-neutral methods set forth in the federal regulations.¹² The court held that Northern Contracting failed to demonstrate that IDOT did not satisfy compliance with the federal regulations (49 C.F.R. Part 26).¹³ Accordingly, the Seventh Circuit Court of Appeals affirmed the district court’s decision upholding the validity of IDOT’s DBE program. (See the discussion of the *Northern Contracting* decision in Appendix B.)

In addition to the Federal DBE Program, some state and local government minority business programs have been found to meet the strict scrutiny standard. Appendix B discusses the successful defense of state and local race-conscious programs, including *Concrete Works of Colorado v. City and County of Denver*¹⁴ and *H.B. Rowe Company v. Tippet, North Carolina Department of Transportation, et al.*¹⁵

⁶ 473 F.3d 715 (7th Cir. 2007).

⁷ 345 F.3d 964 (8th Cir. 2003), *cert. denied*, 541 U.S. 1041 (2004).

⁸ 407 F.3d 983 (9th Cir. 2005).

⁹ *Adarand Constructors, Inc. v. Slater*, 228 F.3d 1147 (10th Cir. 2000) *cert. granted then dismissed as improvidently granted sub nom. Adarand Constructors, Inc. v. Mineta*, 532 U.S. 941, 534 U.S. 103 (2001).

¹⁰ 473 F.3d at 722.

¹¹ *Id.* at 722.

¹² *Id.* at 723-24.

¹³ *Id.*

¹⁴ *Concrete Works of Colorado v. City and County of Denver*, 321 F.3d 950 (10th Cir. 2003), *cert. denied*, 540 U.S. 1027 (2003).

¹⁵ *H.B. Rowe Corp., Inc. v. W. Lyndo Tippet, North Carolina DOT, et al.*; 589 F. Supp. 2d 587 (E.D.N.C. 2008).

The above discussion of strict scrutiny provides background to the State of Indiana and SEIs as they consider whether any current or future programs for non-federally-funded contracts meet the guidance from the courts and what type of legislation or programs to implement. Appendix B discusses relevant case law in more detail.

C. Standard for Evaluating the Validity of Gender-conscious Programs

The City of Richmond program that the U.S. Supreme Court reviewed in *Croson* did not apply to women-owned firms, and the Court did not establish whether strict scrutiny would be the standard for constitutional review of gender-based programs. However, certain Federal Courts of Appeal have considered gender-based programs and applied intermediate scrutiny, not strict scrutiny.¹⁶ The courts have interpreted this standard to require that gender-based classifications be:

1. Supported by both “sufficient probative” evidence or “exceedingly persuasive justification” in support of the stated rationale for the program; and
2. Substantially related to the achievement of that underlying objective.¹⁷

Under the traditional intermediate scrutiny standard, a court reviews a gender-conscious program by analyzing whether the government agency has established a sufficient factual predicate for the claim that female-owned businesses have suffered discrimination, and whether the gender-conscious remedy is an appropriate response to such discrimination. This standard requires the government entity to present “sufficient probative” evidence in support of its stated rationale for the program.¹⁸

Intermediate scrutiny, as interpreted by certain federal appellate courts, requires a direct, substantial relationship between the objective of the gender preference and the means chosen to accomplish the objective. The measure of evidence required to satisfy intermediate scrutiny is less than that necessary to satisfy strict scrutiny. Unlike strict scrutiny, the intermediate scrutiny standard does not require a showing of government involvement, active or passive, in the discrimination it seeks to remedy.¹⁹ And the Eleventh Circuit has held that “[w]hen a gender-conscious affirmative action program rests on sufficient evidentiary foundation, the government is not required to implement the program only as a last resort ... Additionally, under intermediate scrutiny, a gender-conscious program need not closely tie its numerical goals to the proportion of qualified women in the market.”²⁰ The Seventh Circuit Court of Appeals, however, in *Builders Ass’n of Greater Chicago v. County of Cook, Chicago*,²¹ did not hold there is a different level of scrutiny for gender discrimination or gender-based programs.²² The court in *Cook County* rejected the distinction applied by the Eleventh Circuit in *Engineering Contractors*.

¹⁶ See generally, *Western States Paving*, 407 F.3d at 990 n. 6; *Coral Constr. Co.*, 941 F.2d at 931-932 (9th Cir. 1991); *Equal Found. v. City of Cincinnati*, 128 F.3d 289 (6th Cir. 1997); *Eng’g Contractors Ass’n*, 122 F.3d at 905, 908, 910; *Ensley Branch N.A.A.C.P. v. Seibels*, 31 F.3d 1548 (11th Cir. 1994); see also *U.S. v. Virginia*, 518 U.S. 515, 532 and n.6 (1996) (“exceedingly persuasive justification”).

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ See *Eng’g Contractors Ass’n*, 122 F.3d at 910.

²⁰ *Id.* at 929 (internal citations omitted).

²¹ 256 F.3d 642 (7th Cir. 2001).

²² 256 F.3d at 644-645.

The types of analyses conducted in the BBC disparity study concerning minorities and minority-owned firms in Indiana were also performed for women and women-owned firms.

D. Federal Regulations Governing INDOT's Implementation of the Federal DBE Program

The federal government requires state and local governments receiving USDOT funds for transportation projects to implement the Federal DBE Program. INDOT has been operating some version of a Federal DBE Program since the 1980s. After enactment of the Transportation Equity Act for the 21st Century (TEA-21) in 1998, USDOT established a new Federal DBE Program to be implemented by state and local agencies receiving USDOT funds.

Federal regulations (49 CFR Part 26) describe how state and local governments should implement the Federal DBE Program.²³ If necessary and appropriate, the Program provides for state and local agencies to use DBE contract goals, which INDOT currently sets on certain FHWA-funded contracts. When awarding contracts funded at least in part by the FHWA, INDOT considers whether a bidder meets the DBE contract goal or shows good faith efforts to do so.

The federal regulations governing a recipient's implementation of the Federal DBE Program provide, under certain circumstances, for government agencies to implement the Program without the use of race- or gender-based elements such as DBE contract goals, or with limited use of such elements. According to Program regulations (49 CFR Section 26.51), a state or local agency must meet the maximum feasible portion of its overall goal for DBE participation through "race- and gender-neutral means." Race- and gender-neutral program elements include removing barriers to participation of firms in general or promoting use of small or emerging businesses (see 49 CFR 26.51(b) for additional elements). If an agency can meet its overall annual goal solely through race- and gender-neutral means, it must not use race- or gender-conscious program elements.

Given this context, general approaches for a state or local government to implement the Federal DBE Program are to:

- 1. Apply race- and gender-based elements such as DBE contract goals, as well as neutral elements, with all DBE certified firms eligible for race- and gender-based elements.** Many states use both race- and gender-conscious and race- and gender-neutral program elements when implementing the Federal DBE Program. Race- and gender-conscious elements typically include DBE contract goals.

INDOT currently implements the Federal DBE Program in this fashion. On FHWA-funded contracts, INDOT specifies a goal for DBE participation in the contract (contract goals are expressed as a percentage of the contract dollars that might go to DBEs). Prime contractors bidding on the contract must include DBEs for a percentage of work that would meet the goal or show good faith efforts to do so.

²³ <http://www.fhwa.dot.gov/HEP/49cfr26.htm>.

2. **Apply more restrictive race- and gender-based elements (as well as neutral programs).** The Federal DBE Program allows for use of more restrictive race- and gender-conscious program elements (such as setting aside contracts for DBE participation) under extreme circumstances. Quotas for DBE participation are prohibited under the Program.
3. **Apply race- and gender-based elements, but limit application to a subset of DBEs.** Some state DOTs limit participation in the race- and gender-based elements of the Program to certain racial, ethnic or gender groups. For example, the Colorado Department of Transportation (CDOT) received a waiver from USDOT that allowed CDOT to set contract goals for “Underutilized DBEs” (UDBEs), which do not necessarily include all DBE groups. CDOT has counted the participation of all DBEs toward CDOT’s overall annual goal, but only UDBEs can be used to meet individual contract goals. Over a number of years, CDOT has tracked total utilization of minority- and women-owned firms by group to determine which racial, ethnic and gender groups are “underutilized” and therefore eligible to be UDBEs.
4. **Operate an entirely race-neutral program.** Some state DOTs have operated the Federal DBE Program in an entirely race- and gender-neutral fashion without using DBE contract goals. For example, the New Mexico Department of Transportation has implemented the Federal DBE Program using solely race- and gender-neutral elements since the 1990s.

It is opportune for INDOT to develop more comprehensive information on which to base its implementation of the Federal DBE Program.

- USDOT recommends that agencies implementing the Federal DBE Program conduct disparity studies.
- Some of the information most useful in setting overall annual goals and fine tuning implementation of the Federal DBE Program requires the types of information developed in a disparity study. When challenged in court, the states that have successfully defended their implementation of the Federal DBE Program relied on such information.
- Information developed in a disparity study provides insights to improve minority- and women-owned firms’ access to federally-funded and non-federally-funded contracts.

- An independent, objective review of whether discrimination affects minority- and women-owned businesses' participation in a state's contracting is valuable to groups that may have concerns about that agency's practices. INDOT, for example, has come under scrutiny from minority business groups in past years regarding its utilization of minority- and women-owned firms.²⁴

²⁴ In *Indianapolis Minority Contractors Association, Inc. v. Wiley*, 1998 WL 1988826 (S.D. Ind. 1998), an association of minority contractors challenged how the State of Indiana administered the Federal DBE Program. The plaintiffs contended that state officials and others engaged in wrongful actions in disbursement of federal highway funds to undeserving businesses that did not qualify for the DBE Program because they were not controlled by either minority or financially disadvantaged individuals. In addition, the plaintiffs claimed that because of this wrongdoing, they did not receive their fair share of federal highway funds as minority contractors. The court ruled in favor of the State.

CHAPTER 3.

Collection and Analysis of State and SEI Contracts

BBC collected and analyzed construction, professional services, goods and support services contracts and subcontracts that the Indiana Department of Administration (IDOA)¹, Indiana Department of Transportation (INDOT) and state educational institutions (SEIs) awarded during the study period.^{2, 3}

After identifying the race/ethnicity and gender of business owners, the study team examined dollars going to minority-, women- and majority-owned firms.^{4, 5} Chapter 3 describes how BBC compiled IDOA, INDOT and SEI contract data to prepare the utilization analysis in four parts:

- A. Collection and analysis of contract data;
- B. Procurements included in the study;
- C. Identification of ownership (race/ethnicity/gender) of utilized firms; and
- D. Differences in approach from past utilization reports.

Appendix C explains this process in more detail.

A. Collection and Analysis of Contract Data

BBC examined prime contracts and subcontracts that IDOA, INDOT and each SEI awarded during the study period. BBC examined state and SEI procurements awarded between July 1, 2006 and June 30, 2009, corresponding to fiscal years 2007, 2008 and 2009. The utilization analysis included procurements of \$5,000 or more.⁶ Some of these contracts were funded using federal dollars.

In total, BBC began its analyses by examining 317,520 contracts and subcontracts as part of the utilization analysis, representing more than \$41 billion. Most of those procurements and corresponding dollars were not included in the disparity study for various reasons:

¹ As explained in Chapter 1, BBC's utilization and disparity analyses for IDOA include state agencies for which IDOA tracks and administers contracting and procurement data. For a complete list of state agencies included with IDOA's data, see Figure 1-1.

² The terms "contracts" and "procurements" are used interchangeably in this report, unless otherwise noted.

³ Together, IDOA and INDOT contracts are referred to as "state contracts."

⁴ The term "majority-owned firms" refers to firms not owned by minorities or women.

⁵ Case law has established that the preferred way to measure utilization is as a percentage of dollars, not number of contracts (see Appendix B). Regulations governing the Federal DBE Program also measure utilization in this fashion (see 49 CFR Part 26).

⁶ The study team chose \$5,000 as its analysis threshold because participating state agencies and SEIs typically made purchases worth less than \$5,000 through procurement cards (p-cards) or through other informal purchasing methods. Procurements of \$5,000 or more account for a very large percentage of all procurement dollars.

- Most of the dollars that BBC excluded from the study belonged to specific areas of work specialization (“subindustries”) that are not typically included in a disparity study (207,798 procurements representing \$31 billion). Some of those subindustries include governments and non-profit organizations.
- Some procurements were excluded from the study because they belonged to subindustries for which participating state agencies and SEIs awarded the majority of dollars to firms outside of Indiana, thus reflecting national markets (8,356 procurements representing \$275 million).
- Some procurements were excluded from the study because they belonged to subindustries that represented relatively small dollar volumes (4,193 procurements representing \$133 million).
- Some procurements were excluded from the study because they could not be classified into a subindustry (6,105 procurements representing \$206 million).

The vast majority (85%) of dollars that BBC excluded from the study originated from IDOA. For more information about excluded procurements, see Appendix C.

B. Procurements Included in the Study

For IDOA, INDOT and each SEI, BBC examined utilization of minority- and women-owned firms within four study industries: construction, professional services, goods and support services. Each industry included a broad range of subindustries.⁷ For each procurement, the study team researched whether the vendor was a for-profit business, and identified the subindustry that characterized its primary line of business.

The following types of vendors and procurements were included in BBC’s utilization analysis:

1. The vendor was a for-profit business and worked within a subindustry mostly comprised of for-profit businesses;⁸
2. The procurement was for construction, professional services, goods or support services and not for a type of purchase typically excluded from disparity studies, as discussed in Appendix C;⁹
3. The subindustry reflected a local (Indiana) market (i.e., not made from a national market);¹⁰
4. After aggregating all of the procurements, the subindustry reached a dollar volume sufficient for analysis.

For lists of subindustries excluded from the study, see Appendix C.

⁷ For example, the subindustries of highway construction and roofing were included in construction.

⁸ Subindustries such as social services in which public and not-for-profit organizations predominate were not included in the utilization analysis.

⁹ For example, payments for services delivered from regulated industries (e.g., electricity) and purchases or leases of real property are typically not included in disparity studies.

¹⁰ Examples of national markets include travel expenditures and purchases of certain software, periodicals and textbooks.

Procurement dollars by subindustry. Figure 3-1 lists the 64 subindustries included in BBC's utilization analysis and the procurement dollars that each subindustry represented across IDOA, INDOT and SEI contracts and subcontracts. Figure D-1 of Appendix D provides information about the subindustries included in each study industry (i.e., construction, professional services, goods and support services).

Geographic distribution of procurement dollars. Among the subindustries included in the utilization analysis, 90 percent of contract dollars went to vendors with locations in Indiana. As a result, BBC selected the State of Indiana as the relevant geographic market area for the study. As noted above, BBC did not include types of purchases made primarily from national markets in the study.

C. Identification of Ownership (Race/Ethnicity/Gender) of Utilized Firms

BBC identified the race/ethnicity/gender of business owners through telephone interviews and through other data sources, including:

- State of Indiana MBE/WBE certification list;
- City of Indianapolis MBE/WBE certification list;
- INDOT DBE certification list;
- IDOA bidders list;
- IDOA, INDOT and SEI vendor data; and
- Small Business Administration 8(a) certification list.

When information about race/ethnicity or gender of ownership conflicted between sources, BBC reconciled those conflicts through follow up telephone calls with the firm.

Figure 3-1.
Dollars of IDOA, INDOT and SEI prime contracts and subcontracts for types
of work examined in the disparity study, July 2006–June 2009

Sub-industry/procurement area	Total in thousands
Construction	
Highway, street and bridge construction	\$3,013,989
Building construction	\$885,293
Excavation	\$650,819
Asphalt	\$255,038
Electrical work	\$220,943
Other building construction	\$164,354
Other construction services	\$137,658
Construction materials	\$123,987
Water, sewer, and utility lines	\$121,999
Other construction materials	\$120,740
Plumbing and HVAC	\$98,209
Electrical equipment and supplies	\$98,208
Concrete work	\$61,753
Masonry, drywall and stonework	\$61,714
Roofing	\$45,103
Residential construction	\$42,874
Painting	\$41,331
Heavy construction and equipment rental	\$27,947
Concrete and related products	\$20,605
Insulation and waterproofing	\$17,098
Elevator installation, repair and equipment	\$15,339
Ceiling and floor contractor	\$13,759
Wrecking and demolition	\$10,829
Floor coverings	\$8,501
Foundation work	\$1,204
Construction total	\$6,259,295
Professional services	
Business services and consulting	\$860,325
Engineering	\$691,553
IT and data services	\$411,376
Architectural and design services	\$184,307
Computer systems and services	\$121,327
Environmental services and transportation planning	\$106,862
Finance consulting and accounting	\$86,849
Human resource and job training services	\$80,502
Advertising, marketing and public relations	\$66,258
Testing services	\$42,558
Research services	\$26,449
Surveying and mapmaking	\$20,639
Construction management	\$6,413
Landscape architecture	\$2,836
Professional services total	\$2,708,252

Figure 3-1 (continued).
Dollars of IDOA, INDOT and SEI prime contracts and subcontracts for types of work examined in the disparity study, July 2006–June 2009

Sub-industry/procurement area	Total in thousands
Goods	
Food and concessions	\$192,072
Industrial equipment and machinery	\$103,597
Communications equipment	\$90,375
Automobiles	\$89,771
Furniture	\$88,752
Petroleum and petroleum products	\$85,716
Vehicle parts and supplies	\$82,372
Laboratory equipment	\$41,011
Coal and other minerals	\$27,148
Office equipment	\$26,111
Office supplies	\$19,960
Tools	\$18,054
Industrial chemicals	\$11,021
Cleaning and janitorial supplies	\$10,500
Uniforms and linens	\$8,912
Restaurant and hotel equipment	\$8,221
Athletic goods	\$7,871
Law enforcement equipment and supplies	\$5,821
Tires and inner tubes	\$2,051
Goods total	\$919,335
Support services	
Trucking, hauling and storage	\$81,297
Printing and copying	\$55,612
Cleaning and janitorial services	\$20,573
Security guard services	\$9,497
Security services	\$6,893
Agricultural services	\$789
Support services total	\$174,661
Total	\$10,061,543

Source: BBC Research & Consulting.

D. Differences in Approach from Past Utilization Reports

IDOA, INDOT and SEI utilization reports. The State of Indiana requires state agencies and SEIs to submit annual reports detailing their utilization of MBE/WBEs. BBC's analysis of utilization differs from these reports in several important ways:

- To calculate MBE/WBE/DBE utilization for annual utilization reports, IDOA, INDOT and SEIs typically consider only those firms that are certified or registered as such through the State of Indiana. As much as possible, BBC collected information on all minority and women-owned firms utilized by IDOA, INDOT or SEIs, regardless of whether they were certified or registered.
- During the study period, most of the participating state agencies and SEIs only tracked subcontract participation for certified MBE/WBE firms. BBC collected subcontract information for all MBE/WBE — regardless of certification — and non-MBE/WBE subcontractors.
- The contracts included in an SEI's or state agency's utilization report differ from the contracts BBC examined (see Appendix C).

Note that each SEI and some state agencies use methods of identifying contract dollars and counting MBE/WBE participation that are not necessarily consistent with one another. Therefore, BBC's approach to the utilization analysis may be more consistent with one SEI than another.

2006 disparity study. The State of Indiana last completed a disparity study in 2006.¹¹ BBC used more complete information than Bucher + Christian used in the 2006 study (see Appendix C). Therefore, one should exercise caution when comparing utilization results in BBC's study to Bucher + Christian's study.

¹¹ Bucher + Christian Consulting, Inc. 2006. *Statistical Analysis of Utilization of State Contracts for the State of Indiana*. Prepared for the Indiana Department of Administration.

CHAPTER 4.

Conditions for Minorities and Women in the Local Marketplace

Federal courts have found that Congress “spent decades compiling evidence of race discrimination in government highway contracting, of barriers to the formation of minority-owned construction businesses and of barriers to entry.”¹ Congress found that discrimination has impeded the formation and expansion of qualified minority business enterprises.

BBC examined whether barriers for minority- and women-owned firms found on a national level also appear in the Indiana marketplace. BBC analyzed whether there were barriers in the Indiana construction, professional services, goods and support services industries. Such barriers could potentially affect MBE/WBE availability and utilization for Indiana Department of Administration (IDOA), Indiana Department of Transportation (INDOT) and state educational institutions (SEIs).

BBC examined the Indiana marketplace in four primary areas:

- A. Entry and advancement;
- B. Business ownership;
- C. Access to capital, bonding and insurance; and
- D. Success of businesses.

Appendices E through H present quantitative information concerning the Indiana marketplace, and Appendix J presents qualitative information that the study team collected through 90 in-depth personal interviews with business owners and others throughout the state. Appendix I explains data sources for the marketplace analyses.

A. Entry and Advancement

As discussed in Appendix E, a number of studies have suggested that race and gender discrimination have affected the employment and advancement of certain groups throughout the United States. BBC examined the representation of minorities and women in Indiana study industries — construction, professional services, goods and support services — relative to all Indiana industries. In addition, the study team compared the advancement of minorities and women into supervisory and managerial roles to the advancement of non-Hispanic whites and males.

¹ *Sherbrooke Turf, Inc. v. Minnesota DOT*, 345 F.3d, 970 (8th Cir. 2003) (citing *Adarand Constructors, Inc.*, 228 F.3d at 1167 – 76); *Western States Paving Co. v. Washington State DOT*, 407 F.3d 983, 992 (9th Cir. 2005).

Quantitative information about entry and advancement in construction. Quantitative analysis of the Indiana marketplace — based primarily on data from the 2000 U.S. Census and the 2006-2008 American Community Surveys (ACS) — showed that certain MBE/WBE groups appear to be underrepresented in the construction industry compared to all industries considered together.² In addition, some of those groups appear to face barriers regarding advancement to supervisory or managerial positions.

- Four percent of the Indiana construction industry was made up of African Americans in 2006-2008, compared to 8 percent of the entire Indiana workforce. Nine percent of Indiana construction workers in 2006-2008 were women, less than one-fifth of the representation of women across all industries (47%).
- Among construction workers, minorities and women were less likely than non-Hispanic whites and men to advance to the level of first-line supervisor. In addition, fewer women than men working in the Indiana construction industry reached the level of manager, and that difference was statistically significant.
- Because the average educational attainment of the above MBE/WBE groups was generally consistent with educational requirements for construction jobs, factors other than formal education may be behind the relatively low representation of certain groups in the construction industry and the relatively low representation of those groups working in supervisory and managerial roles.

Analysis of the Indiana construction industry revealed patterns of entry and advancement that were similar to those found for the United States as a whole.

Quantitative information about entry and advancement in professional services. BBC also used 2000 U.S. Census data and 2006-2008 ACS data to examine employment and advancement for different racial/ethnic/gender groups in the Indiana professional services industry. As with construction, certain MBE/WBE groups were underrepresented in the professional services industry. Those patterns were found both in Indiana and nationally.

Education is an important factor for entry and advancement in the professional services industry. Typically, a four-year college degree is an important qualification for professional services workers, and barriers to education may affect employment and advancement for certain minority groups.

- College education appears to be a barrier in Indiana for African Americans, Hispanic Americans and Native Americans. The percentage of African Americans (16%), Hispanic Americans (12%) and Native Americans (16%) in the Indiana workforce with at least a bachelor's degree was substantially lower than that of non-Hispanic whites (25%) in both 2000 and 2006-2008.
- Women represented a relatively large proportion of college-educated adults in Indiana, indicating that factors other than education may explain gender-related disparities in the Indiana professional services industry.

² Data from the 2000 Census were the most current Census data available at the time of this study.

In light of information about educational attainment, BBC examined whether there were disparities in the representation of minorities and women in the professional services industry.

- In 2006-2008, there was relatively low representation of African Americans and Hispanic Americans in professional services compared to the entire Indiana workforce. Those differences were statistically significant.
- Women were also underrepresented in professional services. In 2006-2008, women were 37 percent of professional services workers but were 47 percent of the entire Indiana workforce. That difference was also statistically significant.

Quantitative information about entry and advancement in goods. BBC also examined employment and advancement for different racial/ethnic/gender groups in the Indiana goods industry, which includes wholesale trade and certain manufacturing businesses. Certain MBE/WBE groups exhibited disparities in entry and advancement within the goods industry, particularly in supervisory and managerial roles.

- Six percent of the Indiana goods industry was made up of African Americans in 2006-2008, compared to 8 percent of the entire Indiana workforce. Thirty percent of Indiana goods workers in 2006-2008 were women, less than in the Indiana workforce (47%).
- Based on 2000 Census data, African Americans and women were also less likely than non-Hispanic whites and males to advance to supervisory and managerial positions in the Indiana goods industry.
- As with construction, the average educational attainment of African Americans and women was generally consistent with educational requirements for jobs in the goods industry, so factors other than formal education may be behind the relatively low representation of those groups in the goods industry, particularly in supervisory and managerial roles.

Quantitative information about entry and advancement in support services. BBC also used 2000 U.S. Census data and 2006-2008 ACS data to examine employment and advancement for different MBE/WBE groups in the Indiana support services industry. The support services industry includes transportation-related services, warehousing, employment services, printing and other business services, building and landscaping services, automotive services and a number of other specialized services.

As with other study industries, certain MBE/WBE groups were underrepresented in the support services industry, and those patterns were found both in Indiana and nationally.

- Two groups showed lower representation in the support services industry compared to all Indiana industries considered together — Asian Americans and women. Asian Americans made up 0.6 percent of the support services industry compared to 1.1 percent of all industries, and women made up 30 percent of the support services industry compared to 47 percent of all industries.

- As with the other study industries, minorities and women were far less likely to advance to supervisory or managerial positions than non-Hispanic whites and males.
- Most jobs in the support services industry do not require a four-year college degree. The relatively large proportion of Asian-Pacific Americans with a four-year college degree (50%) may help explain why so few members of that group were in the support services industry in 2006-2008. The average educational attainment of women was generally consistent with educational requirements for jobs in the support services industry, so factors other than formal education may be behind the relatively low representation of women in support services.

Qualitative information about entry and advancement. BBC conducted in-depth interviews with Indiana businesses and trade associations that provided information about barriers that minorities and women may face regarding entry and advancement in the Indiana marketplace.

Several interviewees indicated difficulties associated with entry and advancement in Indiana study industries for minorities and women. They indicated that such difficulties exist in many forms, including: unfavorable work environments, stereotypical attitudes and offensive comments or behavior. Other interviewees indicated that they have not experienced difficulties associated with entry and advancement.

- Some interviewees reported stereotypical attitudes on the part of customers and buyers in Indiana as a contributor to unfavorable work environments for minorities and women. For example, an African American male owner of an MBE-certified general electrical contracting firm reported that he has experienced stereotypical attitudes based on race and ethnicity on the part of customers and buyers. He said, “You can tell sometimes when people aren’t sure [if I am the owner]. There have been instances when [electrical contractors are] looking for the boss [and say], ‘Hey, where’s the boss,’ and I’m in the room, and I’m working...” A Hispanic male owner of a commercial cleaning company also said that he has experienced stereotypical attitudes on the part of customers related to race and ethnicity. He said that an attitude prevails that “if you’re Hispanic, you’re going to be in some sort of cleaning environment.”
- Other interviewees reported instances of racial slurs or sexist comments. For example, a Subcontinent Asian American male owner and president of a technology consulting, deployment and management firm said that unfavorable work environments for minorities and women happen “all the time.” He said, “I often hear from my subs that our client’s staff members make derogatory remarks about blacks and Hispanics to them. Of course, my subs realize that behind their backs, these same clients are probably making fun of Asians too. But, I just laugh it off. What else can you do?” Similarly, an African American male president and CEO of a women- and minority-owned recruiting firm stated that he has experienced unfavorable work environment situations based on race and is aware of it being a problem for other minority businesses.

- Other interviewees indicated that they have not experienced difficulties associated with entry and advancement, or that certain factors — such as stereotypical attitudes — have worked to their advantage. For example, a Subcontinent Asian male owner and president of a technology consulting, deployment and management firm, said, “Yes, I experience [stereotypical attitudes] all the time. They look at me, think I am Indian, and confide that I must be smart because all Indians are smart. So, for me, my ethnicity works to my advantage most of the time. I don’t know how other minorities fare.”

Effects of entry and advancement barriers on the Indiana marketplace. The barriers that certain minority groups and women appear to face entering and advancing within the Indiana construction, professional services, goods and support services industries may have substantial effects on business outcomes for minority- and women-owned firms.

- Typically, employment and advancement are preconditions to business ownership in the Indiana marketplace. Because disparities exist in entry and advancement for certain minority groups and women in the study industries, it follows that there may be barriers that prevent some minority- and women-owned businesses from ever forming, reducing overall MBE/WBE availability in Indiana.
- Quantitative and qualitative evidence suggests that certain minority groups and women are underrepresented in the Indiana study industries, particularly in supervisory and managerial roles. Such underrepresentation may perpetuate beliefs and stereotypical attitudes that firms owned by those groups may not be as qualified as majority-owned firms. Those beliefs may make it more difficult for MBE/WBEs to win work in Indiana, including work with IDOA, INDOT and SEIs.
- Because of the nature of entry and advancement data, it is difficult to quantify the effect that such barriers may have had on availability and utilization for state agencies and SEIs during the study period.

B. Business Ownership

National research and studies in other states have found that race, ethnicity and gender affect opportunities for business ownership, even after accounting for other factors. Figure 4-1 summarizes how courts have used those studies when considering implementation of the Federal DBE Program in other states.

BBC examined whether there are disparities in business ownership for minorities and women in the Indiana workforce compared to non-Hispanic white males. The study team developed regression models of business ownership rates using 2000 Census data for each Indiana study industry — construction, professional services, goods and support services. The models identified disparities for certain minority groups and women after accounting for personal characteristics including education, age and ability to speak English. For MBE/WBE groups exhibiting statistically significant disparities, BBC compared actual business ownership rates with simulated rates if those groups, based on personal characteristics, owned businesses at the same rate as similarly situated non-Hispanic whites and white males.

Appendix F provides details about BBC's quantitative analyses of business ownership rates in the Indiana marketplace.

Quantitative information about business ownership in construction. Quantitative analysis of the Indiana construction industry revealed statistically significant disparities in business ownership for several racial/ethnic/gender groups after accounting for various neutral factors such as age, personal net worth, ability to speak English and education. Compared to non-Hispanic whites (and non-Hispanic white males), BBC observed significant disparities for:

- African Americans;
- Hispanic Americans; and
- White women.

For each of the minority groups above, Figure 4-2 compares observed business ownership rates to simulated business ownership rates if those groups owned construction businesses at the same rate as similarly situated non-Hispanic whites (i.e., “benchmark business ownership rate”). The study team also generated similar simulations for non-Hispanic white women compared to non-Hispanic white men.

The study team calculated a business ownership disparity index for each group by dividing the observed business ownership rate by the benchmark business ownership rate (and then multiplying by 100). A value of “100” would indicate “parity” in business ownership rates; lower values indicate larger disparities. Results indicate that:

- Compared to similarly situated non-Hispanic whites, there were disparities in business ownership rates for African Americans (disparity index of 76) and Hispanic Americans (disparity index of 66) working in the Indiana construction industry.
- There was also a disparity for non-Hispanic white women (disparity index of 79) compared to non-Hispanic white men.

**Figure 4-1.
Use of regression models of business ownership in defense of the Federal DBE Program**

State and federal courts have considered disparities in business ownership rates when reviewing implementation of the Federal DBE Program, particularly when considering DBE participation goals. For example, disparity studies in Minnesota and Illinois used regression models to analyze the impact of race/ethnicity/gender on business ownership in the combined construction and engineering industry. Results from those models helped determine whether race- and gender-based disparities exist after statistically controlling for other personal characteristics. Those analyses, which were based on 2000 Census data, were included in materials submitted to courts in subsequent litigation concerning implementation of the Federal DBE Program. BBC used the same sources of data and similar regression models to analyze business ownership in Indiana.

Figure 4-2.
Comparison of actual and simulated construction business ownership rates in Indiana for groups exhibiting statistically significant disparities

Group	Self-employment rate		Disparity index (100 = parity)
	Actual	Benchmark	
African American	16.4 %	21.7 %	76
Hispanic American	9.1	13.7	66
White female	19.2	24.5	79

Source: BBC Research & Consulting from statistical models of 2000 Census of Population data.

Quantitative information about business ownership in professional services. As with construction, BBC examined disparities in business ownership rates for minorities and non-Hispanic white women working in the Indiana professional services industry compared to non-Hispanic whites and non-Hispanic white males. After accounting for neutral factors, BBC still observed significant disparities for Asian Americans and women.

Figure 4-3 compares actual business ownership rates for Asian Americans and women to simulated benchmark business ownership rates if individuals in these groups owned professional services businesses at the same rate as similarly situated non-Hispanics whites and non-Hispanic white males. Results indicate that:

- Asian Americans (disparity index of 35) exhibited a substantial disparity in business ownership rates in the professional services industry. Asian Americans owned businesses at approximately one-third the rate of similarly situated non-Hispanic whites.
- A disparity index of 72 indicates that white women working in the Indiana professional services industry owned professional services firms at less than three-quarters the rate of similarly situated white men.

Figure 4-3.
Comparison of actual and simulated professional services business ownership rates in Indiana for groups exhibiting statistically significant disparities

Group	Self-employment rate		Disparity index (100 = parity)
	Actual	Benchmark	
Asian American	5.9 %	16.8 %	35
White female	14.9	20.8	72

Source: BBC Research & Consulting from statistical models of 2000 Census of Population data.

Quantitative information about business ownership in the goods industry. BBC also examined business ownership rates in the Indiana goods industry. The study team observed a statistically significant disparity for non-Hispanic white women compared to non-Hispanic white males.

As with other study industries, BBC compared business ownership in the Indiana goods industry for white women to simulated business ownership if they owned goods businesses at the same rate as similarly situated white males. Results indicate that white women own businesses at less than two-thirds the rate of similarly situated white men (disparity index of 61).

Quantitative information about business ownership in support services. Quantitative analysis of the Indiana support services industry revealed statistically significant disparities in business ownership for several racial/ethnic/gender groups after accounting for various neutral factors. Compared to non-Hispanic whites and non-Hispanic white males, BBC observed statistically significant disparities in business ownership for African Americans and non-Hispanic white females.

Figure 4-4 shows comparisons between actual business ownership rates for African Americans and non-Hispanic white women and simulated benchmark business ownership rates if individuals in these groups owned support services businesses at the same rate as similarly situated non-Hispanics whites and non-Hispanic white males. Results indicate that:

- African Americans (disparity index of 52) exhibited a substantial disparity in business ownership rates in the support services industry.
- Non-Hispanic white women (disparity index of 90) own support services businesses at almost the same rate as similarly situated non-Hispanic white men, after statistically controlling for neutral factors such as age, education and personal net worth.

Figure 4-4.
Comparison of actual and simulated support services business ownership rates in Indiana for groups exhibiting statistically significant disparities

Group	Self-employment rate		Disparity index (100 = parity)
	Actual	Benchmark	
African American	5.7 %	10.9 %	52
White female	14.4	16.0	90

Source: BBC Research & Consulting from statistical models of 2000 Census of Population data.

Qualitative information about business ownership. BBC conducted in-depth interviews with representatives of Indiana businesses and trade associations who provided information about whether minorities and women face barriers regarding business ownership. A number of interviewees cited difficulties associated with meeting the preconditions of starting and maintaining a business such as issues with experience and expertise, attracting qualified personnel and being excluded from industry networks.

- Some interviewees said that there is a perception that minority- and women-owned businesses do not have the same amount of experience and expertise as majority-owned firms. An African American male owner of an MBE-certified electrical contracting firm said that he has experienced barriers and discrimination related to experience and expertise. He cited an example of how at the end of a job, a customer once said, “Wow, you *do* know what you’re doing.” Similarly, a Hispanic male president and minority owner of an MBE/DBE-certified engineering firm indicated that he has experienced barriers and discrimination related to experience and expertise. He said that, in addition to people not wanting to work for his firm because it is minority-owned, he has heard that other MBE/DBE firms have experienced the same barrier.
- Other interviewees discussed challenges associated with personnel and labor such as attracting qualified workers. For example, a Hispanic male owner of a commercial cleaning company said that he has experienced barriers related to obtaining personnel because of discrimination related to ethnicity. He said that he has found that white men do not want to work for Hispanic men. He said that women will work for a minority-owned company, but that white males generally do not want to. A Hispanic male president and minority owner of an MBE/DBE-certified engineering firm reported barriers related to obtaining personnel. He stated that it is difficult to get good employees in general and that some prospective employees choose not to work at firms that are minority-owned.
- Several interviewees indicated that it is difficult for minorities and women to own businesses in Indiana due to the existence of a “good ol’ boy” network and due to the influence of unions. For example, a Hispanic male president and minority owner of an MBE/DBE-certified engineering firm reported that he believes that pre-existing relationships in the engineering industry make it more difficult for MBE/WBEs to learn about and win work: “I wouldn’t say it’s overt, but if you want to find out about jobs, you basically have to be established and have relationships... I believe that for minority individuals ... it’s harder to get those relationships established... Unless you have a relationship, people are ... reluctant to tell you, ‘We’re doing this project, and why don’t you submit something?’” Some interviewees had similar complaints about unions. An African American male president and female COO of an organization that provides assistance in the construction industry said, “A lot of the DBEs have adjusted to working with unions — so, many of them are doing quite well. Conversely, there are some DBEs having a hard time. I think it can be a barrier for DBEs. The fact that some of the DBEs [are] so small — sometimes your voice in the union is not heard. The unions require so much paperwork, and this can be a challenge for smaller DBEs.”
- Other interviewees indicated that experience and expertise, attracting qualified personnel and being excluded from industry networks did not present a barrier for minorities and women.

Effects of business ownership barriers on the Indiana marketplace. The barriers that certain minority groups and women appear to face regarding business ownership in the Indiana study industries — construction, professional services, goods and support services — may have substantial effects on outcomes for minority- and women-owned firms.

- Quantitative and qualitative evidence indicates that disparities in business ownership exist for certain minority groups and women in Indiana. Those findings suggest that there is evidence that some minority- and women-owned firms may have never formed as a result of different barriers related to race, ethnicity and gender in Indiana.
- Chapter 17 of this report provides quantitative analyses of the effect of race/ethnicity and gender disparities in business ownership on the availability of MBE/WBEs for contracts that state agencies and SEIs awarded during the study period.

C. Access to Capital, Bonding and Insurance

Access to capital represents one of the key factors that researchers have examined when studying business formation and success. If discrimination exists in capital markets, minorities and women may have difficulty acquiring the capital necessary to start or expand a business, as discussed in Appendix G. BBC examined whether MBE/WBEs have access to capital — both from their homes and through business credit — that is comparable to that of majority-owned firms. In addition, the study team examined information about whether minorities and women face any barriers in obtaining bonding and insurance.

Quantitative information about home mortgage lending. Wealth created through homeownership can be an important source of funds to start or expand a business. Barriers to homeownership or home equity can affect business opportunities by limiting the availability of funds for new or expanding businesses. BBC analyzed potential effects of race/ethnicity/gender on homeownership and mortgage lending in Indiana. Data from 2006-2008 indicated that, compared to non-Hispanic whites:

- Every minority group studied —African Americans, Asian-Pacific Americans, Subcontinent Asian Americans, Hispanic Americans and Native Americans — owned homes at a lower rate. Those differences were all statistically significant.
- African Americans, Hispanic Americans and Native Americans who owned homes tended to have lower home values.
- African Americans, Hispanic Americans and Native Americans applying for home mortgages in Indiana were more likely to have their applications denied.
- African American, Hispanic American and Native American mortgage borrowers were more likely to have subprime loans.

Quantitative information about business credit. Business credit is also an important source of funds for small businesses. Any race- or gender-based barriers in the application or approval processes of business loans could affect the formation and success of minority- and women-owned businesses. To examine the role of race/ethnicity/gender in business capital markets, the study team analyzed data from the Federal Reserve Board’s 1998 and 2003 Survey of Small Business Finances (SSBF).³ Because SSBF records the geographic location of firms by Census Division, not by state, BBC examined data for the East North Central region, which includes Indiana, Illinois, Michigan, Ohio and Wisconsin.

BBC developed regression models of loan outcomes based on SSBF data to examine outcomes for minority- and women-owned firms after statistically controlling for neutral factors. Compared to non-Hispanic white-owned firms, BBC observed statistically significant disparities in loan approval rates for African American- and Hispanic-owned firms. In addition, when they received business loans, African American- and Hispanic-owned firms generally pay higher interest rates.

Figure 4-5 compares observed loan approval rates for African Americans and Hispanic Americans to simulated benchmark loan approval rates if those groups were approved for business loans at the same rate as similarly situated non-Hispanic whites. Results indicate that:

- African Americans were approved for business loans at a rate that was less than two-thirds (disparity index of 61) that of similarly situated non-Hispanic whites.
- Hispanic Americans were also approved for business loans at a rate lower than similarly situated non-Hispanic whites (disparity index of 71).

Figure 4-5.
Comparison of actual and simulated business loan approval rates in the East North Central region for groups exhibiting statistically significant disparities

Group	Loan approval rates		Disparity index (100 = parity)
	Actual	Benchmark	
African American	46.4%	76.3%	61
Hispanic American	53.7%	75.7%	71

Note: Actual approval rates presented here and denial rates in Figure G-8 do not sum to 100% due to some observations being dropped in the probit regression.

Source: BBC Research & Consulting analysis of 1998 SSBF data.

Qualitative information about access to credit. BBC conducted in-depth interviews with Indiana businesses and trade associations that provided information about any barriers when attempting to obtain credit, bonding and insurance.

- Several interviewees reported that business credit is difficult to obtain and indicated that race and gender discrimination contributed to those difficulties. A Hispanic American female owner of an MBE/WBE-certified computer consulting firm stated that years ago

³ BBC used the most current SSBF data available at the time of this study.

she had had a very difficult time obtaining financing, and that being a woman in what was predominantly a man's field was a cause. She said that the fact that she is also Hispanic made the discrimination worse. She reported that obtaining financing was her biggest hurdle as a small business and as an MBE/WBE. Similarly, an African American male president of a support services firm stated, "Obtaining financing is abysmal, a real barrier. And, yes, it is a racial thing. I've experienced it... When I speak to a prospective lender by phone, because I have no 'accent,' because I have an Irish-sounding last name, and because I sound intelligent, some people are really surprised to see in person that I'm an African American and they cannot hide the surprise. It's written all over their face and in their body language. That's when I hear the excuses like, 'Oh, your firm is just [not] big enough.... I'm sorry we can't do anything for you.' Yes, such discrimination has happened and is still happening, not just to me but to others too. I'm 130 percent sure of that."

- The executive director of the Indianapolis chapter of a national business women's organization said, "Access to capital is tough no matter who you are. I'm hearing from some members that some banks are advertising opportunities specifically for small businesses, but when WBEs make an application, money is not available. I don't know if that's true for everyone, but I know loan criteria have become more stringent."
- Some interviewees reported that they were denied financing for reasons other than race or gender discrimination. For example, an African American male CEO and president of a support services firm stated, "Obtaining financing is a horrific barrier, but it is not due to race, in my estimation." He thought such difficulties pertained to other small businesses across the board.
- As part of its availability analysis, BBC completed telephone interviews with Indiana businesses, firm owners and managers and asked if they had experienced barriers or difficulties associated with access to credit. Minority- and women-owned firms were one-third more likely than majority-owned firm to report difficulties obtaining lines of credit.
- Some of the firms interviewed did not report barriers associated with access to credit.

Qualitative information about bonding and insurance. Interviewees also provided information about potential barriers that minority- and women-owned firms face when trying to obtain bonding and insurance.

- Some interviewees reported that obtaining bonding and meeting bonding requirements are barriers to doing business. For example, an African American male minority owner of an electrical contracting firm said that he believes that bonding is a problem for Indiana firms and that discrimination based on race, ethnicity, or gender contributes to the barrier, particularly if a business is located in a Free (Urban) Enterprise Zone. He stated, "Your address for your business determines whether you're bonded or not ... I can tell you companies that are located in Indianapolis in Free (Urban) Enterprise Zones that are minority-owned are having problems." An African American male representative of a civil rights agency also said that bonding is a barrier to starting and expanding a business in Indiana. He stated that discrimination definitely touches bonding from the standpoint

of possessions and assets, looking at credit, types of ratings on bonds MBE/WBEs could get, bonding costs, and the ability to get enough coverage. He asked, “If limited coverage is provided, what [is] the smaller firm going to do? Is the larger firm going to pick up the tab?” He said “Discrimination in [in bonding] is rampant and this type of denial is also designed to keep [MBE/WBEs] off projects.”

- A number of interviewees also reported that obtaining insurance was a barrier to MBE/WBE firms. For example, an Asian American female executive director of a nonprofit organization that promotes cultural awareness and civic participation among Asians said that there are barriers related to insurance requirements and obtaining insurance that stem from race-related discrimination. She said that language barriers for non-native English speakers create difficulties in understanding insurance documents and the process for obtaining insurance.
- As part of its availability analysis, the study team completed telephone interviews with Indiana businesses, firm owners and managers and asked if they had experienced difficulties obtaining bonding or insurance. Minority- and women-owned firms were more than twice as likely as majority-owned firms to report difficulties obtaining bonding. Similarly, MBE/WBEs were substantially more likely than majority-owned firms to report difficulties obtaining insurance.
- Some of the firms interviewed did not report barriers associated with bonding and insurance.

Effects of access to capital, bonding and insurance barriers on the Indiana

marketplace. The disadvantages for certain MBE/WBE groups associated with access to capital, bonding and insurance may affect various business outcomes for minority- and women-owned firms.

- Quantitative and qualitative evidence suggests that it is more difficult for MBE/WBEs to obtain capital, bonding and insurance. Such difficulties may prevent some minority- and women-owned businesses from ever forming, reducing overall MBE/WBE availability in the Indiana marketplace.
- Access to capital, bonding and insurance are often required for businesses to pursue certain types of public sector contracts. There is evidence of barriers in access to those business inputs for MBE/WBEs.
- Because of the nature of the data pertaining to the credit, bonding and insurance markets, it is difficult to quantify the effect that associated barriers may have had on availability and utilization of minority- and women-owned firms in the Indiana marketplace or for state and SEI contracts.

D. Success of Businesses

BBC completed quantitative and qualitative analyses that assessed whether the success of minority- and women-owned businesses differ from that of majority-owned businesses in the Indiana marketplace. The study team examined business success primarily in terms of business closures, contractions and expansions, and in terms of business receipts and earnings. Appendix H provides details about BBC's quantitative analyses of business success measures.

Quantitative analysis of business closures, contractions and expansions. BBC used analyses of U.S. Small Business Administration (SBA) data to examine business closures, contractions and expansions in Indiana and in the U.S. as a whole between 1997 and 2001.⁴ The SBA analyses compared business outcomes for minority-owned firms to business outcomes for all firms considered together. Findings indicated that:

- Between 1997 and 2001, African American- (40%) and Hispanic American-owned firms (33%) in Indiana closed at higher rates than all firms considered together (29%). Closure rates for those groups appeared to be comparable to those observed in the U.S. as a whole.
- The business expansion rate for African-American-owned firms (21%) was smaller than that for all Indiana firms considered together (31%). Both Hispanic American- (34%) and Native American-owned firms (37%) expanded at a greater rate than all Indiana firms. National data indicated that Native American-owned firms (28%) were less likely to expand than all firms considered together (30%).
- African American- (22%), Hispanic American- (22%) and Native American-owned firms (17%) in Indiana were less likely than all firms considered together (25%) to experience contraction between 1997 and 2001. Asian American-owned firms were as likely as all Indiana firms considered together to experience contraction.

Quantitative analysis of business receipts and earnings. The study team also examined business receipts and earnings of Indiana businesses as indicators of business success. BBC analyzed gross receipts and business owner earnings data from the U.S. Census bureau as well as annual revenue data from availability telephone interviews that the study team conducted. Findings showed several key differences between MBE/WBEs and majority-owned firms in terms of business receipts and earnings:

- Data from the 2002 Survey of Business Owners showed that, on average, African American-, Hispanic American-, Native American- and women-owned firms in Indiana earned substantially less in gross revenue than all firms considered together. With only a few exceptions, this was true for each industry examined.

⁴ These data were the most recent business closure, contractions and expansion data available for Indiana at the time of the disparity study.

- Based on 2000 U.S. Census data, female business owners in the Indiana study industries earned less than male business owners. However, possibly due to small sample sizes, the only difference that was statistically significant was for the support services industry. Business earnings for minority owners did not differ substantially from those of non-Hispanic whites in construction and support services.⁵
- Data from telephone interviews that BBC conducted as part of the availability analysis indicated that — across all industries except professional services — a larger share of majority-owned firms than of MBE/WBEs reported gross revenues of \$5 million or more. A smaller share of WBEs than of MBEs reported gross revenues of \$5 million or more.
- The study team also developed regression models of business owner earnings in the East North Central region based on 2000 U.S. Census data. The models examined the impact of race/ethnicity/gender on business owner earnings after statistically controlling for neutral factors. Statistically significant disparities in business earnings were identified for female business owners in construction, professional services, goods and support services. There were also statistically significant disparities for African American construction business owners.

Qualitative information about success of businesses. Responses that the study team gathered from in-depth interviews with Indiana businesses and trade associations provided information about barriers that minorities and women may face that may help explain race- and gender-based disparities in business success in Indiana.

Several interviewees described difficulties that may affect business success for MBE/WBEs in the study industries. Interviewees discussed participation as prime contractors and subcontractors; unfair denial of bid opportunities and contract awards; and the existence of a “good ol’ boy” network.”

- Many interviewees reported acting primarily as subcontractors due to barriers to working as prime contracts, which they sometimes attributed to an inability to secure bonding or financing. For example, a Subcontinent Asian American male owner of an electrical contracting firm indicated that 100 percent of his work is as a subcontractor. He reported that in order to be a prime he would need to be bonded. He said that he believes that he still needs to show a higher level of income before he starts to bid as a prime and needs bonding. The white female president of a supplier diversity organization stated that subcontracting opportunities prevail for MBE/WBEs. She said she thinks this stems from a vicious cycle — lack of opportunity that does not afford growth and increased capacity, and she thinks a huge piece of this phenomenon is the inability of MBE/WBEs to access capital.

⁵ Sample sizes were too small to provide analogous MBE data for the Indiana professional services and goods industries.

- Several interviewees indicated that their firms have been denied the opportunity to bid on contracts or have been denied contract awards because of issues related to race/ethnicity/gender. For example, an African American male minority owner of an electrical contracting firm said that he believes that there is discrimination based on race, ethnicity and gender regarding the opportunity to bid. He said that primes really do not want a firm to bid when “they call you up the day of the bid and they give you five minutes for you to bid a job that they’ve been looking at for three weeks.” With regard to unfair contract denials, a white male owner of a masonry services firm expressed that he feels that he has experienced unfair denials of contract awards and cited an experience with a white prime in Gary, Indiana: “The only guy who gets work in Gary is [a white contractor]. He’s a general contractor and he gets work just because of his color. He wanted me to use my white guys for inside work and he wanted to use his black guys for outside work, using my equipment. I said no. I’ve been on his [bad] list ever since.”
- Many interviewees indicated that a “good ol’ boy” network exists in Indiana and that it makes it more difficult for small firms — including MBE/WBEs — to win contracts. For example, the Hispanic male president of an industrial cleaning firm said, “I believe [the network] exists, because in my earlier company, when working with INDOT ... the ‘big boys’ would always get the bids and then use their buddies’ trucking companies to fulfill the minority goal. But these trucking companies were all funneled through one WBE who just happened to be the wife of one of the trucking contractors. So, yes, they know how to work the system so the paperwork meets [MBE/WBE] requirements, but in reality the work is done by the same old majority companies.” A white female owner of a dump truck haulage firm indicated that she is definitely aware of discrimination related to a “good ol’ boy” network and other closed networks. She said, “There’s a lot of that going on. [Those networks are] probably why we’re not working — it’s hard to get in.” She added that she believes the discrimination has more to do with the fact that she does not have relationships with people in the network, rather than to being a woman. Similarly, the vice president and director of operations for an African American male-owned architectural and engineering firm reported that the more his firm ventures outside of its niche (African American churches), the more it understands that the “good ol’ boy” network is alive and well. He said, “A few choice firms seem to get all of the work, and firms like ours usually ... have to be subs to satisfy the MBE/DBE goals.”
- BBC also completed telephone interviews with Indiana businesses, firm owners and managers and asked if they had experienced barriers or difficulties associated with various factors that could influence the success of businesses, such as the size of projects and learning about bid opportunities in the public and private sectors. Minority- and women-owned firms were no more likely than majority owned firms to report experiencing difficulties with the size of projects. However, MBE/WBEs were substantially more likely to report experiencing difficulties with learning about bid opportunities, both in the public sector and in the private sector.

Effects of success of businesses in the Indiana marketplace. The disparities that certain MBE/WBE groups exhibited regarding business success may affect business outcomes for minority- and women-owned firms in the Indiana marketplace.

- Quantitative and qualitative analyses suggest that, in general, MBE/WBE firms may be less successful than majority-owned firms.
- Disparities in business receipts and earnings for certain MBE/WBE groups may make it difficult for existing MBE/WBE firms to obtain the resources to effectively compete for contracts, particularly those contracts that are larger in size. Such limitations may affect the types of public sector contracts and subcontracts MBE/WBEs bid on.
- Because of the nature of the data pertaining to business success, it is difficult to quantify the effect that associated barriers may have had on availability for contracts that IDOA, INDOT and SEIs awarded during the study period.

Summary

There is evidence of disparities in the Indiana study industries — construction, professional services, goods and support services — for certain MBE/WBE groups that are related to:

- Entry and advancement;
- Business ownership;
- Access to business capital, bonding and insurance; and
- Success of businesses.

The information concerning Indiana marketplace conditions and barriers that MBE/WBEs face is important as IDOA, INDOT and SEIs consider:

- Setting overall MBE/WBE/DBE participation goals;
- Determining the extent to which it can achieve those goals through neutral efforts and determining whether specific groups would be eligible for any race- or gender-conscious elements of a program, such as DBE contract goals;
- Specific measures to be included in IDOA's and SEIs' implementation of the State of Indiana MBE/WBE program and in INDOT's implementation of the Federal DBE Program; and
- Specific measures to be included in INDOT's implementation of the Federal DBE Program.

The above points are discussed further in Chapters 16 and 17.

CHAPTER 5.

Availability of MBE/WBEs for IDOA, INDOT and SEI Contracts

BBC analyzed the availability of minority- and women-owned firms that are ready, willing and able to perform Indiana Department of Administration (IDOA), Indiana Department of Transportation (INDOT) and state educational institution (SEI) prime contracts and subcontracts. Together, IDOA and INDOT procurements are referred to as “state” contracts or procurements.

Chapter 5 describes BBC’s availability analysis in eight parts:

- A. Purpose of the availability analysis;
- B. Collecting information on potentially available firms;
- C. Number of firms included in the availability database;
- D. Definitions of MBE/WBEs, DBEs and Potential DBEs;
- E. Calculation of MBE/WBE availability as inputs to the disparity analysis;
- F. Base figure for INDOT’s overall annual DBE goal for FHWA-funded contracts;
- G. Implications for any MBE/WBE or DBE contract goals; and
- H. Other approaches to measuring availability.

Appendix D provides supporting information.

A. Purpose of the Availability Analysis

BBC developed information on the availability of minority- and women-owned firms for IDOA, INDOT and SEI prime contracts and subcontracts as an input to the disparity analysis and for developing a base figure for INDOT’s overall annual DBE goal.

Input to the disparity analysis. BBC’s analysis of the availability of minority- and women-owned firms for IDOA, INDOT and SEI work provides a benchmark for use in the disparity analysis. In the disparity analysis, the percentage of an entity’s contract dollars that actually went to each racial/ethnic/gender group is compared to the percentage of dollars that each group would be expected to receive given its availability for specific types, sizes and locations of the prime contracts and subcontracts that the entity awarded during the study period.

Developing a base figure for INDOT’s overall annual DBE goal. INDOT implements the Federal DBE Program for its Federal Highway Administration (FHWA)-funded contracts. When establishing its overall annual goal for DBE participation in FHWA-funded contracts, INDOT must begin by calculating a “base figure” for the availability of DBEs.¹ Calculating the base figure is similar to determining MBE/WBE availability benchmarks for the disparity analysis. However, unlike the availability benchmarks, minority- and women-owned firms that would not qualify for DBE certification are not counted in the “base figure” calculation.

B. Collecting Information on Potentially Available Firms

BBC’s availability analysis focused on specific areas of work specialization (“subindustries”) related to the types of construction, professional services, goods and support services that IDOA, INDOT and SEIs procured during the study period. BBC identified specific subindustries for inclusion in the availability analysis and identified the relevant geographic market area for study. Then, the study team developed a database of available firms through interviews with local business establishments within the relevant subindustries. This method of examining availability is sometimes referred to as a “custom census.”

Chapter 3 discusses the specific subindustries that the study team identified for inclusion in the availability analysis, and the rationale behind BBC’s selection of Indiana as the relevant geographic market area for the study.

Overview of the availability interviews. BBC collected information from firm owners and managers to identify firms that are potentially available for state and SEI prime contracts and subcontracts.

BBC first obtained information from Dun & Bradstreet Marketplace (D&B) on all business establishments listed under the 8-digit industry codes that were most related to state and SEI construction, professional services, goods and support services contracts. D&B provided 31,842 business listings related to those industry codes. Note that D&B does not require firms to pay a fee to be included in its Marketplace listings — it is completely free to listed firms. D&B Marketplace is accepted as the most comprehensive and complete source of business listings in the nation.

BBC worked with Survey Research Center at IUPUI (SRC) to conduct telephone interviews with the owners or managers of the identified business establishments. About 25,000 D&B listings had accurate, working phone numbers, and SRC was able to successfully contact 12,296 (49%) of those business establishments.² About 3,200 establishments that were successfully contacted indicated they were not interested in participating in an interview about their availability for public sector contracts. More than 9,000 firms completed interviews about their firm characteristics and about their interest and qualifications for work with state and local governments and public colleges in Indiana.

¹ 49 CFR Section 26.45 (c).

² Other establishments could not be reached after multiple attempts or could not make a responsible staff member available to complete the interview (see Appendix D).

Interview topics included:

- Whether the organization was a subsidiary or branch of another company;
- Whether the organization was a private business (and not a public agency or not-for-profit organization);
- Qualifications and interest in work for state and local government agencies and public colleges in Indiana;
- Qualifications and interest in work as a prime contractor and as a subcontractor;
- Firm specialization;
- The largest contract or subcontract bid on or performed in the past five years;
- Ability to work in specific geographic regions of Indiana;
- How long the firm has been in business; and
- Race/ethnicity/gender of firm ownership.

Firm representatives were offered the option of answering questions that were e-mailed or faxed if they preferred not to complete an interview over the phone. Less than 1 percent of interviews were completed through e-mail or fax.

Race/ethnicity/gender of firm ownership. BBC identified the race/ethnicity/gender of business owners through telephone interviews. The study team confirmed that information through several other data sources, including:

- State of Indiana MBE/WBE certification list;
- City of Indianapolis MBE/WBE certification list;
- INDOT DBE certification list;
- IDOA bidders list;
- IDOA, INDOT and SEI vendor data; and
- Small Business Administration 8(a) certification list.

When information about race/ethnicity or gender of ownership conflicted between sources, BBC reconciled the information through follow up telephone calls with the firm.

Consolidating responses from multi-location firms. In total, 9,069 individual organizations completed an availability interview. Before analyzing responses, BBC identified 167 instances in which multiple local offices of the same firm completed interviews. The study team combined responses for those multi-location firms.³

Qualifications and interest, and firm specialization. Firms that SRC successfully contacted were asked a number of questions concerning types of work performed, past bidding, and qualifications and interest in contracts for state and local government agencies and public colleges in Indiana. Appendix D includes the interview instruments used in collecting those data.

BBC considered firms to be available for IDOA, INDOT and SEI prime contracts or subcontracts if they reported the following characteristics:

- a. Private business (as opposed to a not-for-profit organization);
- b. Perform work relevant to state or SEI contracts;
- c. Performed or bid on government (state or local), public college or private sector contracts or subcontracts in Indiana in the past five years;⁴ and
- d. Qualified for and interested in work for governments (state or local) or public colleges.⁵

In addition, firms were asked about (e) their ability to work in specific regions of Indiana; (f) the largest contract bid on or performed in the past; and (g) the year the firm was established (so that BBC could avoid counting firms as available for contracts that predated a firm's establishment date).

Figure 5-1 shows that, based on the above criteria, 3,997 firms were considered potentially available for IDOA, INDOT or SEI work. Figure 5-1 also presents the number of firms that were excluded from the availability database for various reasons (e.g., the firm's primary line of work was outside of the study's scope).

³ BBC's methodology for combining responses, and following up with respondents when necessary, is described in Appendix D.

⁴ An interview question asked whether the firm had submitted "bid[s], qualifications, a proposal or a price quote" for any part of a construction, professional services, goods or support services contract.

⁵ That information was gathered separately for prime contract and subcontract work.

**Figure 5-1.
Screening of completed
business telephone
interviews for possible
inclusion in the availability
analysis**

Note: Six hundred twenty-eight firms were not included in the availability marketplace analysis (see Appendix H), because they did not respond to question D2 or D4 on the availability survey.

Source:
BBC Research & Consulting from
2009/2010 Availability Survey.

	Number of firms
Establishments successfully contacted	12,296
Less establishments not interested in discussing availability for State/SEI work	3,227
Establishments that completed interviews about firm characteristics	9,069
Less:	
Not a business	3,417
Line of work outside of study scope	181
Multiple establishments	167
No past bid/award	1,037
No interest in future work	270
Firms possibly available for State/SEI work included in BBC analysis*	3,997

a. Not a business. Most of the organizations contacted confirmed that they were a business. However, 3,417 establishments indicated that they were a public sector or not-for-profit organization and were therefore excluded from the availability analysis.

b. Line of work outside of study scope. During the interviews, the study team confirmed with the business owner or manager that the firm does work or provides materials related to a particular subindustry in construction, professional services, goods or support services. When necessary, the interviewer offered a detailed definition of the subindustry. As shown in Figure 5-1, 181 interviews were discontinued because the firm owner or manager indicated that the firm was not involved in that type work or was uninterested in it.

c. No past bid or award. The interviewer asked each firm owner or manager if the firm had bid on or submitted a price quote for any part of a government (state or local), public college or private sector contract in Indiana in the past five years, or had been awarded any part of such a contract. For construction, professional services and related firms, the interviewer followed up each question by asking whether the firm had bid as a prime contractor, a subcontractor or both.

Based on responses to those questions, 1,037 firms were excluded from the availability analysis because they reported that they had not bid on these types of contracts in any capacity.

d. No interest in future work. Business owners and managers were asked separate questions about whether they were qualified and interested in doing work for government agencies or public colleges in Indiana.⁶ For construction and professional services firms, separate questions probed qualifications and interest in working as a prime contractor (or prime consultant) and as a subcontractor (or subconsultant).

There were 270 firms that indicated that they were not qualified and interested in doing work for government agencies or public colleges in Indiana and were screened out of the availability analysis.⁷ After screening for the above characteristics, there were 3,997 firms remaining for the availability analysis out of 12,296 business establishments that the study team successfully contacted.

e. Ability to work in specific regions of Indiana. For each of three major regions of the state — Northern, Central and Southern Indian (see Figure 1-2 of Chapter 1) — firm owners and managers were asked questions similar to the following:

“Could your company do work or serve customers in Northern Indiana?”

If firm representatives answered “yes,” they were then asked:

“Could your company serve all of Northern Indiana or only certain parts of the region?”

If firm representatives answered “only certain parts of the region,” they were then asked a series of questions probing whether they serve customers in the specific metropolitan statistical areas (MSAs) that make up the region. For example, for Northern Indiana, firm representatives were asked:

“Could your company serve the greater Gary area?”

“Could your company serve the Michigan-La Porte area?”

“Could your company serve the Elkhart area?”

“Could your company serve the South Bend area?”

“Could your company serve the Fort Wayne area?”

No firms were excluded from the availability analysis based on a lack of an answer to those questions. Firms giving no response were only counted as able to work on projects in the MSA in which they were physically located.

f. Largest contract bid on or performed in the past. Firms were counted as available for state and SEI work up to the size range of the largest contract or subcontract on which they had bid or performed in Indiana within the prior five years (regardless of private or public sector). If the firm

⁶ The wording of this question was modified for construction and professional services work, as presented in Appendix D.

⁷ Eighty two firms were included in the availability database that expressed qualifications and interest in working only as a prime contractor and not as a subcontractor, and 368 firms were included that expressed qualifications and interest in working only as a subcontractor/supplier and not as a prime contractor.

representative did not provide a response to those questions, the firm was counted as available for just the smallest contract elements (those up to \$100,000). Six hundred and twenty-eight firms did not answer at least one of those questions.

g. Year the firm was established. Interviewers also confirmed when the firm was established. Firms were only counted as available for state and SEI contracts that were awarded after they were in business. One hundred twenty-seven firms were operating for only a portion of the July 1, 2006 through June 30, 2009 study period.⁸

C. Number of Firms Included in the Availability Database

Figure 5-2 provides race/ethnicity/gender information for the firms counted as possibly available for specific types of state or SEI contracts.⁹ Of the 3,997 firms counted as potentially available, 920 (23%) were minority- or women-owned.

Figure 5-2.
MBE/WBEs as a percentage of firms available for state or SEI contracts and subcontracts, by race, ethnicity and gender

Source:
BBC Research & Consulting from
2009/2010 Availability Survey.

Race, ethnicity and gender	Total MBE/WBE		Certified MBE/WBE	
	Number of firms	Percent of all firms	Number of firms	Percent of all firms
African American-owned	122	3.1	56	1.4
Asian-Pacific American-owned	30	0.8	11	0.3
Subcontinent Asian American-owned	25	0.6	10	0.3
Hispanic American-owned	46	1.2	14	0.4
Native American-owned	29	0.7	5	0.1
Unknown MBE	2	0.1	0	0.0
Total MBE	254	6.4 %	96	2.4 %
WBE (white women-owned)	666	16.7	153	3.8
Total MBE/WBE	920	23.0 %	249	6.2 %
Total other firms	3,077	77.0		
Total firms	3,997	100.0 %		

The data in Figure 5-2 solely reflect a simple count of firms, with no analysis of availability for specific contract types. Thus, it represents only a first step toward analyzing availability of minority- and women-owned firms to perform IDOA, INDOT or SEI work. To develop measures of availability for each entity's disparity analysis and for INDOT's base figure analysis, BBC conducted a sophisticated analysis of the relative number of MBEs and WBEs available for each contract and subcontract. Parts E and F of Chapter 5 provide those results.

D. Definitions of MBE/WBEs, DBEs and Potential DBEs

In interpreting the utilization, availability and disparity analyses in this study, one must keep in mind the difference between minority- and women-owned firms and firms certified as MBEs, WBEs and DBEs. In addition, it is important to understand how BBC treated firms owned by minority women. BBC's availability analysis uses the following definitions.

Minority- and women-owned firms (MBE/WBEs). MBE/WBEs are firms that are owned and controlled by minorities or women, regardless of whether they are certified as DBEs with INDOT or as MBE/WBEs with the State of Indiana. In other words, BBC analyzed the possibility that race or gender discrimination affects participation in state and SEI contracts by comparing outcomes for firms based on the race/ethnicity/gender of their ownership and not based on certification status.

⁸ Companies for which no establishment date was identified were counted as available for the full study period.

⁹ Some firms in Figure 5-2 were counted as available only for state contracts or only for SEI contracts, depending on their responses to interview questions.

Analyzing the utilization and availability of minority- and women-owned firms — regardless of certification — allows one to assess whether there are disparities affecting all minority- and women-owned firms. Firms may be discriminated against because of the race or gender of the business owner regardless of whether the owner has applied for DBE or MBE/WBE certification.

BBC follows the definitions of specific minority groups contained in 49 CFR Part 26.¹⁰ Most MBE/WBEs doing business in Indiana are not currently certified.¹¹

Certified minority- and women-owned firms (certified MBE/WBEs). Certified MBE/WBEs are minority- and women-owned firms that are certified as such by the State or have certifications that the State recognizes, including minority- and women-owned firms certified as Disadvantaged Business Enterprises (DBEs).¹² In addition to reporting utilization for minority- and women-owned firms in general, BBC provides utilization results for MBE/WBE-certified firms for IDOA and each SEL. As there is no size limit in the State’s certification standards, certified MBE/WBEs include large minority- and women-owned firms along with small ones.

Disadvantaged business enterprises (“DBEs”). DBEs are businesses that are certified as such under the Federal DBE Program. To be certified, firms must show revenue and personal net worth below the limits described in 49 CFR Part 26. Because implementation of the Federal DBE Program requires INDOT to track DBE utilization, BBC reports utilization data for DBE-certified firms for INDOT.

Potential DBEs. Potential DBEs are minority- and women-owned firms that are DBE-certified or appear that they potentially could be certified as DBEs (regardless of actual DBE certification). BBC considers “potential DBEs” for purposes of establishing a base figure for INDOT’s overall annual DBE goal. Figure 5-3 provides additional information on firms considered to be potential DBEs.

¹⁰ Those definitions were also the basis for definitions the State of Indiana uses for its MBE/WBE Program.

¹¹ Of the 920 MBE/WBE firms included in the availability database, 249 firms were certified as MBE/WBEs with the State and 40 firms were certified as DBEs.

¹² Not all DBE-certified firms are MBE/WBE-certified. The State requires DBE-certified firms to fill out reciprocity forms to become MBE/WBE certified, and some DBE-certified firms elect not to complete those forms.

Analysis of potential DBEs when examining the base figure for the overall annual aspirational DBE goal. INDOT must set an overall annual goal for DBE utilization on its FHWA-funded contracts. Consistent with court-reviewed availability analyses in states such as Illinois and Minnesota, BBC analyzed the base figure for the overall DBE goal based primarily on availability of “potential DBEs,” not just minority- and women-owned firms that are currently certified.

The U.S. Department of Transportation (USDOT) allows state and local agencies that implement the Federal DBE Program to develop overall annual goals for DBE participation by counting the number of available firms in DBE directories and dividing that count by total firms available in the local marketplace. However, its “Tips for Goal-Setting in the Disadvantaged Business Enterprise Program” identifies the concern that a DBE directory may undercount potential DBEs in a local market area.¹³ USDOT recommends that agencies consider going beyond the directory of certified DBEs to include minority- and women-owned firms that may be available for agency contracting. “Tips for Goal-Setting” states that firms potentially certified as DBEs should be included in the base figure analysis (see Section II of “Tips for Goal-Setting”). BBC’s approach to setting the base figure is also consistent with methods approved in *Sherbrooke Turf*¹⁴ and in *Northern Contracting*¹⁵, which favorably refers to and cites “Tips for Goal-Setting” (see Appendix B for a discussion of these and other legal cases).

When considering minority- and women-owned firms that are potential DBEs, BBC did not count those firms that have grown too large for the DBE Program or that have otherwise been denied DBE certification.¹⁶ Those steps are consistent with USDOT’s instructions in Part G of “Tips for Goals Setting.”

Figure 5-3. Definitions of potential DBEs

To formulate the overall annual DBE goal, BBC excluded firms that recently graduated from the DBE Program as well as high-revenue minority- and women-owned firms that are not currently DBE-certified. Firms that appeared that they could be potentially certified as DBEs, based on ownership and revenue, were counted in the overall goal. Construction-related firms with annual revenue of less than \$25 million and engineering-related firms with annual revenue of less than \$5 million were counted as potential DBEs. These sizes correspond to the categories Dun & Bradstreet uses to report revenue (which BBC used to develop revenue size ranges in the availability interviews).

The \$5 million revenue limit for engineering-related firms closely matches the SBA small business size standard for these firms (\$4.5 million). The \$25 million revenue limit is below the SBA size standard for what constitutes a small business that performs highway, street and bridge construction (\$33.5 million) because of the overall revenue limit established in USDOT guidelines (\$22,410,000 average over three years).

A small share of INDOT FHWA-funded work goes to goods and support services firms. The SBA’s calculation of size standards for goods firms is complex and for many subindustries does not reflect revenues but instead uses number of employees (50-1,500 depending on subindustry). As the SBA size threshold is quite high for goods firms, BBC used a \$25 million revenue limit to classify goods firms as potential DBEs. The most common revenue limit SBA sets for support services firms is \$7 million, so BBC used the closest size range in the availability interviews (\$5 million).

Firm owners must also meet USDOT personal net worth limits. Personal net worth of the owners of available firms was not available as part of this study and thus was not considered when determining potential DBE status.

¹³ USDOT Tips for Goals Setting in the Disadvantaged Business Enterprise Program. <http://www.osdbu.dot.gov/DBEProgram/tips.cfm>.

¹⁴ *Sherbrooke Turf, Inc. v. Minnesota DOT, and Gross Seed Company v. Nebraska Department of Road*, 345 F.3d 964 (8th Cir. 2003), cert. denied, 541 U.S. 1041 (2004)

¹⁵ *Northern Contracting, Inc. v. Illinois*, 473 F.3d 715 at 723 (7th Cir. 2007).

¹⁶ BBC also excluded MBEs and WBEs with revenues that placed them near the revenue ceiling for DBE certification.

Summary. Figure 5-4 summarizes how different types of minority- and women-owned firms were counted when (a) determining MBE/WBE availability for purposes of disparity analyses; and (b) calculating the base figure for the overall annual DBE goal.

Figure 5-4.
Summary of how firms are counted in different availability analyses

Type of firm	a. MBE/WBEs for disparity analysis	b. Potential DBEs for base figure analysis
Firms currently DBE-certified	Counted as MBE/WBE if minority- or women-owned	Counted as potential DBE
MBE/WBEs that are below revenue ceiling for DBE certification	Counted as MBE/WBE	Counted as potential DBE
MBE/WBEs that have graduated from DBE program	Counted as MBE/WBE	Not counted as potential DBE
MBE/WBEs that appear to have revenue too large to be DBE-certified	Counted as MBE/WBE	Not counted as potential DBE

E. Calculation of MBE/WBE Availability as Inputs to the Disparity Analysis

One of the primary uses of MBE/WBE availability information is as an input to disparity analyses. Availability of MBEs and WBEs is expressed in terms of the percentage of contract dollars that might be expected to go to those firms given their relative availability for the specific types, sizes and locations of particular sets of state or SEI contracts and subcontracts. In a disparity analysis, an availability figure represents a “benchmark” against which one can compare the actual share of contract and subcontract dollars going to MBE/WBEs.

Steps to calculating availability. The availability database for the Indiana disparity study included 3,997 businesses, but only a subset of those firms were included as potentially available for any given IDOA, INDOT or SEI prime contract or subcontract. Whether a firm was considered available for a particular contract depended on the match between certain characteristics of the contract element and characteristics of the firm.

When calculating MBE/WBE availability for IDOA, for example, BBC examined more than 32,000 IDOA contract elements and considered both majority and MBE/WBE firms that were potentially available for each contract element. To determine which firms were available for a particular contract element, BBC took the following steps:

1. For each IDOA contract element, BBC determined:
 - Type of work;
 - Contract role (prime contract or subcontract);
 - Contract size;
 - Contract location; and
 - Contract date.
2. BBC then identified firms in the availability database that reported that they:
 - Perform the type of work associated with the contract element;
 - Bid on or performed work in the contract role (prime contractor or subcontractor) associated with the contract element (for construction and professional services);
 - Have bid on or performed work that matched or exceeded the size of the contract element;
 - Are qualified and interested in working for state or local government agencies;
 - Provide services or serve customers in the region from which the contract element originated; and
 - Were in business in the year the contract was awarded.

3. BBC counted the number of minority- and women-owned firms among all firms available for that specific type of work. For example, there may be three white women-owned firms, one African American-owned firm and 16 majority-owned firms out of 20 firms available to perform a particular contract element.
4. The study team then translated the numeric availability of firms for a contract element into percentage availability for the contract element. Continuing the above example, if there were three white women-owned firms out of 20 available firms, WBE availability for that contract element would be 15 percent.
5. BBC weighted the availability for each prime contract and subcontract by the dollars of work corresponding to the contract element. To determine availability for MBE/WBEs overall and for each MBE/WBE group across all IDOA contract elements in a particular contract set, BBC:
 - ▶ Multiplied percentage availability for each group by the dollars associated with a particular IDOA contract element, and then repeated that process for all contract elements included in the set;
 - ▶ The study team then added the results across contract elements in the set; and
 - ▶ Divided that sum by the total dollars of all contract elements included in the set to produce dollar-weighted estimates of availability.

For IDOA, INDOT and each SEI, BBC used the above contract-by-contract process to determine MBE/WBE availability for each set of contracts or subcontracts examined in the disparity analysis. More than 85,000 contracts and subcontracts were examined when calculating availability for IDOA, INDOT and SEIs combined. BBC also used this procedure to develop the base figure for INDOT's annual DBE goal.

Figure 5-5 presents dollar-weighted availability by MBE/WBE group for combined IDOA, INDOT and SEI contracts and subcontracts from July 1, 2006 through June 30, 2009. As shown in the total column, 16.2 percent of combined prime and subcontract dollars across the participating entities would be expected to go to MBE/WBEs. White women-owned firms (11.0%) accounted for much of that availability. Among MBEs, availability was highest for African American-owned firms (1.8%).

Availability of MBE/WBEs was highest for support services and lowest for construction. MBE/WBE availability differed between industries because of the number of MBE/WBEs among all firms available to perform work within an industry and because of the specific type, size, location and contract roles (i.e., prime contractor or subcontractor) of the contract elements in an industry.

Figure 5-5.
Availability of firms for combined IDOA, INDOT and SEI procurements, July 2006–June 2009, by race, ethnicity and gender

Race, ethnicity and gender	Utilization benchmark (availability %)				Total
	Construction	Professional services	Goods	Support services	
African American-owned	1.5 %	2.4 %	1.5 %	6.5 %	1.8 %
Asian-Pacific American-owned	0.2	2.2	2.0	0.7	0.9
Subcontinent Asian American-owned	0.7	3.0	0.1	0.0	1.2
Hispanic American-owned	0.2	0.9	2.0	4.1	0.6
Native American-owned	0.7	0.4	0.1	1.0	0.6
Total MBE	3.4 %	9.0 %	5.7 %	12.3 %	5.2 %
WBE (white women-owned)	<u>8.4</u>	<u>16.5</u>	<u>10.2</u>	<u>22.1</u>	<u>11.0</u>
Total MBE/WBE	11.8 %	25.4 %	16.0 %	34.4 %	16.2 %

Note: See Figures K-1, K-2, K-3, K-4 and K-5 in Appendix K.
 Numbers may not sum perfectly due to rounding.

Source: BBC Research & Consulting from 2009/2010 Availability Survey.

Figure 5-6 presents dollar-weighted availability individually for each participating agency and SEI. Availability estimates for each entity are tailored to the specific characteristics of the contracts that each entity awarded during the study period.

Figure 5-6.
Availability of firms for IDOA, INDOT and SEI procurements, July 2006–June 2009, by race, ethnicity and gender

Race, ethnicity and gender	Utilization benchmark (availability %)				Total
	Construction	Professional services	Goods	Support services	
IDOA					
African American-owned	2.8 %	1.7 %	1.0 %	7.0 %	2.0 %
Asian-Pacific American-owned	0.7	1.9	2.5	1.0	1.8
Subcontinent Asian American-owned	0.7	2.7	0.1	0.0	1.8
Hispanic American-owned	0.5	0.8	1.5	4.7	1.0
Native American-owned	0.5	0.1	0.1	1.3	0.2
Total MBE	5.3 %	7.3 %	5.2 %	14.0 %	6.8 %
WBE (white women-owned)	<u>9.1</u>	<u>20.9</u>	<u>9.9</u>	<u>21.2</u>	<u>16.7</u>
Total MBE/WBE	14.3 %	28.3 %	15.1 %	35.2 %	23.4 %
INDOT					
African American-owned	0.7 %	2.8 %	1.5 %	3.6 %	1.1 %
Asian-Pacific American-owned	0.1	2.7	0.2	0.1	0.5
Subcontinent Asian American-owned	0.2	3.7	0.0	0.0	0.8
Hispanic American-owned	0.1	1.2	1.3	4.6	0.4
Native American-owned	0.8	0.9	0.1	0.2	0.8
Total MBE	1.9 %	11.3 %	3.2 %	8.5 %	3.5 %
WBE (white women-owned)	<u>8.6</u>	<u>9.9</u>	<u>8.9</u>	<u>22.0</u>	<u>8.9</u>
Total MBE/WBE	10.5 %	21.2 %	12.1 %	30.6 %	12.4 %
Ball State University					
African American-owned	4.5 %	4.8 %	4.5 %	2.8 %	4.5 %
Asian-Pacific American-owned	0.2	2.2	2.1	0.5	0.8
Subcontinent Asian American-owned	3.6	2.2	0.1	0.0	2.9
Hispanic American-owned	0.1	0.7	3.4	1.9	0.7
Native American-owned	0.2	0.5	0.0	1.4	0.2
Total MBE	8.7 %	10.5 %	10.1 %	6.7 %	9.2 %
WBE (white women-owned)	<u>3.7</u>	<u>13.3</u>	<u>15.8</u>	<u>25.6</u>	<u>7.1</u>
Total MBE/WBE	12.3 %	23.8 %	25.9 %	32.3 %	16.3 %
Indiana State University					
African American-owned	2.7 %	4.1 %	1.4 %	8.3 %	2.8 %
Asian-Pacific American-owned	0.1	2.7	0.7	1.2	0.5
Subcontinent Asian American-owned	1.6	2.1	0.1	0.1	1.4
Hispanic American-owned	0.1	1.1	1.4	1.4	0.4
Native American-owned	1.0	0.7	0.0	0.7	0.8
Total MBE	5.6 %	10.7 %	3.7 %	11.7 %	6.1 %
WBE (white women-owned)	<u>7.9</u>	<u>14.0</u>	<u>7.4</u>	<u>24.0</u>	<u>8.8</u>
Total MBE/WBE	13.6 %	24.7 %	11.1 %	35.6 %	15.0 %
Indiana University					
African American-owned	3.2 %	3.5 %	1.7 %	5.4 %	3.1 %
Asian-Pacific American-owned	0.9	1.9	1.7	0.7	1.2
Subcontinent Asian American-owned	2.1	2.3	0.0	0.0	1.7
Hispanic American-owned	0.6	0.7	2.6	2.0	1.0
Native American-owned	0.8	0.4	0.0	1.3	0.6
Total MBE	7.7 %	8.9 %	6.1 %	9.4 %	7.7 %
WBE (white women-owned)	<u>7.8</u>	<u>16.0</u>	<u>12.1</u>	<u>23.6</u>	<u>10.5</u>
Total MBE/WBE	15.5 %	24.9 %	18.2 %	32.9 %	18.2 %

Figure 5-6. (continued)

Availability of firms for IDOA, INDOT and SEI procurement, July 2006–June 2009, by race, ethnicity and gender

Race, ethnicity and gender	Utilization benchmark (availability %)				Total
	Construction	Professional services	Goods	Support services	
Ivy Tech Community College of Indiana					
African American-owned	3.2 %	5.1 %	2.3 %	17.7 %	4.4 %
Asian-Pacific American-owned	0.4	1.4	1.5	1.4	0.9
Subcontinent Asian American-owned	0.5	1.3	0.2	0.1	0.6
Hispanic American-owned	0.7	0.9	3.1	1.7	1.3
Native American-owned	1.3	0.2	0.0	0.5	0.7
Total MBE	6.2 %	8.9 %	7.2 %	21.4 %	8.0 %
WBE (white women-owned)	<u>12.0</u>	<u>19.9</u>	<u>14.5</u>	<u>22.8</u>	<u>14.9</u>
Total MBE/WBE	18.1 %	28.8 %	21.7 %	44.1 %	22.9 %
Purdue University					
African American-owned	4.3 %	3.6 %	2.1 %	3.0 %	3.8 %
Asian-Pacific American-owned	0.3	2.2	3.3	0.7	1.2
Subcontinent Asian American-owned	2.6	2.7	0.0	0.0	2.2
Hispanic American-owned	0.4	0.9	2.9	5.4	1.0
Native American-owned	0.3	0.4	0.0	2.0	0.3
Total MBE	8.1 %	9.9 %	8.4 %	11.2 %	8.5 %
WBE (white women-owned)	<u>7.8</u>	<u>13.5</u>	<u>9.1</u>	<u>23.1</u>	<u>9.3</u>
Total MBE/WBE	15.9 %	23.4 %	17.4 %	34.3 %	17.8 %
University of Southern Indiana					
African American-owned	1.8 %	3.0 %	1.4 %	5.4 %	1.8 %
Asian-Pacific American-owned	0.3	2.0	0.5	0.7	0.5
Subcontinent Asian American-owned	1.2	1.8	0.1	0.0	1.0
Hispanic American-owned	0.2	0.8	2.5	2.2	0.8
Native American-owned	0.7	0.5	0.0	1.4	0.5
Total MBE	4.2 %	8.1 %	4.4 %	9.7 %	4.7 %
WBE (white women-owned)	<u>6.8</u>	<u>15.4</u>	<u>4.8</u>	<u>27.2</u>	<u>7.4</u>
Total MBE/WBE	11.0 %	23.5 %	9.3 %	36.9 %	12.0 %
Vincennes University					
African American-owned	2.6 %	2.6 %	4.0 %	5.7 %	3.0 %
Asian-Pacific American-owned	0.1	2.6	0.7	1.0	0.6
Subcontinent Asian American-owned	0.6	2.3	0.4	0.0	0.8
Hispanic American-owned	0.2	1.6	7.3	2.4	2.0
Native American-owned	5.8	0.3	0.2	1.4	3.8
Total MBE	9.6 %	9.4 %	12.5 %	10.4 %	10.2 %
WBE (white women-owned)	<u>8.2</u>	<u>14.2</u>	<u>14.4</u>	<u>25.9</u>	<u>10.6</u>
Total MBE/WBE	17.8 %	23.6 %	26.9 %	36.3 %	20.9 %

Note: See Figures O-1 through O-5, Q-1 through Q-5, S-1 through S-5, W-1 through W-5, U-1 through U-5, Y-1 through Y-5, AA-1 through AA-5, CC-1 through CC-5, and EE-1 through EE-5 in Appendices O, Q, S, W, U, Y, AA, CC and EE.

Numbers may not sum perfectly due to rounding.

Source: BBC Research & Consulting from 2009/2010 Availability Survey.

Unique availability benchmark for each set of contracts. BBC separately determined dollar-weighted availability by racial/ethnic/gender group for each set of IDOA, INDOT and SEI contracts and subcontracts examined in the disparity analysis. A number of tables in the supporting appendices report MBE/WBE availability and disparity analysis results for subsets of contracts and subcontracts. For example, overall MBE/WBE availability for IDOA varies from 14.3 percent for construction prime contracts and subcontracts to about 35.2 percent for support services prime contracts and subcontracts. In general:

- Dollar-weighted MBE/WBE availability is greater for small procurements than for large procurements.
- MBE/WBE availability is greater for subcontracts within an industry than prime contracts.
- MBE/WBE availability is greater for support services than for other industries.

Disparity analyses for MBE/WBEs, not just certified MBE/WBEs or DBEs. Utilization and availability analyses of minority- and women-owned firms allow one to analyze whether there are disparities affecting certain racial/ethnic/gender groups, independent of certification status. Firms may be discriminated against because of the race or gender of the business owner regardless of whether the owner has applied for MBE/WBE or DBE certification.

That method of examining MBE/WBE utilization and availability has further implications for INDOT's disparity analyses because of the agency's implementation of the Federal DBE Program. As described in Figure 5-3, to be DBE certified, firms must show revenue and personal net worth below the limits described in 49 CFR Part 26. By not limiting its disparity analyses to certified firms, BBC's examination of whether firms face disadvantages based on race/ethnicity/gender includes the most successful, highest-revenue MBE/WBEs in Indiana. A disparity analysis focusing on DBE-certified firms would improperly compare outcomes for certified DBEs (by definition, "economically disadvantaged" minority- and women-owned firms) with all other firms (combining majority-owned firms with very successful firms owned by minorities and women). One might find disparities for any group of firms for which membership is limited to low-revenue firms.¹⁷

Furthermore, 49 CFR Part 26 allows certification of white male-owned firms as DBEs. Thus, disparity analyses based on DBE certification would not purely be an analysis of disparities by race/ethnicity/gender.

¹⁷ An analogous situation concerns analysis of possible wage discrimination. A disparity analysis that would compare wages of minority employees to wages of all employees should include both low- and high-wage minorities in the statistics for minority employees. If the analysis removed data on high-wage minorities, any comparison of wages between minorities and non-minorities would likely show disparities in wage levels.

Coding of minority women-owned firms. In the disparity study, BBC combines firms owned by minority women and firms owned by minority men into “minority-owned firms.” “WBEs” are firms owned by white women. Figure 5-7 discusses BBC rationale for that classification.

Figure 5-7.
Coding of firms owned by minority women

Firms owned by minority women present a data coding challenge in both the availability analysis and the utilization analysis. BBC considered four options for coding firms owned by minority women:

- a. Coding these firms as both minority- and women-owned;
- b. Creating a unique group of minority female-owned firms;
- c. Grouping minority female-owned firms with all women-owned firms; and
- d. Grouping minority female-owned firms with the relevant racial/ethnic group.

BBC chose not to code the firms as both women-owned and minority-owned to avoid potential double-counting when reporting total MBE/WBE utilization and availability. Dividing each racial/ethnic group into firms owned by men versus women (e.g., African American male-owned firms, African American female-owned firms, etc.) was also unworkable for purposes of the disparity analysis because some minority groups had utilization and availability so low that further disaggregation made it more difficult to interpret results.

After rejecting the first two options, BBC then considered whether to group minority female-owned firms with the relevant minority group or with all women-owned firms. BBC chose the former — to group African American women-owned firms with all African American-owned firms, etc. “WBE” in this report refers to white women-owned firms. Evidence of discrimination against white women-owned firms should be considered evidence of discrimination against women of any race or gender. This definition of WBEs also gives IDOA, INDOT and SEIs information to answer questions that often arise pertaining to utilization of white women-owned firms, such as whether a disproportionate share of work goes to firms owned by white women.

F. Base Figure for INDOT’s Overall Annual DBE Goal for FHWA-funded Contracts

Establishing the base figure is the first step in calculating an overall annual goal for DBE participation in INDOT’s FHWA-funded contracts. BBC calculated the base figure using information on currently certified DBEs and minority- and women-owned firms that potentially could be DBE-certified.

As with the calculation of MBE/WBE availability for the disparity analysis, BBC did not include expenditures that went to non-businesses such as government agencies, associations and not-for-profits. Because such organizations are not “owned,” associated FHWA-funded contracts were not included in the calculations concerning the overall annual DBE goal. In addition, BBC excluded expenditures that went to businesses that are otherwise outside of the scope of typical INDOT FHWA-funded construction, professional services, goods and support services contracts.

Base figure. BBC's availability analysis indicates that minority- and women-owned firms currently or potentially certified as DBEs would receive 10.2 percent of prime contract and subcontract dollars for INDOT FHWA-funded contracts, if they had the same opportunities as majority-owned firms. INDOT should consider 10.2 percent as the base figure for its overall annual aspirational goal for DBE participation, if the agency expects that the distribution of FHWA-funded contracts for the time period that the goal will cover will be similar to FHWA-funded contracts awarded from July 2006 through June 2009. The base figure presented in Figure 5-8 is similar to INDOT's proposed annual DBE goal of 9.7 percent for Federal Fiscal Year 2010.

Figure 5-8 presents the components of the base figure for the overall annual DBE goal by racial/ethnic/gender group of potential DBEs. Construction contracts represented 85.5% of the FHWA-funded contract dollars in the study period, professional services contracts represented 13.5%, goods contracts represented 0.2% and support services contracts represented 0.8% of FHWA-funded contract dollars.

The 12.4 percent availability for all MBE/WBEs for INDOT's contracts reported in Figure 5-6 is higher than the level BBC suggests as the base figure for the agency's overall annual DBE goal. BBC's calculation of MBE/WBE availability includes two groups of minority- and women-owned firms that were not counted as potential DBEs in the base figure:

- Firms for which DBE certification has been denied or that have grown to be too large for DBE certification; and
- Firms that are currently not DBE-certified and are likely to be too large to meet certification requirements.

Figure 5-8.
Potential DBEs as a percentage of firms available for INDOT FHWA-funded contracts, by race, ethnicity and gender

Race, ethnicity and gender	Utilization benchmark (availability %)				Total
	Construction	Professional services	Goods	Support services	
African American-owned	0.6 %	2.3 %	0.7 %	3.9 %	0.8 %
Asian-Pacific American-owned	0.1	2.0	0.0	0.0	0.4
Subcontinent Asian American-owned	0.2	3.8	0.1	0.0	0.7
Hispanic American-owned	0.1	0.8	1.5	0.0	0.2
Native American-owned	0.1	0.0	0.1	0.1	0.1
Total MBE/WBE	1.1 %	9.0 %	2.4 %	4.1 %	2.2 %
WBE (white women-owned)	<u>7.9</u>	<u>8.5</u>	<u>32.0</u>	<u>6.0</u>	<u>8.0</u>
Total MBE/WBE	9.0 %	17.5 %	34.5 %	10.2 %	10.2 %

Note: Includes certified DBEs and minority- and women-owned firms potentially certified as DBEs. Total reflects a weight of 85.5 percent for construction, 13.5 percent for professional services, 0.2 percent for goods and 0.8 percent for support services, reflecting FHWA-funded dollars of contracts for July 2006–June 2009.

Source: BBC Research & Consulting from 2009/2010 Availability Survey.

Additional steps before determining the overall annual DBE goal. INDOT must consider whether to make a “step 2” adjustment to the base figure before determining a final overall annual DBE goal. The step 2 adjustment can be upward or downward. Chapters 4 and 17 of the report summarize information INDOT should consider in choosing whether to make such an adjustment. Additional information is presented in Appendices E – H and Appendix J.

G. Implications for any MBE/WBE or DBE Contract Goals

As noted in Chapter 16 and 17, if IDOA, INDOT and SEIs choose to use MBE/WBE or DBE contract goals in the future, they should:

- Continue to set goals on a contract-by-contract basis given the unique attributes of the contract.
- Continue to set contract goals only on contracts that have subcontracting opportunities.
- Use information in the availability database developed through this study as a starting point for establishing contract goals.
 - For each major subcontracting discipline, examine the sizes and disciplines of expected subcontracts for the project.
 - Examine the availability database to determine the number of potential and currently-certified MBE/WBEs or DBEs that can perform the work (including factors such as type of work, subcontract size and location).

H. Other Approaches to Measuring Availability

BBC explored other approaches to developing a database of available for IDOA, INDOT and SEI contracts before deciding to use information collected through interviews of local businesses. For example, IDOA maintains a database of firms that register with the State of Indiana as a part of submitting bids for state contracts. However, the database does not include detailed information about the types, sizes, contract roles and locations of contracts on which firms bid.

Strengths of BBC’s enhanced “custom census” approach. Some of the strengths of the “custom census” approach that the study team used in the Indiana disparity study are summarized in Figure 5-9. It is worthwhile to summarize certain strengths in how BBC examined specific factors for determining whether a firm was available for a particular contract element. Appendix B provides an in-depth discussion of court cases that have considered strengths and weaknesses of different approaches to calculating availability.

Figure 5-9. Summary of the strengths of a “custom census” approach

Federal courts have reviewed and upheld “custom census” approaches to availability that begin with D&B data. The study team’s methodology for analyzing MBE/WBE availability took the previous court-reviewed custom census approach as a starting point and added several layers of additional screening when determining firms available for transportation contracting work.

For example, the BBC analysis includes discussions with individual firms about interest in state and local government work, contract role and geographic location of their work, items not included in the court-reviewed availability analyses. BBC also analyzes the sizes of contracts and subcontracts that firms have performed or bid on in the past.

Specialization of work. USDOT suggests considering the availability of firms based on their ability to perform specific types of work. The example USDOT gives in “Tips for Goal-Setting in the Disadvantaged Business Enterprise (DBE) Program” is as follows: If 90 percent of an agency’s contracting dollars is spent on heavy construction and 10 percent on trucking, the agency would calculate the percentage of heavy construction firms that are MBEs or WBEs and the percentage of trucking firms that are MBEs or WBEs, and weight the first figure by 90 percent and the second figure by 10 percent when calculating overall MBE/WBE availability.¹⁸ BBC examined 64 different subindustries in the Indiana disparity study.

Qualifications and interest in prime contractor and subcontractor work. Although not a requirement in the Federal DBE Program (and not done by the Illinois Department of Transportation in the information reviewed by the Seventh Circuit in *Northern Contracting*), BBC collected information on whether firms reported qualifications and interest in working as a *prime contractor* or as a *subcontractor*. In BBC’s availability analysis, only firms qualified and interested in prime contracts are counted as available for prime contracts. Firms reporting qualifications and interest in subcontracts are counted as available for subcontracts. Some firms reported qualifications and interest in both contract roles, and are counted as available for either role.

Size of contract or subcontract element. In counting available firms, BBC also considered whether a firm had previously worked or bid on a project of equivalent size (in dollars) to the specified contract or subcontract element. BBC’s approach is consistent with guidance from the U.S. Court of Appeals for the Federal Circuit regarding capacity of firms to perform different sizes of contracts (see *Rothe Development Corp. v. Department of Defense*).¹⁹

¹⁸ Tips for Goals Setting in the Disadvantaged Business Enterprise (DBE) Program, <http://osdbu.dot.gov/?TabId=133>.

¹⁹ *Rothe Development Corp. v. U.S. Department of Defense*, 545 F.3d 1023 (Fed. Cir. 2008).

CHAPTER 6.

Combined State and SEI Utilization and Disparity Analysis

Chapter 6 presents combined utilization and disparity results for the Indiana Department of Administration (IDOA), the Indiana Department of Transportation (INDOT) and state educational institution (SEI) contracts. Chapter 6 is organized in three parts:

- A. Utilization results;
- B. Disparity analysis; and
- C. Case studies of past procurements.

Part B compares utilization results with availability benchmarks introduced in Chapter 5. Those comparisons allow BBC to determine whether utilization of minority- and women-owned firms on state and SEI contracts was above or below what would be expected given the availability of MBE/WBEs for those contracts. Figure 6-1 provides the definition of “utilization” that BBC used for the study. In some cases, Chapter 6 compares combined results for IDOA and INDOT (“state” contracts or procurements) with combined results for SEIs.¹

Part C examines whether MBE/WBE bids, proposals and quotes on IDOA, INDOT and SEI procurements help to explain the disparity results. The analysis is based on a stratified random sample of contract information collected from the state and SEIs.

Utilization results and disparity analyses for IDOA, INDOT and each SEI are presented individually in Chapters 7 through 15.

Figure 6-1. Defining and measuring “utilization”

“Utilization” of minority- and women-owned firms refers to the share of contract dollars going to those firms. BBC reports results for firms certified as MBEs and WBEs (firms certified as MBEs or WBEs through the State of Indiana in the year of the specific contract) and for all minority- and women-owned firms. BBC also examines results by racial/ethnic/gender group. For INDOT, BBC reports results for all minority- and women-owned firms and for firms certified as DBEs.

Utilization is expressed as a percentage of prime contract and subcontract *dollars*. “Prime contract dollars” are total contract dollars less the money identified as going to subcontractors. For example, WBE utilization of 5 percent means that 5 percent of the contract dollars examined (e.g., \$5 million out of \$100 million) went to women-owned firms. Expressed another way, 5 cents of every contract dollar went to WBEs.

Information concerning utilization of minority- and women-owned firms is useful on its own, but is even more instructive when compared with a benchmark for the level of utilization expected given relative availability of minority- and women-owned firms for a particular set of contracts.

Chapter 3 and Appendix C explain how utilization data were collected and analyzed.

¹ As explained in Chapter 1, BBC’s utilization and disparity analyses for IDOA include state agencies for which IDOA tracks and administers contracting and procurement data. For a complete list of state agencies included with IDOA’s data, see Figure 1-1.

A. Utilization Results

BBC examined utilization of minority- and women-owned firms on state and SEI contracts that were awarded between July 1, 2006 and June 30, 2009. Unless otherwise noted, utilization results include both prime contractor and subcontractor participation.²

The first half of Chapter 6 presents combined utilization results by:

1. Fiscal year;
2. MBE/WBE group;
3. Industry;
4. Prime contracts and subcontracts; and
5. State versus SEI procurements.

1. Utilization results by fiscal year. Figure 6-2 presents utilization of minority- and women-owned firms as a percentage of combined state and SEI contract dollars by fiscal year. As noted previously, the term “MBE/WBEs” in this report includes all minority- and women-owned firms regardless of whether they are certified as such. Figure 6-2 also provides results for businesses certified as MBE/WBEs through the State of Indiana or as DBEs through INDOT. Those results are shown as the darker portion of each bar.³

- Each bar in the graph indicates the percentage of overall contract dollars going to minority- and women-owned firms (the statistic shown on the top of each bar).
- The dark shading in the bottom portion of the bar presents the share of overall contract dollars going to certified MBE/WBEs alone.
- The difference between certified MBE/WBE utilization and total MBE/WBE utilization corresponds to the participation of MBE/WBEs that were not certified.

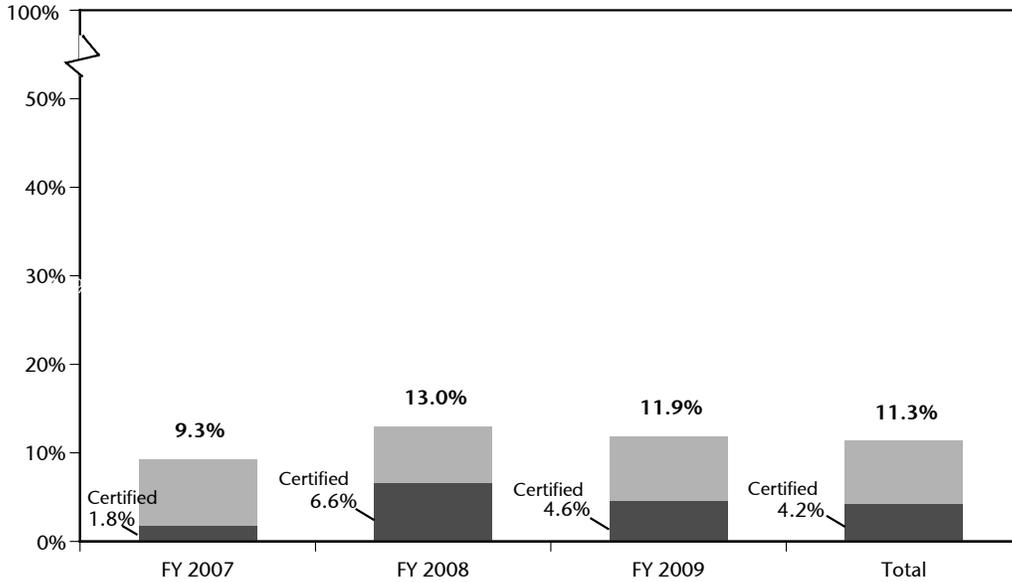
² To calculate prime contractor utilization, BBC counted the total contract amount (including change orders and amendments) less the amount that the prime contractor committed to subcontractors. Thus, prime contractor plus subcontractor utilization for a contract equals the total contract amount.

³ When analyzing INDOT procurements, “certified MBE/WBEs” refers to firms certified as DBEs by INDOT. For all non-INDOT procurements examined in this study, “certified MBE/WBEs” refers to firms certified or recognized as certified as MBE or WBE by the Minority and Women’s Business Enterprises Division of IDOA.

As shown in Figure 6-2, minority- and women-owned firms obtained 9.3 percent of combined state and SEI contract dollars in FY 2007, 13.0 percent in FY 2008 and 11.9 percent in FY 2009. Over the three-year period, MBE/WBEs received 11.3 percent of combined state and SEI contract dollars.

During the study period, 4.2 percent of state and SEI contract dollars went to firms certified as MBE/WBEs or as DBEs.

Figure 6-2.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for combined state and SEI contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 24,100 for FY 2007, 31,371 for FY 2008, 29,855 for FY 2009 and 85,326 for all years combined.

Source: BBC Research & Consulting from data on state and SEI contracts.

BBC also examined MBE/WBE utilization for state and SEI contracts after excluding INDOT contracts that were Federal Highway Administration (FHWA)-funded. MBE/WBE utilization for those contracts (12.6%) was slightly higher than utilization for all contracts shown in Figure 6-2.⁴

⁴ Certified MBE/WBEs obtained 5.5 percent of contract dollars after excluding INDOT's FHWA-funded contracts.

2. Utilization results by MBE/WBE group. Figure 6-3 details utilization of minority- and women-owned firms (top half of the figure) and of just certified MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group across the entire study period.

As shown in Figure 6-3, WBE utilization (6.8%) accounted for more than half of overall state and SEI utilization of MBE/WBEs during the study period. Considering individual MBE groups, only African American-owned firms (1.7%) obtained more than 1.0 percent of total procurement dollars during the study period.⁵

Figure 6-3.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for state and SEI construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	FY 2007		FY 2008		FY 2009		Total	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$42,641	1.2 %	\$70,449	2.2 %	\$61,346	2.0 %	\$174,598	1.7 %
Asian-Pacific American-owned	21,067	0.6	26,544	0.8	16,180	0.5	63,685	0.6
Subcontinent Asian American-owned	23,151	0.6	39,320	1.2	13,830	0.4	76,285	0.8
Unknown Asian American-owned	0	0.0	13	0.0	127	0.1	141	0.0
Hispanic American-owned	22,189	0.6	30,334	0.9	28,753	0.9	81,264	0.8
Native American-owned	15,340	0.4	16,956	0.5	24,838	0.8	57,106	0.6
Total MBE	\$124,388	3.4 %	\$183,616	5.6 %	\$145,074	4.7 %	\$453,078	4.5 %
WBE (white women-owned)	218,419	5.9	241,250	7.4	225,390	7.3	685,059	6.8
Total MBE/WBE	\$342,807	9.3 %	\$424,866	13.0 %	\$370,464	11.9 %	\$1,138,137	11.3 %
Majority-owned	3,350,444	90.7	2,840,487	87.0	2,734,300	88.1	8,925,232	88.7
Total	\$3,693,251	100.0 %	\$3,265,353	100.0 %	\$3,104,764	100.0 %	\$10,063,369	100.0 %
Certified								
African American-owned	\$17,483	0.5 %	\$56,940	1.7 %	\$34,611	1.1 %	\$109,034	1.1 %
Asian-Pacific American-owned	5,393	0.1	15,824	0.5	8,776	0.3	29,992	0.3
Subcontinent Asian American-owned	7,753	0.2	15,771	0.5	2,925	0.1	26,446	0.3
Hispanic American-owned	4,881	0.1	19,111	0.6	13,797	0.4	37,791	0.4
Native American-owned	3,684	0.1	1,650	0.1	4,288	0.1	9,619	0.1
Total MBE certified	\$39,193	1.1 %	\$109,297	3.3 %	\$64,398	2.1 %	\$212,882	2.1 %
WBE (white women-owned)	27,225	0.7	104,712	3.2	79,901	2.6	211,843	2.1
Total MBE/WBE certified	\$66,418	1.8 %	\$214,008	6.6 %	\$144,299	4.6 %	\$424,726	4.2 %
Non-certified	3,626,833	98.2	3,051,345	93.4	2,960,465	95.4	9,638,643	95.8
Total	\$3,693,251	100.0 %	\$3,265,353	100.0 %	\$3,104,764	100.0 %	\$10,063,369	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
Number of contracts/subcontracts analyzed is 24,100 for FY 2007, 31,371 for FY 2008, 29,855 for FY 2009 and 85,326 for all years combined.
For more detail, see Figure K-1 in Appendix K.

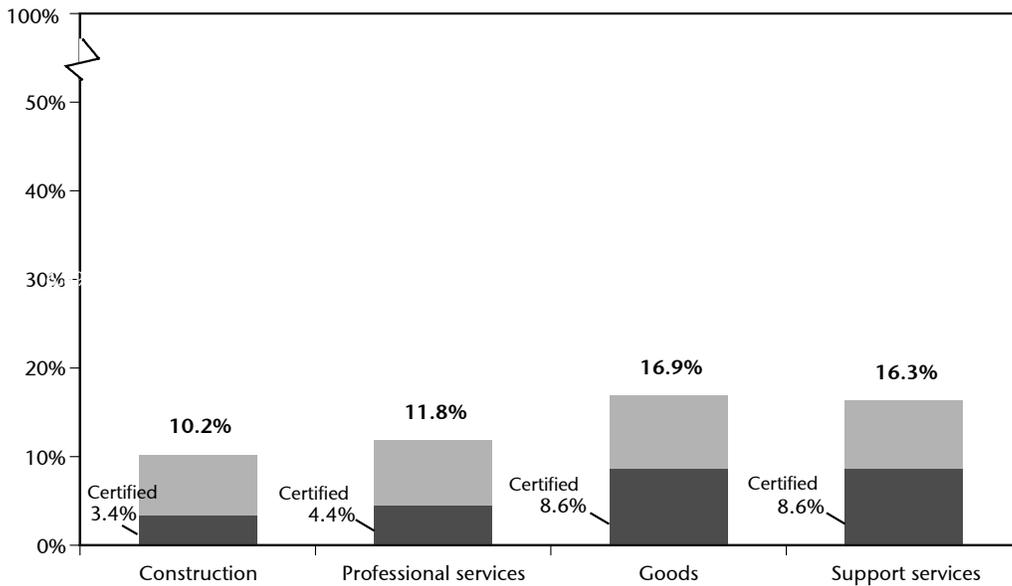
Source: BBC Research & Consulting from data on state and SEI contracts.

⁵ WBE refers to white women-owned firms in the utilization analysis to match the use of WBE in the availability analysis, as discussed in Chapter 5.

3. Utilization results by industry. MBE/WBE utilization varied substantially by industry, as shown in Figure 6-4. Based on combined data on contracts that the state and SEIs awarded from July 2006 through June 2009, MBE/WBE utilization was higher for goods (16.9%) and support services contracts (16.3%) than for construction (10.2%) and professional services contracts (11.8%).

An examination of certified firms mirrored the general trends that the study team observed for all MBE/WBEs.

Figure 6-4.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for combined state and SEI construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 24,021 for construction, 30,769 for professional services, 25,783 for goods and 4,753 for support services.

For more detail and results by group, see Figures K-2, K-3, K-4 and K-5 in Appendix K.

Source: BBC Research & Consulting from data on state and SEI contracts.

Results by industry are disaggregated further by racial/ethnic/gender group in Figure 6-5. As shown in Figure 6-5, WBEs accounted for at least half of overall MBE/WBE utilization for each study industry. African American-owned firms accounted for more utilization than any other MBE group for construction (1.4%) and goods (5.3%). Subcontinent Asian American-owned firms accounted for the highest utilization for professional services (2.1%) and Asian-Pacific American-owned firms accounted for the most utilization for support services (5.0%).

Figures K-2 through K-5 in Appendix K provide additional information concerning MBE/WBE utilization by industry.

Figure 6-5.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for state and SEI, by industry, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$87,610	1.4 %	\$36,031	1.3 %	\$48,384	5.3 %	\$2,830	1.8 %
Asian-Pacific American-owned	23,305	0.4	27,713	1.0	4,502	0.5	8,013	5.0
Subcontinent Asian American-owned	10,532	0.2	58,198	2.1	6,449	0.7	0	0.0
Unknown Asian American-owned	0	0.0	95	0.1	43	0.0	0	0.0
Hispanic American-owned	33,601	0.5	31,122	1.1	15,664	1.7	691	0.4
Native American-owned	51,614	0.8	5,985	0.2	587	0.1	109	0.1
Total MBE	\$206,662	3.3 %	\$159,144	5.9 %	\$75,630	8.3 %	\$11,642	7.3 %
WBE (white women-owned)	432,468	6.9	160,175	5.9	77,954	8.6	14,462	9.0
Total MBE/WBE	\$639,131	10.2 %	\$319,319	11.8 %	\$153,584	16.9 %	\$26,104	16.3 %
Majority-owned	5,644,112	89.8	2,393,679	88.2	753,543	83.1	133,897	83.7
Total	\$6,283,243	100.0 %	\$2,712,998	100.0 %	\$907,127	100.0 %	\$160,001	100.0 %
Certified								
African American-owned	\$46,378	0.7 %	\$23,660	0.9 %	\$37,701	4.2 %	\$1,391	0.9 %
Asian-Pacific American-owned	17,184	0.3	4,495	0.2	1,574	0.2	6,717	4.2
Subcontinent Asian American-owned	9,859	0.2	13,922	0.5	2,652	0.3	0	0.0
Hispanic American-owned	9,342	0.1	15,311	0.6	12,887	1.4	282	0.2
Native American-owned	8,124	0.1	1,129	0.0	359	0.0	0	0.0
Total MBE certified	\$90,887	1.4 %	\$58,517	2.2 %	\$55,173	6.1 %	\$8,390	5.2 %
WBE (white women-owned)	121,887	1.9	61,485	2.3	22,999	2.5	5,387	3.4
Total MBE/WBE certified	\$212,774	3.4 %	\$120,002	4.4 %	\$78,172	8.6 %	\$13,777	8.6 %
Non-certified	6,070,469	96.6	2,592,996	95.6	828,955	91.4	146,224	91.4
Total	\$6,283,243	100.0 %	\$2,712,998	100.0 %	\$907,127	100.0 %	\$160,001	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
Number of contracts/subcontracts analyzed is 24,021 for construction, 30,769 for professional services, 25,783 for goods and 4,753 for support services.

For more detail, see Figures K-2, K-3, K-4 and K-5 in Appendix K.

Source: BBC Research & Consulting from data on state and SEI contracts.

4. Utilization results by prime contracts and subcontracts. Of the more than \$10 billion of state and SEI contracts that the study team examined as part of the study, BBC identified more than \$1 billion in subcontracts. Figure 6-6 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts. Prime contract dollars include those that the prime contractor retained after subtracting out dollars committed to subcontractors. In cases where the prime contractor did not use subcontractors — such as on many construction and professional contracts and on virtually all goods and support services procurements — the entire contract amount was treated as prime contract dollars.

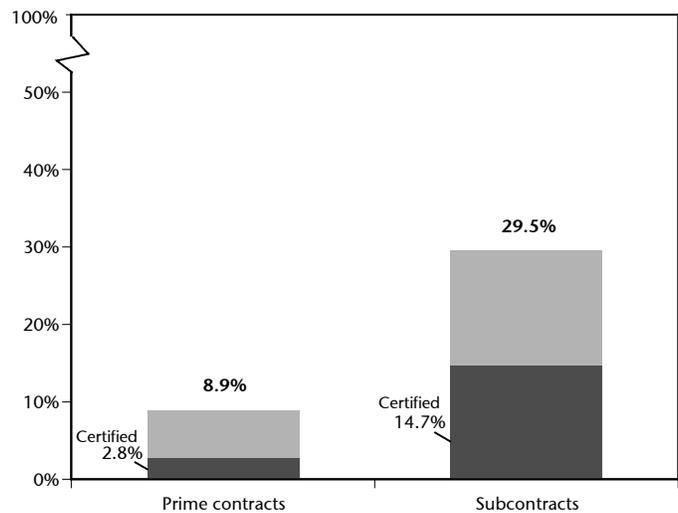
Results in Figure 6-6 indicate that MBE/WBEs received a much larger share of subcontract dollars than prime contract dollars. During the study period, 29.5 percent of state and SEI subcontract dollars went to minority- and women-owned firms, compared to only 8.9 percent of prime contract dollars. This result may be due in part to MBE/WBE or DBE subcontract goals set on certain state contracts. Prime contractors typically meet those goals by subcontracting work to certified MBE/WBEs (or certified DBEs for INDOT’s FHWA-funded contracts).

Another indication that the State of Indiana’s MBE/WBE Program or the Federal DBE Program may expand opportunities for minority- and women-owned firms as subcontractors is that the share of subcontract dollars going to certified MBE/WBEs is also much larger when considering subcontract participation than when considering prime contract participation.

Figure 6-6.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for combined state and SEI contracts, July 2006–June 2009

Note:
 Number of prime contracts analyzed is 77,868 and number of subcontracts analyzed is 7,458.
 For more detail and results by group, see Figures K-6 and K-11 in Appendix K.

Source:
 BBC Research & Consulting from data on state and SEI contracts.



Subcontracting is industry practice for many types of construction and some professional services work. Accordingly, virtually all (about 99%) of the subcontract dollars in Figure 6-6 pertain to state and SEI construction and professional services contracts.

- Of the approximately \$6 billion in state and SEI construction contracts in the study period, BBC identified more than \$1 billion in subcontracts.
- A substantially smaller share of state and SEI professional services contract dollars went to subconsultants (approximately \$140 million out of nearly \$3 billion total contract dollars).

Subcontracts account for a very small amount of state and SEI goods and support service contract dollars.⁶ Nearly all state and SEI goods procurements are direct purchases from a vendor (sometimes through a contract and sometimes through another type of purchase), and typically do not involve subcontractors.

5. Utilization results by state and SEI procurements. As discussed above, as part of the State MBE/WBE Program, IDOA and INDOT set MBE/WBE contract goals on certain state-funded contracts. Prime contractors can meet those goals by either: (a) making subcontracting commitments to MBE/WBE-certified subcontractors at the time of bid, or (b) filling out a MBE/WBE program waiver showing that they made all reasonable good faith efforts to fulfill subcontracting goals but could not do so. As part of the Federal DBE program, INDOT sets similar contract goals on certain construction and professional services contracts.

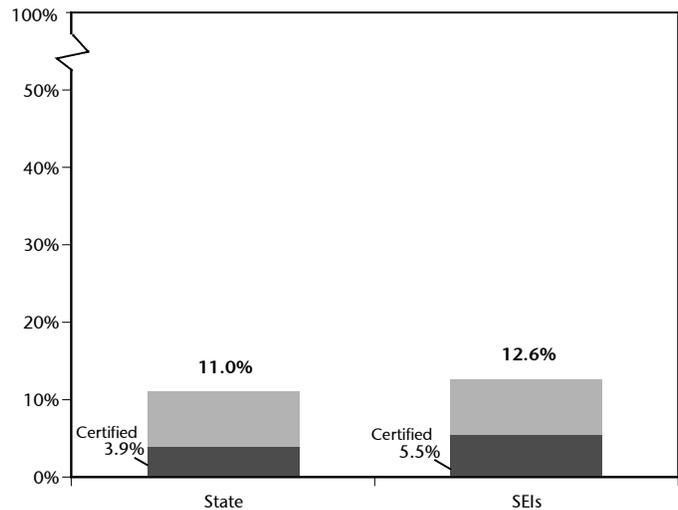
Because MBE/WBE participation on state contracts may be affected by the State MBE/WBE Program and the Federal DBE Program, and because SEI contracts are mostly unaffected by these programs, it is instructive to compare overall MBE/WBE participation in state and SEI contracts.⁷ More details about utilization results for state contracts can be found in Appendix L, and more details about combined SEI contracts can be found in Appendix M.

Figure 6-7 shows that, from July 2006 through June 2009, MBE/WBE utilization on state contracts was 11.0 percent compared to 12.6 percent on SEI contracts.

Figure 6-7.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for state versus SEI contracts, July 2006–June 2009

Note:
 “State” refers to IDOA and INDOT contracts.
 Number of contracts/subcontracts analyzed is 54,066 for state and 31,260 for SEIs.
 For more detail and results by group, see Figures L-1 and M-1 in Appendices L and M.

Source:
 BBC Research & Consulting from data on state and SEI contracts.



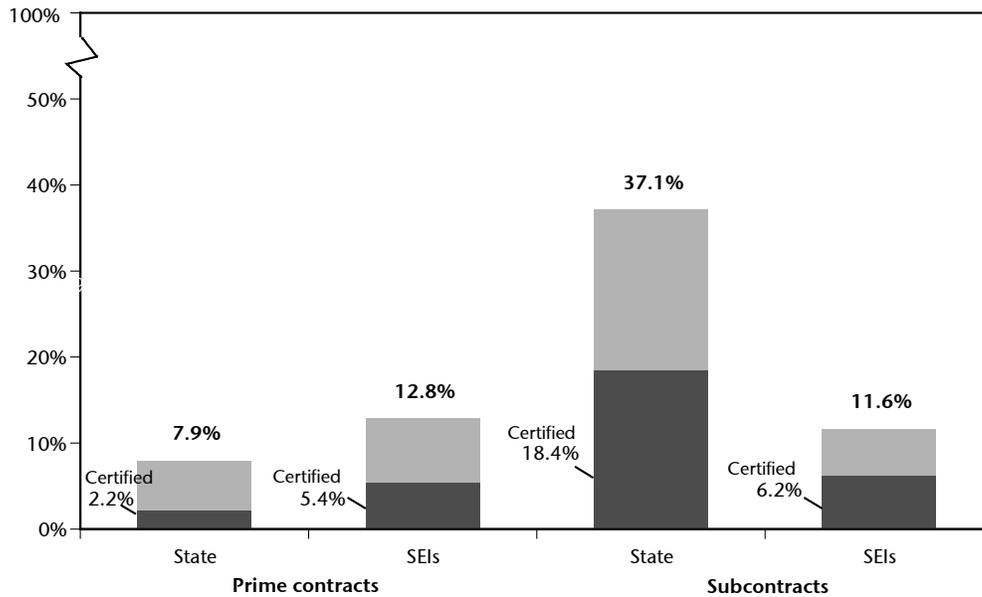
⁶ BBC identified subcontract data on a few goods and support services contracts, and those data are reflected in subcontract analyses.

⁷ Although certain SEIs — such as Purdue University and the University of Southern Indiana — set subcontracting goals on some of their contracts, there are no repercussions for prime contractors who fail to meet those goals or fail to fulfill good faith efforts.

BBC also compared the utilization of MBE/WBEs as subcontractors on state and SEI contracts awarded during the study period. As illustrated in the right portion of Figure 6-8, 37.1 percent of subcontract dollars for state contracts went to MBE/WBEs compared to only 11.6 percent of subcontract dollars for SEI contracts.

The left portion of Figure 6-8 shows MBE/WBE utilization as prime contracts for state and SEI contracts. MBE/WBEs received a larger portion of SEI prime contracts (12.8%) than of state prime contracts (7.9%).⁸

Figure 6-8.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for state versus SEI contracts, July 2006–June 2009



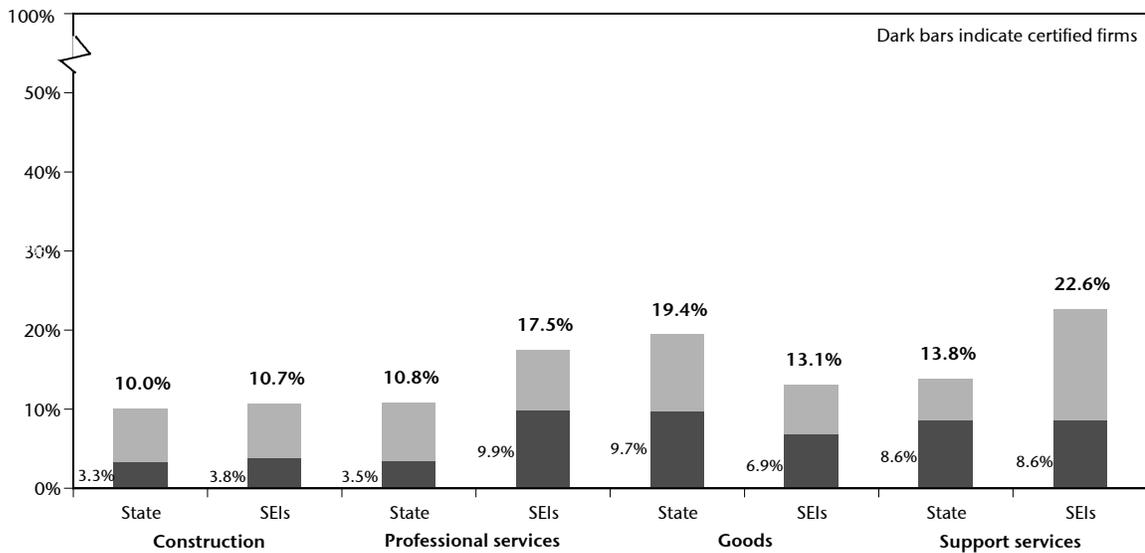
Note: "State" refers to IDOA and INDOT contracts.
 Number of prime contracts analyzed is 49,036 for state and 28,832 for SEIs. The number of subcontracts analyzed is 5,030 for state and 2,428 for SEIs.
 For more detail and results by group, see Figures L-6 and L-11 in Appendix L and, and Figures M-6 and M-11 in Appendix M.
 Source: BBC Research & Consulting from data on state and SEI contracts.

⁸ State contracts included contracts awarded by the Indiana Stadium and Convention Building Authority (ISCBA). During the study period, ISCBA awarded contract dollars in connection with two large construction projects — building Lucas Oil Stadium and the Indiana Convention Center — using an MBE/WBE contracting program. In addition to the analyses presented here, the study team examined MBE/WBE participation in state and SEI contracts after removing contract dollars awarded by ISCBA. MBE/WBE utilization without ISCBA was similar to the results presented in Figures 6-7 and 6-8. MBE/WBE utilization on state contracts without ISCBA was 10.4 percent overall, 7.8 percent on prime contracts and 35.5 percent on subcontracts.

In addition to contract goals, differences in MBE/WBE utilization between state and SEI contracts may reflect differences in the types, sizes and locations of state contracts as compared to SEI contracts. To examine the different mix of work types for state and SEI contracts, Figure 6-9 compares overall MBE/WBE participation for state and SEI construction, professional services, goods and support services.

As shown in Figure 6-9, MBE/WBE participation did not differ substantially for state (10.0%) and SEI (10.7%) construction contracts. By contrast, the study team observed much larger differences between state and SEI professional services, goods and support services contracts. For goods purchases, MBE/WBE utilization was higher for state contracts. Utilization of MBE/WBEs was higher for SEIs than for the state for both professional services and support services contracts.

Figure 6-9.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for state and SEI construction, professional services, goods and support services contracts, July 2006–June 2009



Note: "State" refers to IDOA and INDOT contracts.

Number of contracts/subcontracts analyzed is 14,870 for State and 9,151 for SEI construction, 22,040 for state and 8,729 for SEI professional services, 14,674 for state and 11,109 for SEI goods, and 2,482 for state and 2,271 for SEI support services.

For more detail and results by group, see Figures L-2, L-3, L-4 and L-5 in Appendix L and Figures M-2, M-3, M-4 and M-5 in Appendix M.

Source: BBC Research & Consulting from data on state and SEI contracts.

B. Disparity Analysis

To know whether MBE/WBE firms are “underutilized,” one must compare utilization with a benchmark that reflects the dollars those firms would be expected to receive given their availability for a particular set of procurement opportunities. Such an analysis is called a disparity analysis. A disparity analysis helps to identify whether disparities exist for certain types of contracts and subcontracts for specific racial/ethnic/gender groups.

- The disparity analyses presented in this report account for differences in types, sizes, locations and timing of prime contracts and subcontracts to establish availability benchmarks for specific MBE/WBE groups and sets of contracts.
- BBC compares actual participation of an MBE/WBE group in certain contracts (expressed as a percentage of total dollars) to the percentage of work that might be expected to go to that group given its availability for the work (i.e., availability benchmark).
- BBC creates a disparity index that easily communicates how close actual utilization comes to the availability benchmark, or whether it exceeds the benchmark. By examining the disparity index for each MBE/WBE group and set of contracts, one can directly compare results between different groups and different sets of contracts.

Part B of Chapter 6 presents BBC’s disparity analysis in seven parts:

1. Overview of disparity analysis methodology;
2. Overall disparity results for combined state and SEI contracts;
3. Disparity results by industry;
4. Disparity results for prime contracts and subcontracts;
5. Disparity results for state and SEI contracts;
6. Analysis of statistical significance of disparities; and
7. Summary of disparity results.

1. Overview of disparity analysis methodology. BBC compared actual utilization of minority- and women-owned firms by race/ethnicity/gender (as a percentage of contract dollars) to the share of contract dollars that might be expected to go to minority- and women-owned firms based on BBC’s availability analysis for a particular set of contracts. In the following discussion, “expected share of contract dollars” is referred to as the “utilization benchmark” or simply “availability” for an MBE/WBE group for a particular set of contracts. For each MBE/WBE group, BBC calculated a unique utilization benchmark for various sets of state and SEI contracts.

Both the actual utilization and the utilization benchmark for a set of contracts are expressed as a percentage of the dollars involved in those contracts. As such, the actual utilization and the benchmark are expressed in terms that are directly comparable (e.g., 5% actual utilization compared with a benchmark of 4%). To help compare results between groups or across sets of contracts, BBC calculates a disparity index, as described in Figure 6-10.

Example of a disparity analysis table. Disparity results presented in this report are based on the more than 300 detailed disparity tables found in Appendices K through EE. Each appendix presents results for a different participating entity or a combination of entities (e.g., combined SEIs). Within an appendix, different tables report disparity study results for different sets of contracts (e.g., construction prime contracts). Each disparity table follows the same format. Because of the number and importance of the detailed disparity tables, it is useful to first review how BBC calculated and presented results in each table.

**Figure 6-10.
Calculation of disparity indices**

The disparity index provides a straightforward way of assessing how closely actual utilization of an MBE/WBE group matches what might be expected given the relative availability of that group for the work involved in a specific set of contracts (i.e., utilization benchmark). An index of “100” indicates an exact match between actual utilization and the availability for that group (also referred to as “parity”). In BBC’s disparity analysis, a disparity index is calculated for each MBE/WBE group for each set of contracts examined.

BBC calculates the disparity index for a particular group through the following formula:

$$\frac{\% \text{ actual utilization}}{\% \text{ availability}} \times 100$$

For example, if actual utilization of WBEs for a set of IDOA contracts was 2% and the availability was 10%, the index would be $2\% \div 10\%$, which is then multiplied by 100 to derive an index of 20. In this example, WBEs would have received 20 cents for every dollar expected to go to WBEs based on the availability benchmark. Smaller disparity indices indicate larger disparities.

One can directly compare the disparity index of one group to that of another group, and between sets of contracts.

Figure 6-11 presents an example of a disparity table from Appendix K (it is labeled Figure K-1 in Appendix K). That disparity table pertains to combined data for state and SEI contracts awarded between July 2006 and June 2009. It includes dollars for prime contracts and subcontracts. Appendix K contains similar tables for different sets of contracts, including results for each industry and results that separate prime contracts and subcontracts. (The parameters for the set of examined contracts are noted in the heading of each table.)

Utilization. Each disparity table includes the same columns and the same rows. The columns of each disparity table present the following information:

- Column (a) notes the total number of contract elements — either prime contracts, subcontracts or both — that were examined in the analysis (in Figure 6-11, 85,326 total contracts and subcontracts).
- Column (b) identifies the total dollars examined as part of the contract set. Dollars are reported in thousands. This disparity table examines contract dollars totaling more than \$10 billion.
- Column (c) provides utilization dollars by racial/ethnic/gender group after reallocating any money going to firms identified as MBEs for which specific race/ethnicity information was not available. In those circumstances, the money was reallocated to each race/ethnicity group on a pro-rated basis (e.g., Because African-American-owned firms accounted for 37 percent of total allocated MBE dollars, the study team added 37 percent of unknown MBE dollars to total dollars for African American-owned firms).

- Column (d) shows relative utilization of each MBE/WBE group on a percentage basis. Each percentage in column (d) is calculated by dividing dollars awarded to a particular group in column (c) by the total dollars in the contract set, as shown in row (1) of column (c).

The rows of each disparity table (as shown in Figure 6-11) present the following information:

- Row (1) pertains to combined data for majority-, minority- and women-owned firms.
- Row (2) pertains to combined data for “MBEs” and “WBEs”, regardless of certification status.
- Row (3) pertains to data for “WBEs,” regardless of certification status.
- Row (4) pertains to data for “MBEs,” regardless of certification status.
- Rows (5) through (11) pertain to data for individual minority groups, regardless of certification status.

Combined, the utilization dollars presented in rows (5) through (11) sum to the total dollars for MBEs — the total shown in row (3) of column (c). In some cases, numbers may not sum perfectly due to rounding.⁹

The bottom half of Figure 6-11 reports analogous utilization results for firms that were certified as MBE/WBEs.^{10,11} The MBE/WBE utilization statistics at the bottom of Figure 6-11 are provided as reference. BBC did not conduct availability or disparity analyses for certified MBE/WBEs alone, for the reasons described in Chapter 5.

Availability. Column (e) of Figure 6-11 reports availability for each racial/ethnic/gender group based on combined state and SEI contract data. Availability results, represented as a percentage of procurement dollars, provide a benchmark against which to compare utilization for a specific group and for a particular set of contracts. BBC developed an availability estimate for each racial/ethnic/gender group following the procedures described in Chapter 5.

Difference between utilization and availability. One way of analyzing whether there is a disparity between the utilization of a particular group and its availability is to subtract the utilization result from the availability result. Column (f) of Figure 6-11 shows the percentage point difference between utilization and availability for each racial/ethnic/gender group. For example, as reported in row (2) of column (f) of Figure 6-12, MBE/WBE utilization was 4.9 percentage points below MBE/WBE availability.

⁹ Row (6) pertains to data for Asian American-owned firms, regardless of certification status. Row (7) pertains to data for Asian-Pacific American-owned firms, and Row (8) pertains to data for Subcontinent Asian American-owned firms. Combined, the utilization dollars presented in rows (7) and (8) sum to the dollars presented in row (6).

¹⁰ In the results for INDOT, the bottom half of the table presents data for certified DBEs. For the combined IDOA and INDOT results, the bottom half of the table presents data for MBE/WBEs certified by the appropriate Indiana state agency (i.e., DBE-certified for INDOT contracts and MBE/WBE-certified for IDOA contracts).

¹¹ MBE/WBE utilization data reported in the disparity tables were prepared independently from any entity’s own participation reports and thus do not match MBE/WBE utilization presented in those reports. For a discussion of differences between BBC’s utilization calculations and agency/SEI utilization reports, see Chapter 3.

Disparity indices. It is sometimes difficult to interpret absolute differences between relative utilization and relative availability, especially when utilization and availability are relatively small. Therefore, BBC also calculated a “disparity index,” which divides percentage utilization by percentage availability and multiplies the result by 100. An index of “100” means that there is “parity” between relative utilization and availability for a particular group. An index below 100, particularly one below 80 according to some courts, may indicate a substantial disparity.¹²

Column (g) provides the disparity index for each racial/ethnic/gender group. For example, the disparity index of 97 for African American-owned firms shown in row (5) of column (g) means that utilization of African American-owned businesses on state and SEI contracts was nearly equal to what would be expected given the relative availability of African American-owned firms to perform that work. The disparity index of 70 for all MBE/WBEs shown in row (2) of column (g) indicates substantial underutilization of all minority- and women-owned firms considered together.^{13, 14}

Results when disparity indices were very large or when availability is zero. BBC applied the following rules when disparity indices were exceedingly large or could not be calculated because no firms from the particular group were identified as available for the particular set of contracts:

- When a particular group exhibited a disparity index exceeding 200, BBC reported an index of “200+.”
- When there was no utilization and 0 percent availability for a particular group, BBC reported “parity” between utilization and availability (indicated by a disparity index of “100”).
- When a particular group exhibited 0 percent availability, but nonetheless showed utilization greater than 0 percent (which could occur for many reasons, including the fact that one or more utilized firms were out of business by the time of BBC’s availability survey), BBC reported a disparity index of “200+.”

¹² See e.g., *Rothe Development Corp v. U.S. Dept of Defense*, 545 F.3d 1023, 1041; *Eng’g Contractors Ass’n of South Florida, Inc. v. Metropolitan Dade County*, 122 F.3d at 914, 923 (11th Circuit 1997); *Concrete Works of Colo., Inc. v. City and County of Denver*, 36 F.3d 1513, 1524 (10th Cir. 1994). See Appendix B for additional discussion.

¹³ Note that all percentages in the disparity tables were rounded to the nearest tenth of 1 percent after making all calculations. Percentages correctly add and subtract, even though the rounding may make actual sums appear to differ by one tenth of 1 percent. In addition, the disparity index is derived from the detailed data for percentage utilization and availability before any rounding.

¹⁴ BBC’s use of the word “substantial” in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

Figure 6-11
MBE/WBE utilization, availability and disparity analysis for prime contracts/subcontracts
on state and SEI construction, professional services, goods and support services contracts, July 2006–June 2009

Firm Type	(a) Number of contracts (subcontracts)	(b) Total dollars (thousands)	(c) Total dollars after Unknown MBE allocation (thousands)*	(d) Actual utilization (column c / column c, row1) %	(e) Utilization benchmark (availability) %	(f) Difference (column d - column e) %	(g) Disparity index (d / e) x 100
(1) All firms	85,326	\$10,063,369	\$10,063,369				
(2) MBE/WBE	16,101	\$1,138,137	\$1,138,137	11.3	16.2	-4.9	69.9
(3) WBE	11,285	\$685,059	\$685,059	6.8	11.0	-4.1	62.1
(4) MBE	4,816	\$453,078	\$453,078	4.5	5.2	-0.7	86.0
(5) African American-owned	1,654	\$169,070	\$174,598	1.7	1.8	-0.1	96.7
(6) Total Asian American-owned	1,607	\$135,675	\$140,111	1.4	2.2	-0.8	64.3
(7) Asian-Pacific American-owned	835	\$61,669	\$63,685	0.6	0.9	-0.3	67.2
(8) Subcontinent Asian American-owned	763	\$73,870	\$76,285	0.8	1.2	-0.5	61.9
(9) Hispanic American-owned	989	\$78,691	\$81,264	0.8	0.6	0.2	124.7
(10) Native American-owned	349	\$55,298	\$57,106	0.6	0.6	0.0	95.3
(11) Unknown MBE	217	\$14,343					
(12) Certified	6,156	\$424,726	\$424,726	4.2			
(13) Certified woman-owned	3,902	\$211,635	\$211,843	2.1			
(14) Certified minority-owned	2,236	\$212,672	\$212,882	2.1			
(15) Certified African American-owned	1,005	\$108,927	\$109,034	1.1			
(16) Certified Asian-Pacific American-owned	313	\$29,963	\$29,992	0.3			
(17) Certified Subcontinent Asian American-owned	207	\$26,420	\$26,446	0.3			
(18) Certified Hispanic American-owned	638	\$37,754	\$37,791	0.4			
(19) Certified Native American-owned	73	\$9,610	\$9,619	0.1			
(20) Unknown Certified-MBE	0	\$0					
(21) Unknown Certified	18	\$419					

Notes: Spreadsheet rounds numbers to nearest thousand dollars or tenth of one percent. WBE is white women-owned firms.

* Unknown MBE, Unknown DBE-MBE, and Unknown DBE dollars were allocated to MBE subgroups proportional to the known total dollars of those groups. For example, if total dollars of African American-owned firms (column b, row 5) accounted for 25 percent of total MBE dollars (column b, row 4), then 25 percent of column b, row 11 would be added to column b, row 5 and the sum would be shown in column c, row 5.

Source: BBC Research & Consulting Disparity Analysis.

2. Overall disparity results for combined state and SEI contracts. Figure 6-12 summarizes the results of the disparity analysis in Figure 6-11 using disparity indices by racial/ethnic/gender group from column (g). The line down the center of the graph shows an index of 100, which indicates “parity” between utilization and availability for a particular group. Indices less than 100 indicate a disparity between utilization and availability. The graph ends at a disparity index of 200 even though, in some cases, disparity indices exceed 200. For reference, a line is also drawn at an index of 80. Some courts use 80 as a threshold for a value that may indicate a substantial disparity.

Overall, MBE/WBEs exhibited a disparity index of 70, indicating that those firms obtained 70 percent of the procurement dollars that they would be expected to receive given their availability for state and SEI contracts. There was a substantially larger disparity for WBEs (disparity index of 62) than for all MBE groups considered together (disparity index of 86).

Considering individual MBE groups, the study team observed no disparity overall for Hispanic American-owned firms (disparity index of 125). Utilization of African American- (disparity index of 97) and Native American- owned firms (disparity index of 95) was very close to what would be expected based on availability. By contrast, Asian-Pacific American- (disparity index of 67) and Subcontinent Asian American-owned firms (disparity index of 62) exhibited relatively large disparities.

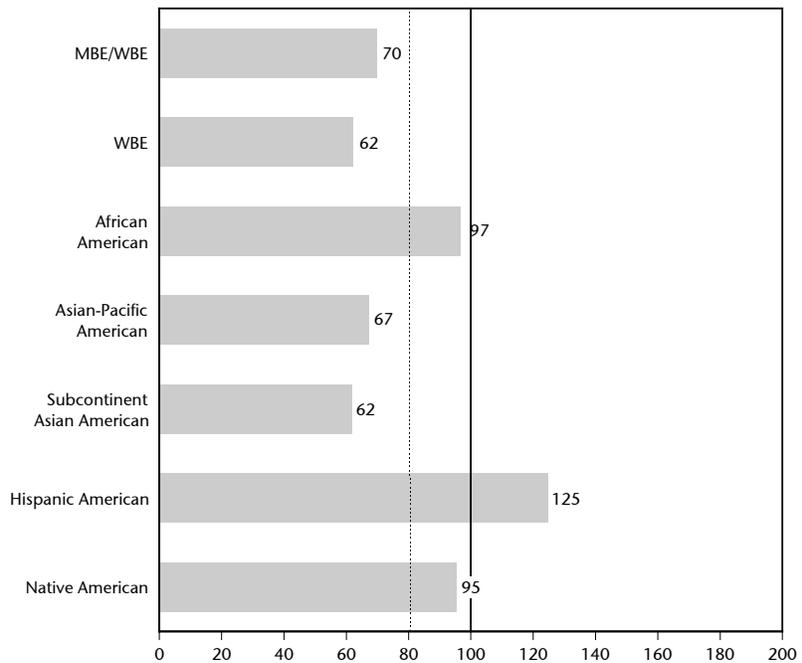
The State MBE/WBE Program, Federal DBE Program and certain race- and gender-conscious programs used by some SEIs may have influenced MBE/WBE utilization during the study period. Any disparities identified in Figure 6-12 occurred even with those programs in place. The lack of disparities for Hispanic American-, African American- and Native American-owned firms may indicate the success of those programs in encouraging utilization of those groups.

Figure 6-12.
Disparity indices for
MBE/WBE utilization on
combined state and SEI
contracts, July 2006–June
2009

Note:
 Number of contracts/subcontracts analyzed
 is 85,326.

For more detail, see Figure K-1
 in Appendix K.

Source:
 BBC Research & Consulting.



3. Disparity results by industry. Figure 6-13 presents disparity indices for combined state and SEI contracts by industry.

Construction. Overall, MBE/WBE firms obtained a large percentage of the construction dollars that they would be expected to receive given their availability for state and SEI construction contracts (disparity index of 86). Both MBEs (disparity index of 98) and WBEs (disparity index of 82) showed relatively small disparities for those procurements.

The only MBE/WBE group that exhibited a substantial disparity for construction contracts was Subcontinent Asian American-owned firms — those firms received one-quarter of the construction dollars that they would be expected to receive based on availability (disparity index of 25).

Professional services. Considered together, MBE/WBE firms exhibited a large disparity for state and SEI professional services contracts — they obtained less than half of the professional services dollars that they would be expected to receive based on availability (disparity index 46). The study team observed substantial disparities for every MBE/WBE group with the exception of Hispanic Americans (disparity index of 122).

Goods. Overall, MBE/WBEs did not show a disparity between utilization and availability for state and SEI goods procurements (disparity index of 106). The only MBE/WBE group to show a large disparity was Asian-Pacific American-owned firms — they obtained about one-quarter of the goods dollars for which they were available (disparity index of 24).

Support services. There was a large disparity for MBE/WBEs overall for state and SEI support services contracts (disparity index of 48). Except for Asian-Pacific American-owned firms (disparity index greater than 200), every MBE/WBE group obtained less than half of the support services dollars that they would be expected to received based on availability. Subcontinent Asian American-owned firms exhibited a disparity index of 0.

Figure 6-13.
Disparity indices for
MBE/WBE utilization on
combined state and SEI
contracts, by industry, July
2006–June 2009

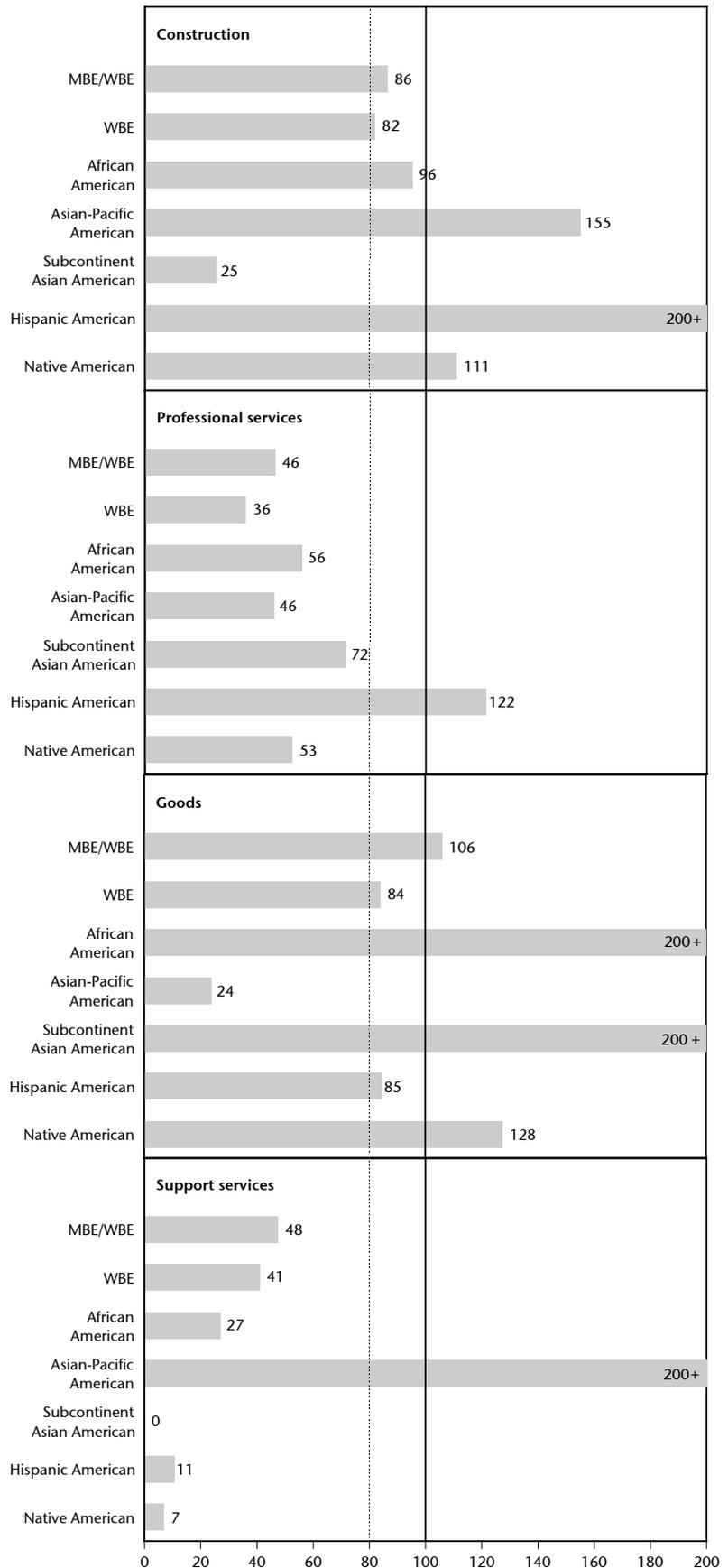
Note:

Number of contracts/subcontracts analyzed is 24,021 for construction, 30,769 for professional services, 25,783 for goods and 4,753 for support services.

For more detail, see Figures K-2, K-3, K-4 and K-5 in Appendix K.

Source:

BBC Research & Consulting.



4. Disparity results for prime contracts and subcontracts. Figure 6-14 shows disparity results for prime contracts and subcontracts. The darker bars represent disparity indices for prime contracts and the lighter bars represent disparity indices for subcontracts. As expected, given the influence of the State MBE/WBE Program and the Federal DBE Program on subcontract utilization, MBE/WBEs overall showed a large disparity for state and SEI prime contracts (disparity index of 57) but did not show a disparity for subcontracts (disparity index of 151).

Considering prime contracts, every MBE/WBE group showed a substantial disparity between utilization and availability with the exception of Hispanic American-owned firms (disparity index of 119). In contrast, every MBE/WBE group exhibited a disparity index greater than 100 for subcontracts.

Figure 6-14.
Disparity indices for
MBE/WBE utilization on
state and SEI contracts,
prime contracts and
subcontracts, July 2006–
June 2009

Note:
 Number of prime contracts is 77,868 and
 number of subcontracts is 7,458.
 For more detail, see Figures K-6 and K-11 in
 Appendix K.

Source:
 BBC Research & Consulting.

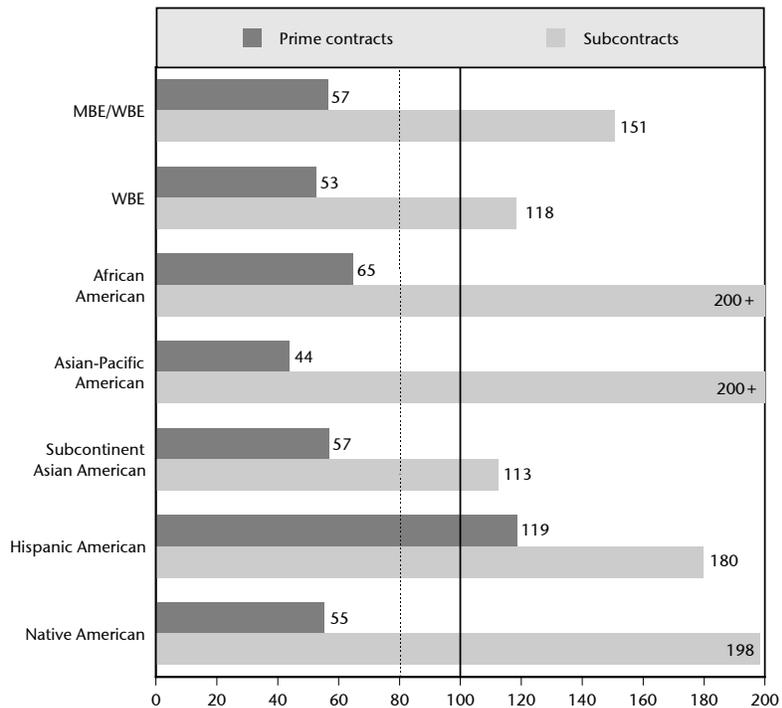


Figure 6-15 shows disparity results separately for prime contracts and subcontracts for combined state and SEI construction and professional services procurements. As shown in Figure 6-15, for both construction and professional services, MBE/WBEs exhibited substantial disparities for prime contracts (Construction disparity index = 63; Professional services disparity index = 41) but not for subcontracts (Construction disparity index = 153; Professional services disparity index = 138).

Considering individual MBE/WBE groups, Hispanic American-owned firms was the only group to not show substantial disparities for state and SEI construction and professional services prime contracts. For subcontracts, only Subcontinent Asian American-owned firms showed a disparity index of less than 100 (disparity index of 83) and that was only for construction subcontracts.

Figure 6-15.
Disparity indices for
MBE/WBE utilization on
state and SEI construction
and professional services
prime contracts and
subcontracts, July 2006–
June 2009

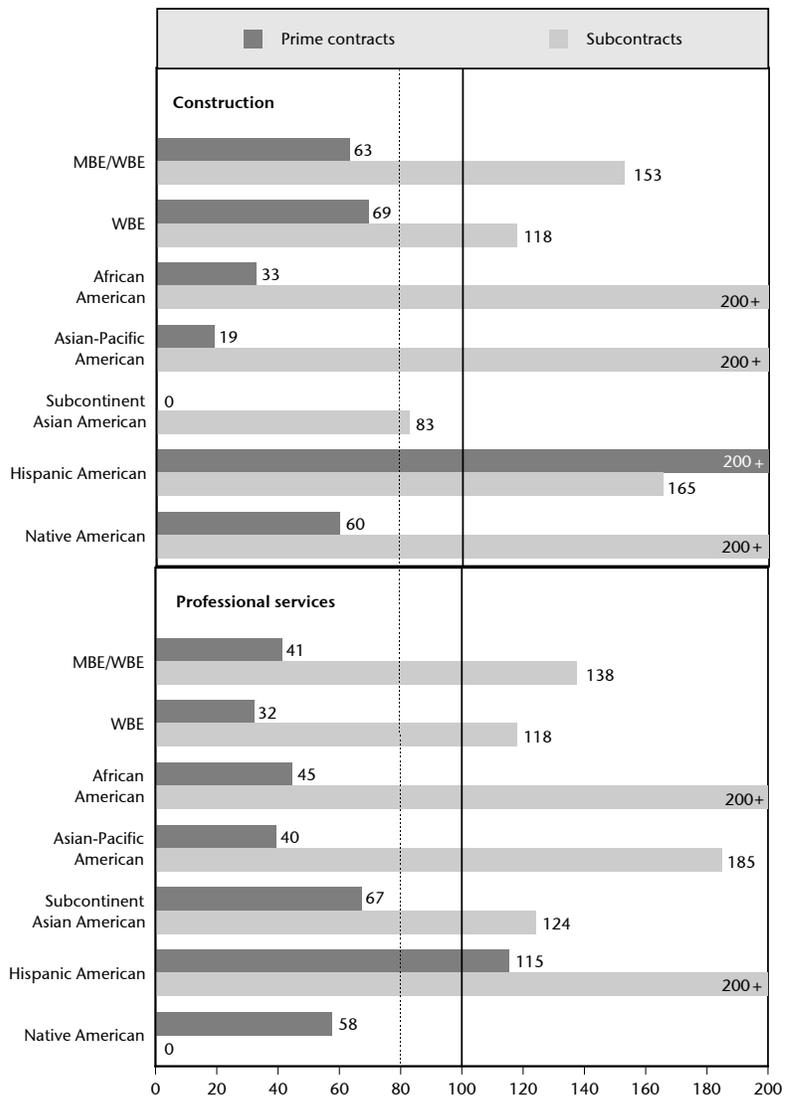
Note:

Number of prime contracts is 17,423 for construction and 30,037 for professional services. The number of subcontracts is 6,599 for construction and 732 for professional services.

For more detail, see Figures K-7, K-8, K-12 and K-13 in Appendix K.

Source:

BBC Research & Consulting.



5. Disparity results for state and SEI contracts. Figure 6-16 compares MBE/WBE disparity indices for state contracts to disparity indices for combined SEI contracts. The darker bars in Figure 6-16 represent disparity indices for state contracts and the lighter bars represent disparity indices for SEI contracts.

Overall, minority- and women-owned firms exhibited comparable disparity indices when comparing state contracts (disparity index of 70) to SEI contracts (disparity index of 71). However, state and SEI contracts differed in terms of which groups showed the largest disparities.

State procurements. Whereas WBEs were substantially underutilized on state contracts (disparity index of 53), MBEs considered together were not (disparity index of 112). However, Asian-Pacific American-owned firms (disparity index of 76) exhibited substantial disparities for state contracts.

SEI procurements. In contrast to state procurements, MBEs considered together were underutilized on SEI contracts (disparity index of 32), but WBEs were not (disparity index of 102). Every MBE group showed relatively large disparities for SEI contracts. For example, Subcontinent Asian American-owned firms obtained less than one-fifth of SEI contract dollars than would be expected based on availability (disparity index of 18).

Figure 6-16.
Disparity indices for
MBE/WBE utilization, state
and SEI contracts, July 2006–
June 2009

Note:
 “State” refers to IDOA and INDOT contracts.
 Number of prime/subcontracts analyzed is
 54,066 for state and 31,260 for SEIs.
 For more detail, see Figures L-1 and M-1 in
 Appendices L and M.

Source:
 BBC Research & Consulting.

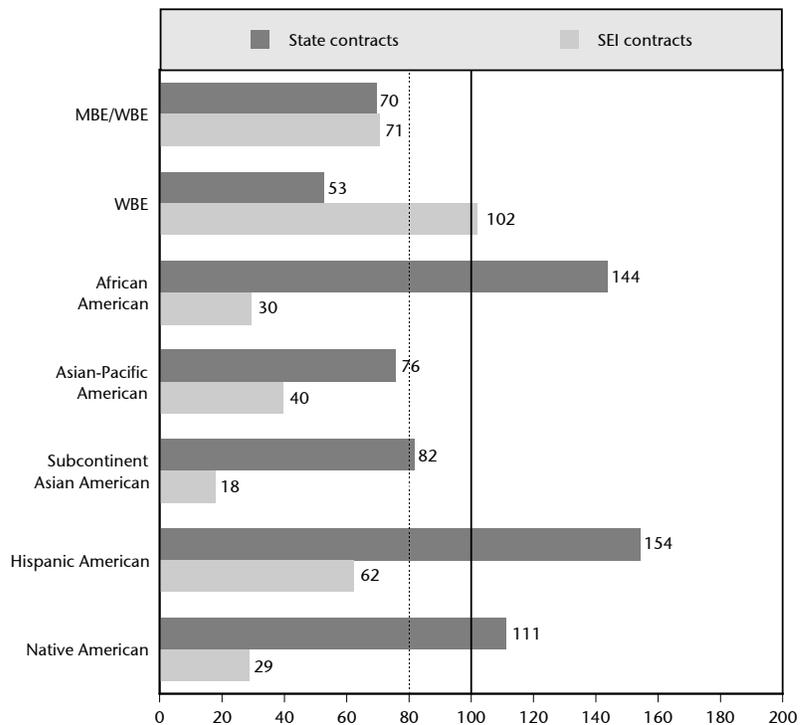


Figure 6-17 compares disparity results for state and SEI contracts by industry. For state contracts, the study team observed disparities between overall MBE/WBE utilization for professional services (disparity index of 42) and support services (disparity index of 41) contracts. For combined SEI contracts, there were relatively large disparities for all four study industries.

More details about disparity results for state contracts by industry are provided in Figures L-2 through L-5 of Appendix L, and more details about disparity results for SEI contracts by industry are provided in Figures M-2 through M-5 of Appendix M.

Construction. The only groups to show relatively large disparities for state construction contracts were WBEs (disparity index of 72) and Subcontinent Asian American-owned firms (disparity index of 52).

For SEI construction contracts, every MBE group showed a disparity index that was less than 70. WBEs, however, exhibited a disparity index of 123. The overall MBE/WBE disparity index for SEI contracts was 71.

Professional services. For state professional services contracts, every MBE/WBE group obtained less than half of the dollars that would be expected based on availability, except for Subcontinent Asian American-owned firms (disparity index of 78) and Hispanic American-owned firms (disparity index of 123).

For SEI contracts, the only MBE/WBE group that exhibited disparity indices greater than 80 was Hispanic American-owned firms (disparity index of 112). White women-owned firms showed a disparity index of 78.

Goods. Overall, MBE/WBEs did not show a disparity for state goods procurements (disparity index of 134). However, individual MBE/WBE groups showed relatively large disparities for that work. WBEs (disparity index of 75) obtained approximately three-fourths of the dollars that they would be expected to receive based on their availability for goods contracts. Asian-Pacific American- (disparity index of 23) and Native American-owned firms (disparity index of 11) were utilized well below levels than what would be expected based on availability.

For SEI goods procurements, WBEs did not show a disparity, but every MBE group other than Subcontinent Asian American- (disparity index of 132) and Native American-owned firms (disparity index greater than 200) showed a disparity index of less than 50.

Support services. Overall, MBE/WBEs were substantially underutilized on state support services contracts (disparity index of 41). Every MBE/WBE group obtained less than one-third of the dollars that they would be expected to receive based on availability, with the exception of Asian-Pacific American-owned firms (disparity index greater than 200).

Nearly every MBE/WBE group showed a substantial disparity for SEI support services procurements. The only exception was Asian-Pacific American-owned firms (disparity index of 110).

Figure 6-17.
Disparity indices for
MBE/WBE utilization on state
and SEI contracts, prime
contracts and subcontracts,
July 2006–June 2009

Note:

“State” refers to IDOA and INDOT contracts.

Number of contracts/subcontracts analyzed is 14,870 for State and 9,151 for SEI construction, 22,040 for state and 8,729 for SEI professional services, 14,674 for state and 11,109 for SEI goods, and 2,482 for state and 2,271 for SEI support services.

For more detail, see Figures L-2, L-3, L-4 and L-5 in Appendix L and Figures M-2, M-3, M-4 and M-5 in Appendix M.

Source:

BBC Research & Consulting.

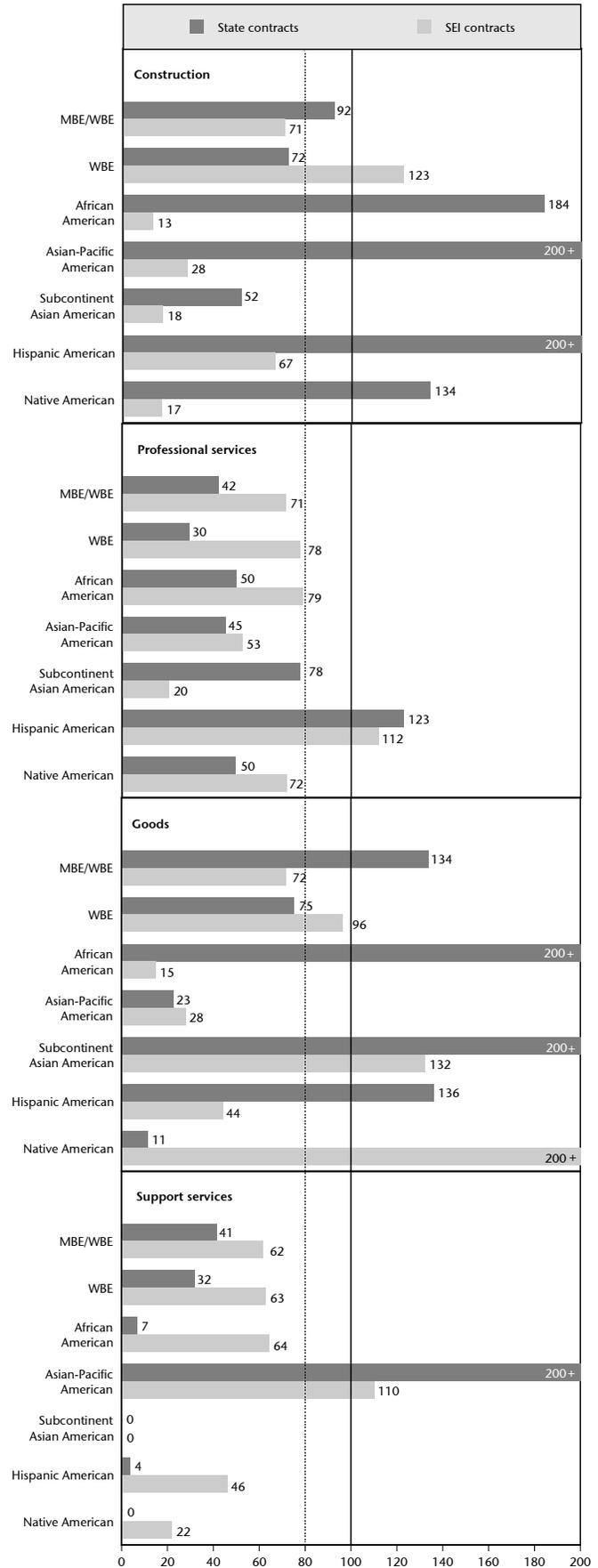


Figure 6-18 presents disparity results for state and SEI prime contracts and subcontracts. As shown in Figure 6-18, MBE/WBEs were substantially underutilized on state prime contracts (disparity index of 52), on which they obtained about half of the dollars that they would be expected to receive based on availability. MBE/WBEs were not underutilized on state subcontracts (disparity index of 180).

In contrast to state contracts, MBE/WBEs were underutilized on both SEI prime contracts (disparity index of 71) and subcontracts (disparity index of 68). The study team observed the largest disparities for Subcontinent Asian American-owned firms for prime contracts (disparity index of 7) and Native American-owned firms for subcontracts (disparity index of 36).

These findings may reflect the influence of the State MBE/WBE Program and the Federal DBE Program — both of which include MBE/WBE contracting goals — on state procurements. The lack of disparities for state subcontracts and the substantial disparities that the study team observed for SEI subcontracts suggests that those programs may be effective in encouraging MBE/WBE participation as subcontractors.¹⁵

¹⁵ BBC also examined MBE/WBE disparity indices for state contracts without including data from ISCBA. The results of those analyses were similar to the results presented in Figures 6-16, 6-17 and 6-18. Without ISCBA, the disparity index for MBE/WBEs was 66 for state prime contracts and subcontracts considered together, 51 for state prime contracts and 171 for state subcontracts.

Figure 6-18.
Disparity indices for
MBE/WBE utilization on
prime contracts and
subcontracts, state and SEI
contracts, July 2006–June
2009

Note:

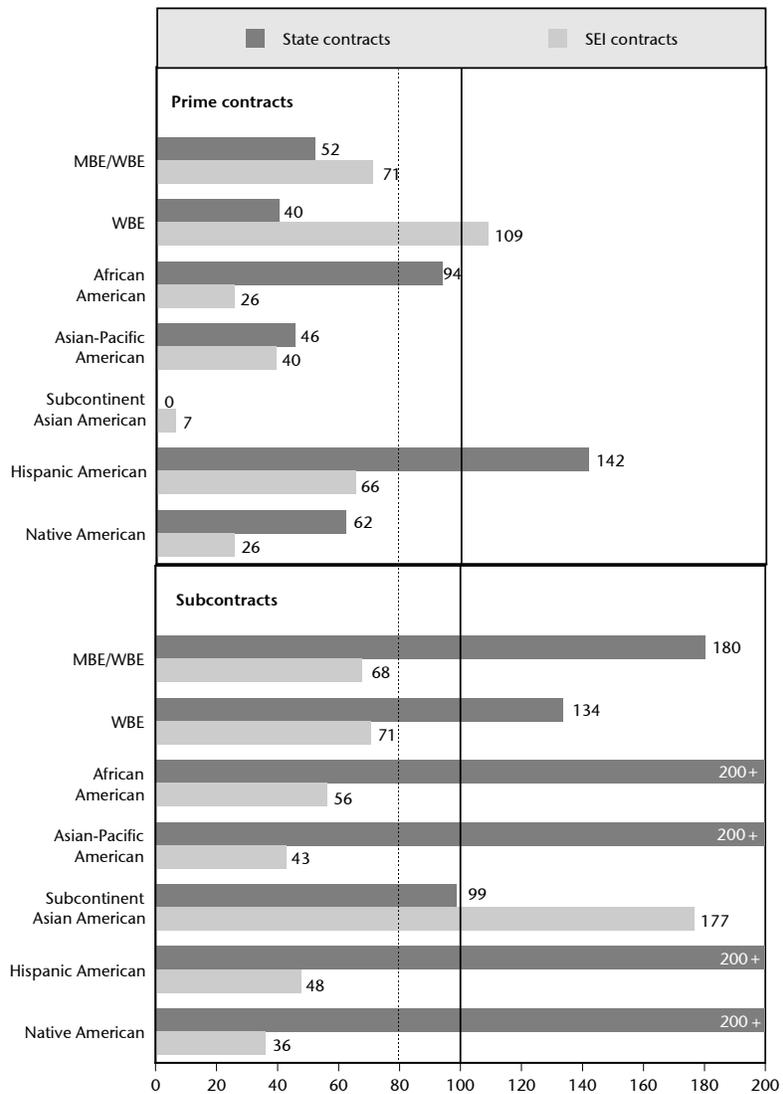
“State” refers to IDOA and INDOT contracts.

Number of prime contracts analyzed is 49,036 for state and 28,832 for SEIs. The number of subcontracts analyzed is 5,030 for state and 2,428 for SEIs.

For more detail, see Figures L-6 and L-11 in Appendix L and, and Figures M-6 and M-11 in Appendix M.

Source:

BBC Research & Consulting.



6. Analysis of statistical significance of disparities. Statistical significance of any disparities relates to the degree to which a researcher can reject “random chance” as an explanation. Random chance in data sampling is the factor that researchers consider most in determining the statistical significance of results. However, BBC attempted to contact every firm in Indiana that Dun & Bradstreet identified as doing business within relevant subindustries (as described in Chapter 5), and thus the data could be considered a “population.” Analyzing populations, as opposed to samples, mitigates many of the concerns associated with random chance in data sampling as it relates to BBC’s availability analysis. Further discussion of these issues is presented in Figure 6-19.

The utilization analysis also approaches a “population” of contracts. Therefore, any disparity found when comparing overall utilization with availability would be “statistically significant.” BBC also used a more sophisticated analytical tool to examine statistical significance of disparity results.

Figure 6-19.
Confidence intervals for availability measures

BBC attempted to contact all Indiana firms listed under industry codes that were most related to state and SEI construction, professional services, goods and support services contracts. BBC successfully completed interviews with more than 9,000 Indiana businesses. Because BBC attempted to contact all firms listed under relevant industry codes, rather than using a sampling method, it is reasonable to treat the data as a population.

Should one instead treat the data as a sample, BBC computed confidence intervals around MBE/WBE representation among firms potentially available for state and SEI contracts. BBC found that, of the firms counted as potentially available, 23 percent were minority- or women-owned, which is accurate within about +/-0.5 percentage points at the 95 percent confidence level. Even if one considers the data to be a sample, BBC's approach ensures that the sample is very large relative to the total population. BBC therefore applied a finite population correction factor when determining confidence intervals. By comparison, many survey results for proportions reported in the popular press are +/- 5 percentage points.

Methodology of statistical significance testing. There were many opportunities in the sets of prime contracts and subcontracts that BBC analyzed for minority- and women-owned firms to be awarded work. Some contract elements involved large dollar amounts and others involved only a few thousand dollars.

Monte Carlo analysis is a useful tool to use for statistical significance testing in this study, because there were many individual chances at winning state and SEI prime contracts and subcontracts between July 2006 and June 2009, each with a different payoff.

BBC used a Monte Carlo analysis in the following way:

- The study team began the analysis by examining an individual contract element (a prime contract or subcontract).
- BBC's availability database provided information on individual firms that were "available" for that contract element, based on type of work, prime versus subcontract role, size of the prime contractor subcontract, and location of the work. Each available firm was assumed to have an equal chance of "receiving" that contract element. For example, the odds of a woman-owned firm receiving that contract element were equal to the number of women-owned firms available for the work, divided by the total number of firms available for the work.
- The Monte Carlo simulation randomly chose a firm from the pool of available firms to "receive" that contract element.
- The Monte Carlo simulation repeated the above process for all other contract elements in the set. The output of a single Monte Carlo simulation for all contracts in the set represents simulated utilization of minority- and women-owned firms, by group, for that set of contract elements.
- The entire Monte Carlo simulation was then repeated 1 million times for each set of contracts. The combined output from all 1 million simulations represents simulated utilization of minority- and women-owned firms, by group, if contracts were awarded randomly based on the relative availability of Indiana firms working in relevant subindustries.

Results. Figures 6-20 through 6-22 show results of BBC’s Monte Carlo simulations. The output of the Monte Carlo simulations represents the number of runs out of 1 million that produced a simulated utilization result that was equal or below observed utilization in the actual data for each MBE/WBE group. If that number was less than or equal to 25,000, then the disparity index might be considered to be statistically significant (i.e., not easily explained by chance).

BBC only tested statistical significance for the disparities that the study team observed that fell below the threshold of 80. Some courts use 80 as a threshold for a value that may indicate a substantial disparity.

State contracts. As shown in Figure 6-20, for IDOA and INDOT contracts combined, there was a very low probability that the disparities the study team observed for WBEs could be explained by chance for any of the four study industries. For example, in analyzing construction contracts, out of 1 million simulations, no runs produced a simulated utilization equal to or below the level of WBE utilization that the study team observed for state construction contracts during the study period.

The study team also observed relatively low probabilities for chance as an explanation of the disparities for:

- African American-owned firms in professional services and support services;
- Asian-Pacific American-owned firms in professional services;
- Hispanic American owned firms in support services; and
- Native American-owned firms in professional services, goods and support services.

Results must be interpreted with caution for data pertaining to Subcontinent Asian American-owned firms, because there were a relatively small number of Subcontinent Asian American-owned firms that were available for IDOA and INDOT procurements and thus relatively few chances for Subcontinent Asian -owned firms to be chosen to “receive” contract elements in the simulations. Therefore, one of the reasons why there is a relatively high probability that chance could explain the disparities observed for Subcontinent Asian American-owned firms — even when the disparity index exhibited by Subcontinent Asian American-owned firms was smaller than for other groups — was because of the relatively small number of those firms that were available for state procurements.

Figure 6-20.
Probability than chance can explain disparities in MBE/WBE utilization on
state contracts, July 2006–June 2009

Industry and MBE/WBE group	Disparity index	Number of simulation runs out of 1 million that replicated observed utilization	Probability of observed disparity occurring due to "chance"
Construction			
African American-owned	184	N/A	N/A
Asian-Pacific American-owned	200+	N/A	N/A
Subcontinent Asian American-owned	52	333,746	33.4 %
Hispanic American-owned	200+	N/A	N/A
Native American-owned	134	N/A	N/A
WBE (white women-owned)	72	0	<0.1 %
Professional services			
African American-owned	50	0	<0.1 %
Asian-Pacific American-owned	45	3	<0.1 %
Subcontinent Asian American-owned	78	41,949	4.2 %
Hispanic American-owned	123	N/A	N/A
Native American-owned	50	21,538	2.2 %
WBE (white women-owned)	30	0	<0.1 %
Goods			
African American-owned	200+	N/A	N/A
Asian-Pacific American-owned	23	634,889	63.5 %
Subcontinent Asian American-owned	200+	N/A	N/A
Hispanic American-owned	136	N/A	N/A
Native American-owned	11	465	<0.1 %
WBE (white women-owned)	75	0	<0.1 %
Support services			
African American-owned	7	0	<0.1 %
Asian-Pacific American-owned	200+	N/A	N/A
Subcontinent Asian American-owned	0	328,551	32.9 %
Hispanic American-owned	4	272	<0.1 %
Native American-owned	0	0	<0.1 %
WBE (white women-owned)	32	0	<0.1 %

Note: <0.1 = less than one tenth of 1 percent.

Source: BBC Research & Consulting.

SEI contracts. Figure 6-21 presents combined simulation results for SEI procurements. There was a relatively low probability that chance could explain the disparities that the study team observed for:

- WBEs in professional services and support services;
- African American-owned firms in construction, goods and support services;
- Asian-Pacific American-owned firms in professional services and goods;
- Subcontinent Asian American-owned firms in professional services;
- Hispanic American-owned firms in goods; and
- Native American-owned firms in construction and supports services.

Figure 6-21
Probability that chance can explain disparities in MBE/WBE utilization on SEI contracts,
July 2006–June 2009

Industry and Mbe/WBE group	Disparity index	Number of simulation runs out of 1 million that replicated observed utilization	Probability of observed disparity occurring due to "chance"
Construction			
African American-owned	13	0	<0.1 %
Asian-Pacific American-owned	28	59,414	5.9 %
Subcontinent Asian American-owned	18	81,677	8.2 %
Hispanic American-owned	67	264,176	26.4 %
Native American-owned	17	0	<0.1 %
WBE (white women-owned)	122	N/A	N/A
Professional services			
African American-owned	79	151,906	15.2 %
Asian-Pacific American-owned	53	3,034	0.3 %
Subcontinent Asian American-owned	20	0	<0.1 %
Hispanic American-owned	112	N/A	N/A
Native American-owned	72	411,771	41.2 %
WBE (white women-owned)	78	1,633	0.2 %
Goods			
African American-owned	15	0	<0.1 %
Asian-Pacific American-owned	28	25	<0.1 %
Subcontinent Asian American-owned	132	N/A	N/A
Hispanic American-owned	44	0	<0.1 %
Native American-owned	200+	N/A	N/A
WBE (white women-owned)	96	282,007	28.2 %
Support services			
African American-owned	64	1,951	0.2 %
Asian-Pacific American-owned	110	N/A	N/A
Subcontinent Asian American-owned	0	211,761	21.2 %
Hispanic American-owned	46	39,672	4.0 %
Native American-owned	22	197	<0.1 %
WBE (white women-owned)	63	0	<0.1 %

Note: <0.1 = less than one tenth of 1 percent.

Source: BBC Research & Consulting.

IDOA, INDOT and SEI contracts. Figure 6-22 provides combined simulation results for IDOA, INDOT and SEIs. Results show that there was a relatively low probability that chance could explain the disparities that the study team observed for:

- WBEs in all study industries;
- African American-owned firms in professional services, and support services;
- Asian-Pacific American-owned firms in professional services and goods;
- Subcontinent Asian American-owned firms in professional services;
- Hispanic American-owned firms in support services; and
- Native American-owned firms in professional services and support services.

Figure 6-22
Statistical significance of disparities in MBE/WBE utilization for IDOA, INDOT and SEI contracts,
July 2006–June 2009

Industry and MBE/WBE group	Disparity index	Number of simulation runs out of 1 million that replicated observed utilization	Probability of observed disparity occurring due to "chance"
Construction			
African American-owned	95	509,495	50.9 %
Asian-Pacific American-owned	155	N/A	N/A
Subcontinent Asian American-owned	25	29,398	2.9 %
Hispanic American-owned	200+	N/A	N/A
Native American-owned	111	N/A	N/A
WBE (white women-owned)	82	838	0.1 %
Professional services			
African American-owned	56	0	<0.1 %
Asian-Pacific American-owned	46	0	<0.1 %
Subcontinent Asian American-owned	72	10,797	1.1 %
Hispanic American-owned	122	N/A	N/A
Native American-owned	53	19,706	2.0 %
WBE (white women-owned)	36	0	<0.1 %
Goods			
African American-owned	200+	N/A	N/A
Asian-Pacific American-owned	24	3,291	0.3 %
Subcontinent Asian American-owned	200+	N/A	N/A
Hispanic American-owned	85	176,312	17.6 %
Native American-owned	128	N/A	N/A
WBE (white women-owned)	84	36	<0.1 %
Support services			
African American-owned	27	0	<0.1 %
Asian-Pacific American-owned	200+	N/A	N/A
Subcontinent Asian American-owned	0	70,139	7.0 %
Hispanic American-owned	11	16	<0.1 %
Native American-owned	7	0	<0.1 %
WBE (white women-owned)	41	0	<0.1 %

Note: <0.1 = less than one tenth of 1 percent.

Source: BBC Research & Consulting.

7. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE groups were underutilized on state and SEI contracts during the study period. Overall, across all study industries, MBE/WBEs showed large disparities for both state contracts — ones that INDOT and IDOA awarded — and SEI contracts. MBE/WBE groups obtained less than three-fourths of IDOA, INDOT and SEI contract dollars that they would be expected to receive based on availability.

The study team observed different results for prime contracts and subcontracts when considering them separately:

- Every MBE/WBE group except for Hispanic Americans exhibited substantial disparities on combined state and SEI prime contracts. Disparity indices ranged from 53 (WBEs) to 65 (African American-owned firms) for those groups showing disparities.
- Conversely, every MBE/WBE group showed a disparity index greater than 100 for combined state and SEI subcontracts.
- When considering SEI subcontracts separately from state subcontracts, overall MBE/WBE were substantially underutilized on SEI subcontracts but not on state subcontracts. This may reflect the effectiveness of the State MBE/WBE Program and the Federal DBE Program that apply to certain IDOA and INDOT contracts.

There were substantial disparities for several groups when BBC examined results by study industry for state and SEI contracts and subcontracts combined. For information about the statistical significance of disparities that the study team observed, see Figures 6-20, 6-21 and 6-22.

Construction. Subcontinent Asian American-owned firms exhibited substantial disparities between utilization and availability for state and SEI construction contracts combined. No other MBE/WBE groups showed disparities of less than 80.

Professional services. Firms owned by members of the following groups exhibited substantial disparities between utilization and availability for professional services contracts:

- White women;
- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Native Americans.

There were no disparities for Native American-owned firms on state and SEI professional services contracts.

Goods. For state and SEI goods procurements, there were substantial disparities for firms owned by Asian-Pacific Americans. All other MBE/WBE groups showed a disparity index greater than 80 for those contracts.

Support services. Firms owned by members of the following groups were underutilized for state and SEI support services contracts:

- White women;
- African Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and
- Native Americans.

The only group for which the study team did not observe a disparity for support services contracts was Asian-Pacific American-owned firms.

Figure 6-23 identifies the specific sets of state and SEI contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix K. For example, for information about construction prime contracts, see Figure K-7 in Appendix K.

Figure 6-23.
Directory of utilization and disparity analyses provided in Appendix K

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	13	n/a	n/a
Small contracts*	16	17	18	19	20
Contracts excluding FHWA-funded contracts					
Prime/subcontracts	201	202	203	204	205
Prime contracts	206	207	208	209	210
Subcontracts	211	212	213	n/a	n/a

Note: *Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting.

C. Case Studies of Past Procurements

BBC analyzed MBE and WBE success in competing for state and SEI construction, professional services and goods contracts. The study team collected a stratified random sample of bids, proposals and price quotes on construction-, professional services- and goods-related contracts from IDOA, INDOT and the SEIs. The results described below pertain to the combined sample of procurements that BBC collected from those entities.

Construction. The study team collected information about 2,078 bids on a sample of 476 construction contracts. The information included whether each bidding firm was an MBE, WBE or majority-owned and which firm won the contract. Of the 2,078 bids that BBC examined, 73 bids (2%) were from MBEs and 174 bids (4%) were from WBEs. For comparison, dollar-weighted MBE/WBE availability for construction prime contracts was 3 percent for MBEs and 7 percent for WBEs, well above the proportion of construction bids that the state and SEIs received from MBEs and WBEs.

As shown in Figure 6-24, after accounting for the number of submitted bids, BBC found that MBEs were less likely than WBEs and majority-owned firms to receive a contract award. About 14 percent of bids from MBEs resulted in a contract award, compared to about 25 percent of bids from WBEs and 24 percent of bids from majority-owned firms.

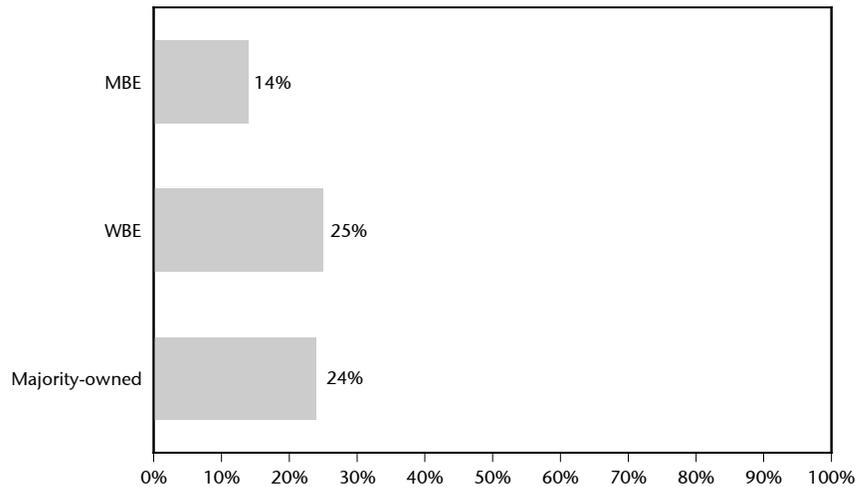
Figure 6-24.
Proportion of bids on IDOA, INDOT and SEI construction-related contracts that resulted in contract awards, July 2006–June 2009

Note:

Based on a random sample of 476 contracts (2,078 bids). Some contracts had multiple awards.

Source:

BBC Research & Consulting from agency contract records.



Professional services. The study team collected information about 543 proposals from a sample of 131 professional services contracts. Of the 543 proposals that the study team examined, 52 (10%) were from MBEs and 60 (11%) were from WBEs. For comparison, dollar-weighted MBE/WBE availability for professional services prime contracts was 9 percent for MBEs and 17 percent for WBEs.

As shown in Figure 6-25, after accounting for the number of submitted bids, the study team observed that proposals from MBEs were less likely to result in a contract award than proposals from WBEs or majority-owned firms. About 37 percent of proposals from MBEs resulted in a contract award, compared to 58 percent of proposals from WBEs and 40 percent of proposals from majority-owned firms.

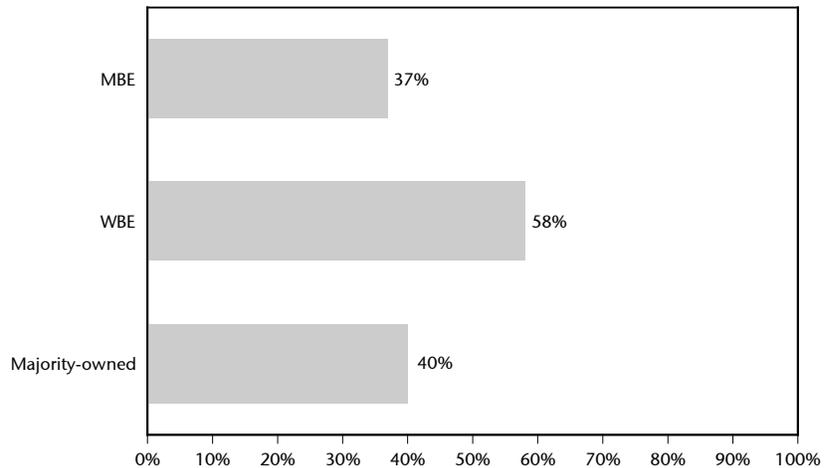
Figure 6-25.
Proportion of proposals on
IDOA, INDOT and SEI
professional services
contracts that resulted in
contract awards, July 2006–
June 2009

Note:

Based on a random sample of 131 contracts (543 proposals). Some contracts had multiple awards.

Source:

BBC Research & Consulting from agency contract records.



Goods and support services. The study team collected information about 905 bids and price quotes from a sample of 365 goods and support services contracts. Of the 905 submissions that the study team examined, 53 (6%) were from MBEs and 122 (13%) were from WBEs. For comparison, dollar-weighted MBE/WBE availability for goods and support services prime contracts was 6 percent for MBEs and 10 percent for WBEs, in line with the proportion of bids that the state and SEIs received from MBEs and WBEs.

As shown in Figure 6-26, after accounting for the number of submitted quotes, BBC found that quotes that MBEs submitted were somewhat less likely to result in a contract award than quotes that WBEs or majority-owned firms submitted. About 36 percent of quotes from MBEs resulted in a contract award, compared to 43 percent of quotes from WBEs and 40 percent of proposals from majority-owned firms.

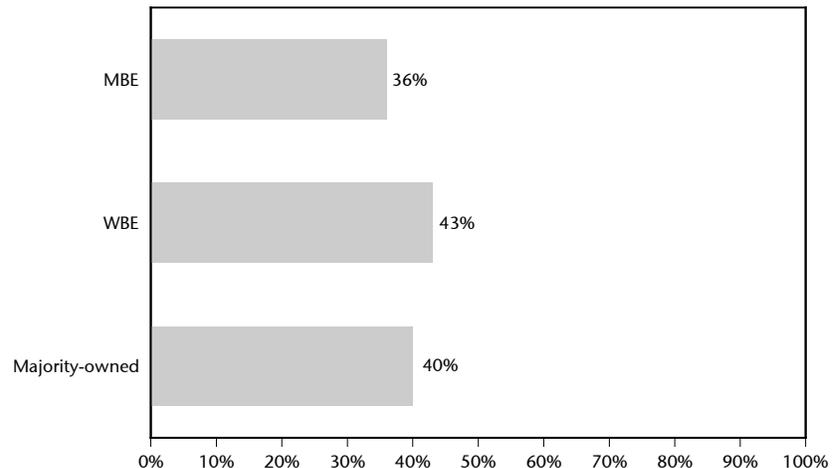
Figure 6-26.
Proportion of submissions on
IDOA, INDOT and SEI
goods and support services
contracts that resulted in
contract awards, July 2006–
June 2009

Note:

Based on a random sample of 365 contracts (905 proposals). Some contracts had multiple awards.

Source:

BBC Research & Consulting from agency contract records.



CHAPTER 7.

IDOA Utilization and Disparity Analysis

Chapter 7 presents utilization and disparity results for Indiana Department of Administration (IDOA) contracts.¹ It presents analyses for IDOA contracts that are similar to the combined analysis presented in Chapter 6 for state and SEI contracts.² Detailed utilization and disparity results are presented in Appendix O.

Chapter 7 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 7 presents IDOA utilization results by:

- 1. Fiscal year;
- 2. MBE/WBE group;
- 3. Industry;
- 4. Prime contracts and subcontracts; and
- 5. Contract size.

¹ Data from a number of state agencies are included in IDOA's analysis. For a complete list of agencies, see Chapter 1.

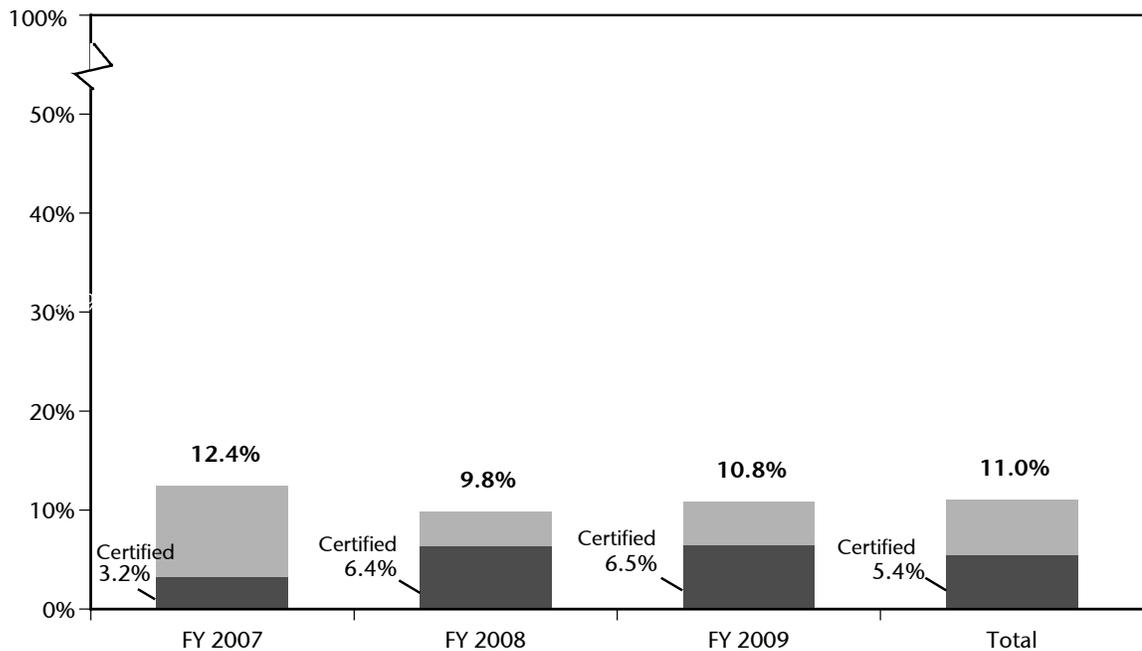
² It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. Figure 7-1 presents utilization of minority- and women-owned firms as a percentage of IDOA contract dollars by fiscal year (FY). Figure 7-1 also provides results for businesses certified with the State of Indiana as MBE/WBEs (the darker portion of each bar). Results are based on BBC's analysis of more than 32,000 contracts and subcontracts.

Over the three-year study period, MBE/WBEs received \$263 million of the \$2.4 billion in IDOA contract dollars examined in the disparity analysis, or 11.0 percent of IDOA contract dollars. As shown in Figure 7-1, minority- and women-owned firms obtained 12.4 percent of IDOA contract dollars in FY 2007, 9.8 percent in FY 2008 and 10.8 percent in FY 2009.

A much smaller portion of IDOA's procurement dollars went to firms that were MBE/WBE-certified with the State of Indiana. Certified MBE/WBEs obtained 3.2 percent of IDOA procurement dollars in FY 2007, 6.4 percent in FY 2008 and 6.5 percent in FY 2009.

Figure 7-1.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for IDOA contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 10,338 for FY 2007, 11,173 for FY 2008, 10,777 for FY 2009 and 32,288 for all years combined.

Source: BBC Research & Consulting from data on IDOA contracts.

2. Utilization results by MBE/WBE group. Figure 7-2 details utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group.

As shown in Figure 7-2, WBEs (5.6%) accounted for one-half of IDOA’s overall MBE/WBE utilization. No other MBE/WBE groups obtained more than 2 percent of IDOA procurement dollars during the study period.

About one-half of overall MBE/WBE participation was with firms certified as MBE/WBEs with the State of Indiana. Utilization of each MBE/WBE group was much less when only considering certified firms. The only exception to that trend was Hispanic American-owned firms — most of the utilization of Hispanic American-owned firms occurred with businesses that were MBE-certified.

Figure 7-2.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for IDOA construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Total	
	\$ in thousands	Percent
MBE/WBEs		
African American-owned	\$47,150	2.0 %
Asian-Pacific American-owned	37,370	1.6
Subcontinent Asian American-owned	13,703	0.6
Unknown Asian American-owned	30	0.0
Hispanic American-owned	27,062	1.1
Native American-owned	4,231	0.2
Total MBE	\$129,546	5.4 %
WBE (white women-owned)	132,984	5.6
Total MBE/WBE	\$262,530	11.0 %
Majority-owned	2,127,797	89.0
Total	\$2,390,327	100.0 %
Certified		
African American-owned	\$36,188	1.5 %
Asian-Pacific American-owned	23,499	1.0
Subcontinent Asian American-owned	8,904	0.4
Hispanic American-owned	23,848	1.0
Native American-owned	1,377	0.1
Total MBE certified	\$93,816	3.9 %
WBE (white women-owned)	36,362	1.5
Total MBE/WBE certified	\$130,179	5.4 %
Non-certified	2,260,148	94.6
Total	\$2,390,327	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.

Number of contracts/subcontracts analyzed is 32,288.

For more detail, see Figure O-1 in Appendix O.

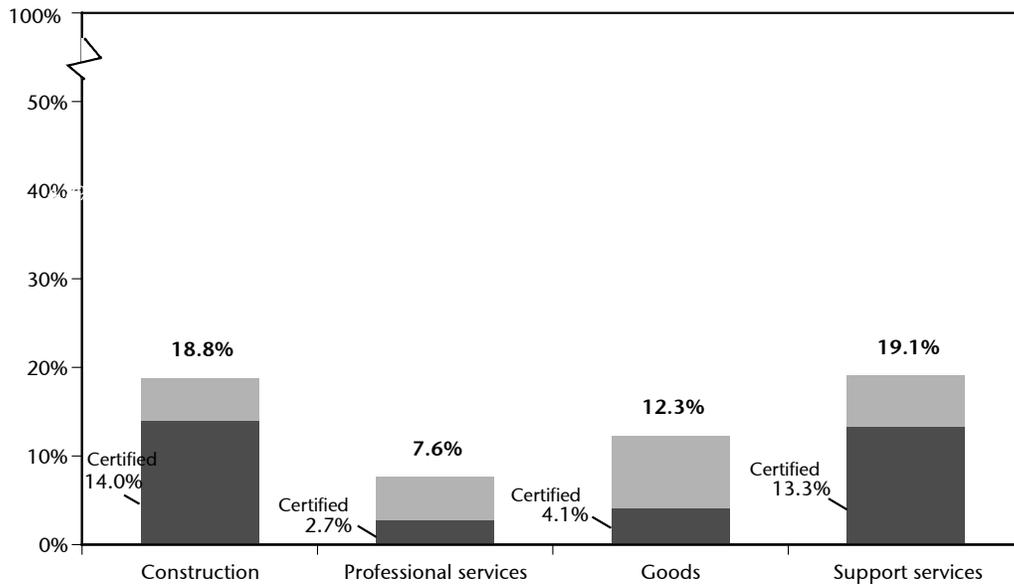
Source: BBC Research & Consulting from data on IDOA contracts.

3. Utilization results by industry. Figure 7-3 presents MBE/WBE utilization by industry — construction, professional services, goods and support services. Overall MBE/WBE utilization was:

- 18.8 percent for construction;
- 7.6 percent for professional services;
- 12.3 percent for goods; and
- 19.1 percent for support services

Most MBE/WBE utilization for construction and support services occurred with firms that were certified with the State of Indiana. Less of the MBE/WBE utilization for professional services and goods occurred with certified firms.

Figure 7-3.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for IDOA construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 4,132 for construction, 13,663 for professional services, 12,466 for goods and 2,027 for support services.

Source: BBC Research & Consulting from data on IDOA contracts.

Industry results are presented by racial/ethnic/gender group in Figure 7-4.

Construction. BBC examined \$457 million of IDOA construction contracts during the study period. African American- (7.0%) and white women-owned firms (4.7%) exhibited higher utilization for IDOA construction contracts than any other MBE/WBE groups. Native American-owned firms showed the lowest utilization.

Professional services. There were more than 13,000 professional services contracts and subcontracts totaling \$1.4 billion in the IDOA procurement data that BBC analyzed. WBEs accounted for 5 percentage points of the 7.6 percent MBE/WBE utilization for professional services contracts. All other MBE/WBE groups obtained less than 1 percent of total professional services dollars.

Goods. IDOA goods contract dollars totaled nearly \$435 million (more than 12,000 contracts). Of the 12.3 percent MBE/WBE utilization, white women- (7.8%) and Hispanic American-owned firms (2.3%) accounted for most of the participation in IDOA goods procurements. Subcontinent Asian American-owned firms were the only other MBE/WBE group to exceed 1 percent utilization. Only 0.4 percent of goods contract dollars went to African American-owned firms.

Support services. BBC examined \$72 million in IDOA support services contracts (about 2,000 contracts and subcontracts). Asian-Pacific American-owned firms (10.3%) exhibited the highest utilization of MBE/WBE groups for support services procurements, followed by WBEs (8.1%). All other MBE/WBE groups exhibited utilization that was far less than 1 percent.

Figure 7-4.

MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for IDOA, by industry and race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$32,014	7.0 %	\$12,913	0.9 %	\$1,886	0.4 %	\$319	0.4 %
Asian-Pacific American-owned	17,165	3.8	10,252	0.7	2,535	0.6	7,417	10.3
Subcontinent Asian American-owned	5,622	1.2	2,698	0.2	5,385	1.2	0	0.0
Unknown Asian American-owned	0	0.0	0	0.0	30	0.0	0	0.0
Hispanic American-owned	6,753	1.5	10,260	0.7	9,868	2.3	200	0.3
Native American-owned	2,944	0.6	1,242	0.1	44	0.0	0	0.0
Total MBE	\$64,498	14.1 %	\$37,364	2.6 %	\$19,747	4.5 %	\$7,937	11.0 %
WBE (white women-owned)	21,529	4.7	71,705	5.0	33,922	7.8	5,828	8.1
Total MBE/WBE	\$86,026	18.8 %	\$109,170	7.6 %	\$53,670	12.3 %	\$13,765	19.1 %
Majority-owned	370,950	81.2	1,317,072	92.4	381,315	87.7	58,359	80.9
Total	\$456,976	100.0 %	\$1,426,242	100.0 %	\$434,985	100.0 %	\$72,124	100.0 %
Certified								
African American-owned	\$25,770	5.6 %	\$9,729	0.7 %	\$673	0.2 %	\$5	0.0 %
Asian-Pacific American-owned	15,465	3.4	871	0.1	491	0.1	6,666	9.2
Subcontinent Asian American-owned	5,614	1.2	720	0.1	2,574	0.6	0	0.0
Hispanic American-owned	5,026	1.1	8,994	0.6	9,643	2.2	200	0.3
Native American-owned	235	0.1	1,098	0.1	44	0.0	0	0.0
Total MBE certified	\$52,110	11.4 %	\$21,412	1.5 %	\$13,425	3.1 %	\$6,871	9.5 %
WBE (white women-owned)	12,058	2.6	17,239	1.2	4,357	1.0	2,707	3.8
Total MBE/WBE certified	\$64,167	14.0 %	\$38,652	2.7 %	\$17,782	4.1 %	\$9,578	13.3 %
Non-certified	392,809	86.0	1,387,590	97.3	417,203	95.9	62,546	86.7
Total	\$456,976	100.0 %	\$1,426,242	100.0 %	\$434,985	100.0 %	\$72,124	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.

Number of contracts/subcontracts analyzed is 4,132 for construction, 13,663 for professional services, 12,466 for goods and 2,027 for support services.

For more detail, see Figures O-2, O-3, O-4 and O-5 in Appendix O.

Source: BBC Research & Consulting from data on IDOA contracts.

Utilization results for ISCBA. More than one-half (53%) of the \$457 million of IDOA construction dollars during the study period originated from the Indiana Stadium and Convention Building Authority (ISCBA). ISCBA awarded those contracts in connection with two large construction projects — building Lucas Oil Stadium and the Indiana Convention Center.

Figure 7-5 presents MBE/WBE utilization separately for ISCBA construction contracts and for all other IDOA construction contracts by group. MBE/WBEs obtained 23.9 percent of ISCBA’s construction dollars, nearly twice the MBE/WBE utilization that the study team observed for all other IDOA construction contracts (13.2%).

African American-owned firms accounted for nearly half (12.1%) of total MBE/WBE utilization on ISCBA construction contracts and WBEs accounted for another 4.3 percentage points. Native American-owned construction firms (0.8%) exhibited the lowest utilization on ISCBA construction contracts.

Figure 7-5.
MBE/WBE share of prime/subcontract dollars for ISCBA construction contracts and all other IDOA construction contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	ISCBA		All other IDOA	
	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs				
African American-owned	\$29,132	12.1	\$2,878	1.3 %
Asian-Pacific American-owned	4,947	2.1	12,225	5.6
Subcontinent Asian American-owned	5,501	2.3	120	0.1
Hispanic American-owned	5,839	2.4	913	0.4
Native American-owned	1,858	0.8	1,086	0.5
Total MBE	\$47,276	19.7 %	\$17,222	8.0 %
WBE (white women-owned)	10,286	4.3	11,243	5.2
Total MBE/WBE	\$57,561	23.9 %	\$28,465	13.2 %
Majority-owned	183,011	76.1	187,939	86.8
Total	\$240,572	100.0 %	\$216,404	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
 Number of contracts/subcontracts analyzed for ISCBA construction is 306 and for all other IDOA construction is 3,826.
 For more detail, see Figures O-2 in Appendix O.

Source: BBC Research & Consulting from data on IDOA contracts.

4. Utilization results by prime contracts and subcontracts. Of the more than \$2 billion of IDOA contracts examined in the study, BBC identified \$138 million in subcontracts.³ Figure 7-6 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts.

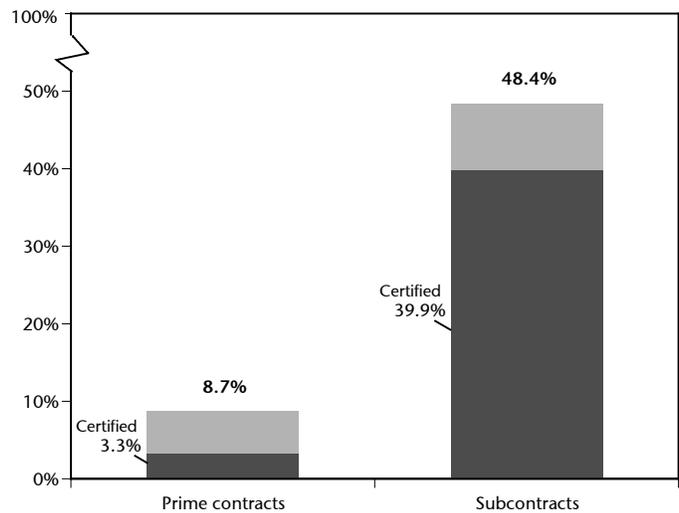
Results in Figure 7-6 indicate that MBE/WBEs received a much larger share of subcontract dollars than prime contract dollars during the study period — 48.4 percent of IDOA subcontract dollars went to MBE/WBEs compared to 8.7 percent of prime contract dollars.

This result may be due in part to MBE/WBE goals set on IDOA contracts. Prime contractors typically meet those goals by subcontracting work to certified MBE/WBEs. It appears that the State of Indiana MBE/WBE Program may expand opportunities for minority- and women-owned firms through work as subcontractors.

Figure 7-6.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for IDOA contracts, July 2006–June 2009

Note:
 Number of prime contracts analyzed is 31,601 and number of subcontracts analyzed is 687.
 For more detail and results by group, see Figures O-6 and O-11 in Appendix O.

Source:
 BBC Research & Consulting from data on IDOA contracts.



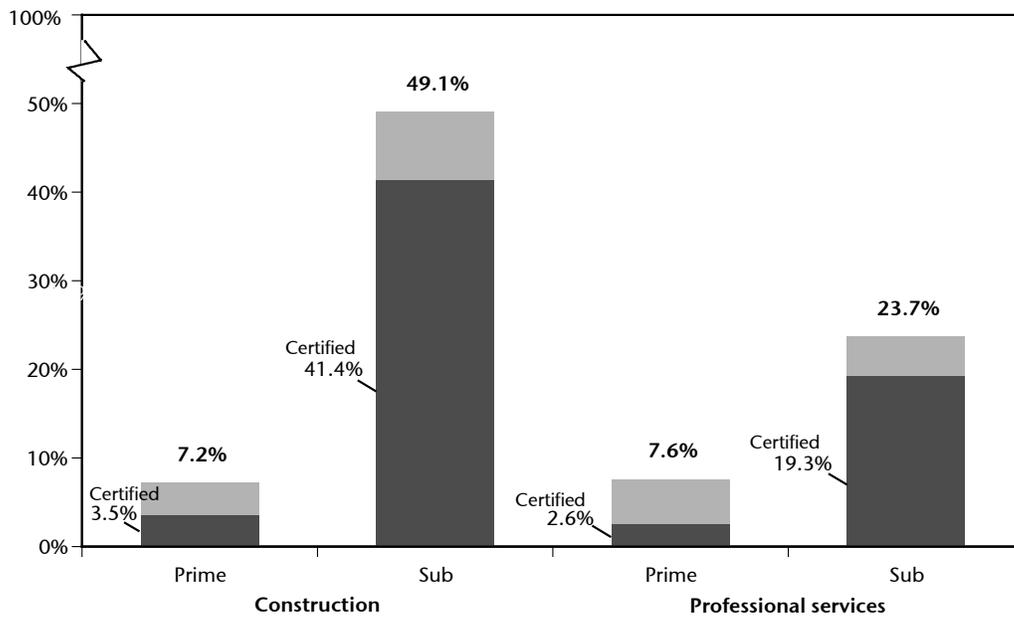
Subcontracting is industry practice for many types of construction and some professional services work. Accordingly, virtually all (97%) of the subcontract dollars in Figure 7-5 pertain to IDOA construction and professional services contracts.

³ Because IDOA did not have complete information on subcontracts, BBC contacted prime contractors directly to collect that information.

Figure 7-7 presents MBE/WBE utilization separately for construction and professional services prime contracts and subcontracts. As shown in Figure 7-7, MBE/WBE firms obtained a substantially larger share of IDOA subcontract dollars than prime contract dollars for both construction and professional services.

- Nearly one-half of IDOA construction subcontract dollars went to MBE/WBEs, and certified firms accounted for most of that MBE/WBE utilization.
- MBE/WBEs received about one-quarter of professional services subcontract dollars, with certified firms representing most of that MBE/WBE utilization.

Figure 7-7.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for IDOA construction and professional services contracts, July 2006–June 2009



Note: Number of prime contracts analyzed is 3,536 for construction and 13,601 for professional services. Number of subcontracts analyzed is 596 for construction and 62 for professional services.

For more detail and results by group, see Figures O-7, O-8, O-12 and O-13 in Appendix O.

Source: BBC Research & Consulting from data on IDOA contracts.

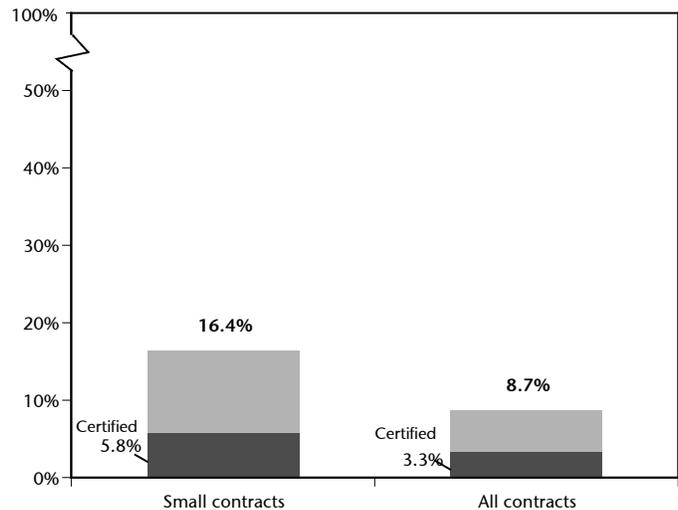
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases,” and public and competitive bidding procedures are not required for procurements of that size.⁴ Of the \$2.4 billion of IDOA contracts included in the study, BBC identified more than \$600 million in contracts worth less than \$150,000.⁵

Figure 7-8 shows the utilization of MBE/WBEs as prime contractors on small contracts and as prime contractors on all IDOA contracts. MBE/WBEs received a larger proportion of prime dollars on small contracts (16.4%) than of prime dollars on all contracts (8.7%). The disparity analysis later in this section examines whether this result reflects greater availability of MBE/WBEs for smaller contracts.

Figure 7-8.
MBE/WBE and certified MBE/WBE share of prime contract dollars for IDOA small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those less than \$150,000.
 Number of small contracts analyzed is 29,607 and number of all contracts is 31,601.
 For more detail and results by group, see Figures O-16 and O-6 in Appendix O.

Source:
 BBC Research & Consulting from data on IDOA contracts.



B. Disparity Analysis

The second half of Chapter 7 presents IDOA disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix O provides detailed information concerning disparity results for IDOA contracts.

⁴ IC 5-22-8.

⁵ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

1. Overall disparity results. Figure 7-9 summarizes the results of the disparity analysis for IDOA contracts by racial/ethnic/gender groups.

Overall, MBE/WBEs were substantially underutilized on IDOA procurements.⁶ The disparity index of 47 indicates that MBE/WBEs received less than half of the dollars that they would be expected to receive based on their availability for IDOA contracts.

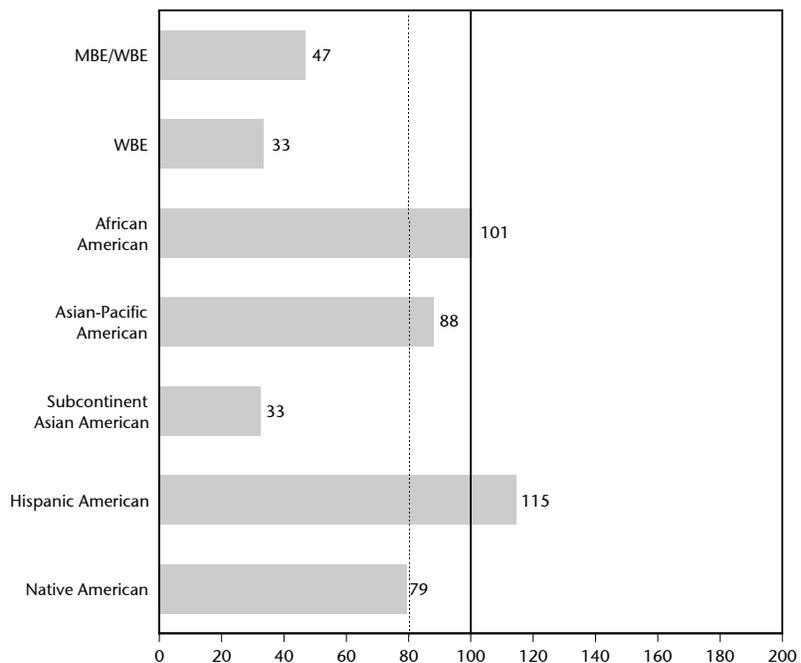
Only two MBE/WBE groups did not show disparities — African American- (disparity index of 101) and Hispanic American-owned firms (disparity index of 115). Subcontinent Asian American- (disparity index of 33) and white women-owned firms (disparity index of 33) showed the largest disparities.

Because the State of Indiana MBE/WBE Program was in place during the entire study period, any disparities identified in Figure 7-9 occurred despite the use of MBE/WBE subcontracting goals. The lack of disparities for African American- and Hispanic American-owned firms may indicate the success of the State of Indiana MBE/WBE Program in encouraging utilization of those groups.

Figure 7-9.
Disparity indices for
MBE/WBE utilization on
IDOA contracts, July 2006–
June 2009

Note:
 Number of contracts/subcontracts analyzed
 is 32,288.
 For more detail, see Figure O-1
 in Appendix O.

Source:
 BBC Research & Consulting from data on
 IDOA contracts.



⁶ BBC’s use of the word “substantial” in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

2. Disparity results by industry. Figure 7-10 presents disparity indices for IDOA contracts by study industry. Overall, MBE/WBEs were underutilized for every industry except construction (disparity index of 131).

Construction. The only MBE/WBE group to show a disparity for IDOA construction contracts was WBEs (disparity index of 52). It may be that the State of Indiana MBE/WBE Program, which encourages MBE/WBE utilization as subcontractors, was most effective for construction.

Professional services. Overall, MBE/WBEs received about one-quarter of the dollars that would be expected based on their availability for professional services contracts (disparity index of 27). With the exception of Hispanic American-owned firms (disparity index of 91), every MBE/WBE group was substantially underutilized on IDOA professional services contracts.

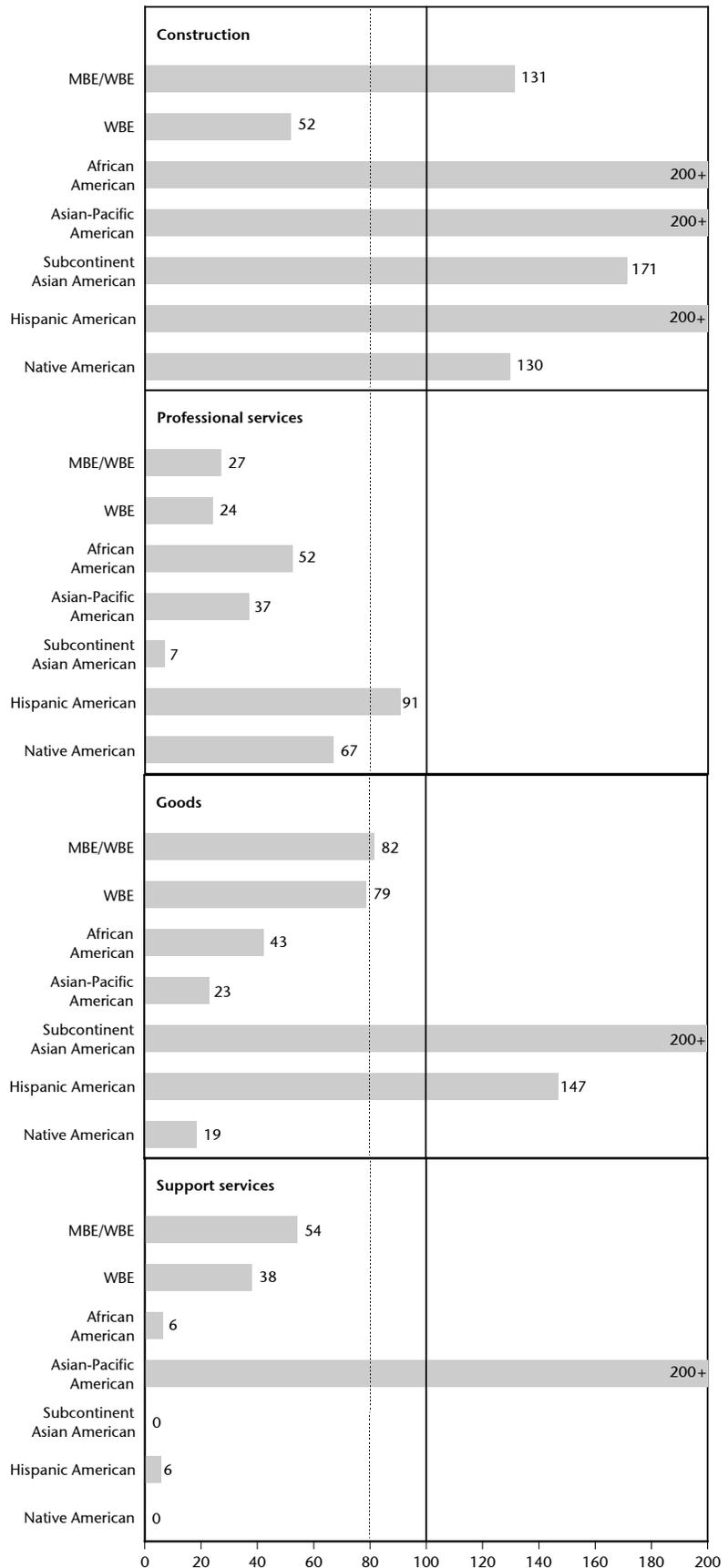
Goods. Considered together, MBE/WBEs showed a disparity index of 79, indicating that they obtained about 80 percent of IDOA goods dollars that they would be expected to receive based on availability. Asian-Pacific American- (disparity index of 23) and Native American-owned firms (disparity index of 19) showed the greatest disparities, whereas Subcontinent Asian American- (disparity index greater than 200) and Hispanic American-owned firms (disparity index of 147) did not show disparities.

Support services. MBE/WBEs (disparity index of 54) obtained approximately one-half of the IDOA support services dollars that would be expected based on availability. Subcontinent Asian American- and Native American-owned firms both exhibited disparity indices of 0. The disparity index for Asian-Pacific American-owned firms exceeded 200.

Figure 7-10.
Disparity indices for
MBE/WBE utilization on
IDOA contracts, by
industry, July 2006–June
2009

Note:
 Number of contracts/subcontracts analyzed is 4,132 for construction, 13,663 for professional services, 12,466 for goods and 2,027 for support services.
 For more detail, see Figures O-2, O-3, O-4 and O-5 in Appendix O.

Source: BBC Research & Consulting from data on IDOA contracts.



Disparity results for ISCBA. Figure 7-11 presents disparity indices separately for ISCBA construction contracts and for all other IDOA construction contracts by MBE/WBE group. As shown in Figure 7-11, overall, whereas MBE/WBE utilization far exceeded availability for ISCBA construction contracts (disparity index of 185), MBE/WBEs were underutilized on all other IDOA construction contracts (disparity index of 83).

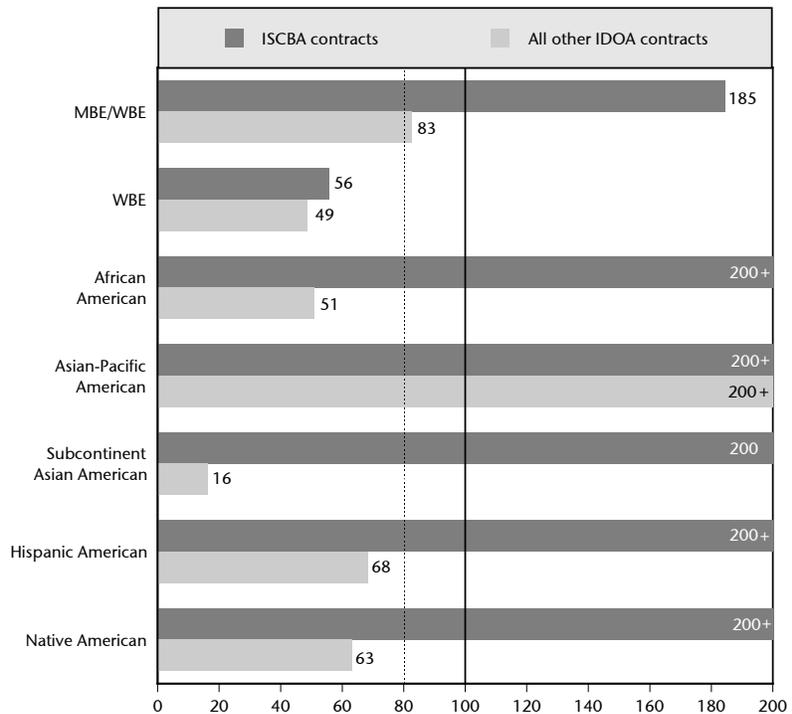
The only MBE/WBE group to exhibit a substantial disparity for ISCBA construction contracts was WBEs (disparity index of 56). In contrast, all MBE/WBE groups except for Asian-Pacific American-owned firms (disparity index greater than 200) were substantially underutilized on all other IDOA construction contracts.

Figure 7-11.
Disparity indices for
MBE/WBE utilization on
ISCBA construction
contracts and all other
IDOA construction
contracts, July 2006–June
2009

Note:
 Number of contracts/subcontracts analyzed for ISCBA construction is 306 and for all other IDOA construction is 3,826.

For more detail, see Figure O-2 in Appendix O.

Source: BBC Research & Consulting from data on IDOA contracts.



3. Disparity results by prime contracts and subcontracts. Figure 7-12 shows disparity results for prime contracts (darker bars) and subcontracts (lighter bars). In part because of the influence of the State of Indiana MBE/WBE Program, every MBE group exhibited a disparity index well above 100 for IDOA subcontracts. The only MBE/WBE group that had utilization less than availability for IDOA subcontracts was WBEs (disparity index of 76).

Considering prime contract utilization — to which MBE/WBE goals do not apply — nearly every MBE/WBE group obtained half or less than half of the dollars that they would be expected to receive based on their availability for IDOA procurements. WBEs (disparity index of 31) and Subcontinent Asian American-owned firms (disparity index of 30) exhibited the greatest disparities.

Figure 7-12.
Disparity indices for
MBE/WBE utilization on
IDOA contracts, prime
contracts and subcontracts,
July 2006–June 2009

Note:
 Number of prime contracts analyzed is 31,601 and number of subcontracts analyzed is 687.
 For more detail, see Figures O-6 and O-11 in Appendix O.

Source:
 BBC Research & Consulting from data on IDOA contracts.

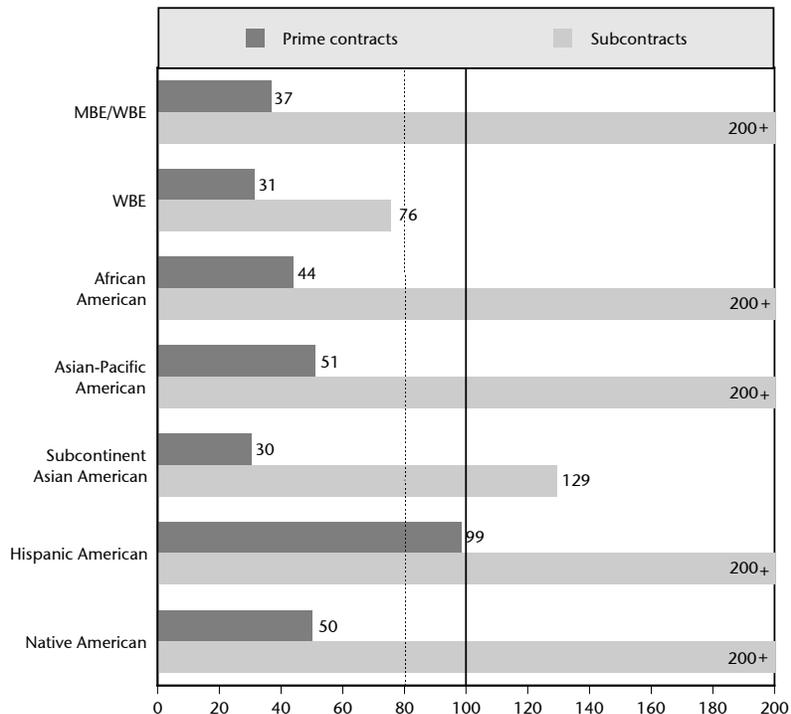


Figure 7-13 presents disparity results separately for construction and professional services prime contracts and subcontracts.

Construction. Consistent with the combined data for prime contracts and subcontracts shown in Figure 7-12, MBE/WBEs were substantially underutilized on construction prime contracts (disparity index of 59), but not on construction subcontracts (disparity index greater than 200). The only groups to exhibit a substantial disparity for construction subcontracts was WBEs (disparity index of 77) and Subcontinent Asian American-owned firms (disparity index of 38).

Subcontinent Asian American- (disparity index greater than 200) and Hispanic American-owned firms (disparity index greater than 200) did not show disparities on IDOA construction prime contracts.

Professional services. As with construction, MBE/WBEs were substantially underutilized on professional services prime contracts (disparity index of 27). MBE/WBEs were also underutilized on professional services subcontracts, albeit not to the same degree as prime contracts (disparity index of 84).

Every MBE/WBE group showed disparities for IDOA professional services prime contracts, and all but one group (Hispanic American-owned firms, disparity index of 86) exhibited substantial disparities.

Two groups showed large disparities for IDOA professional services subcontracts — WBEs (disparity index of 34) and Native American-owned firms (disparity index of 0).

Figure 7-13.
Disparity indices for
MBE/WBE utilization on
IDOA construction and
professional services prime
contracts and subcontracts,
July 2006–June 2009

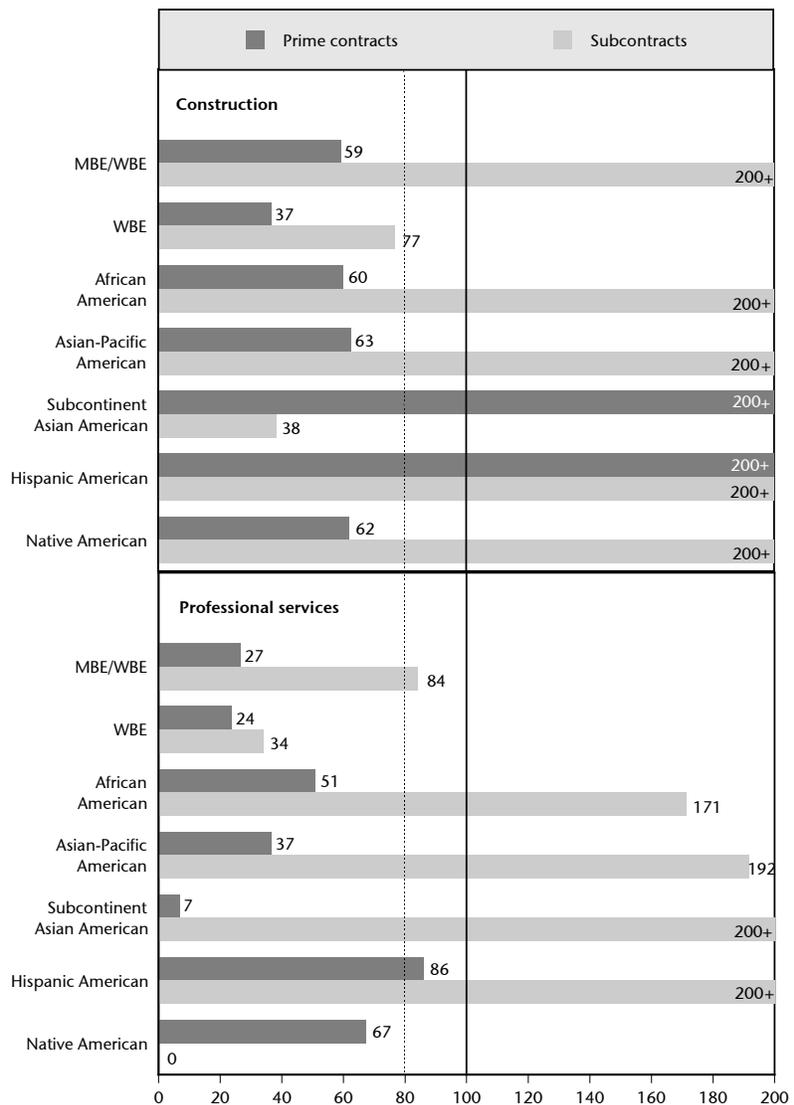
Note:

Number of prime contracts analyzed is 3,536 for construction and 13,601 for professional services. Number of subcontracts analyzed is 596 for construction and 62 for professional services.

For more detail, see Figures O-7, O-8, O-12 and O-13 in Appendix O.

Source:

BBC Research & Consulting from data on IDOA contracts.



4. Disparity results by contract size. BBC also examined disparity results for small IDOA contracts (prime contractor utilization). In Figure 7-14, the darker bars represent disparity indices for small prime contracts and the lighter bars represent disparity indices for all prime contracts.

As shown in Figure 7-14, each MBE/WBE group exhibited disparities in utilization as prime contractors on small contracts, and the disparities were substantial for each group except for Subcontinent Asian American-owned firms (disparity index of 83). The study team observed the greatest disparities for African American- (disparity index of 59) and Hispanic American-owned firms (disparity index of 62).

Figure 7-14.
Disparity indices for
MBE/WBE utilization as
prime contractors, IDOA
small contracts and all
contracts, July 2006–June
2009

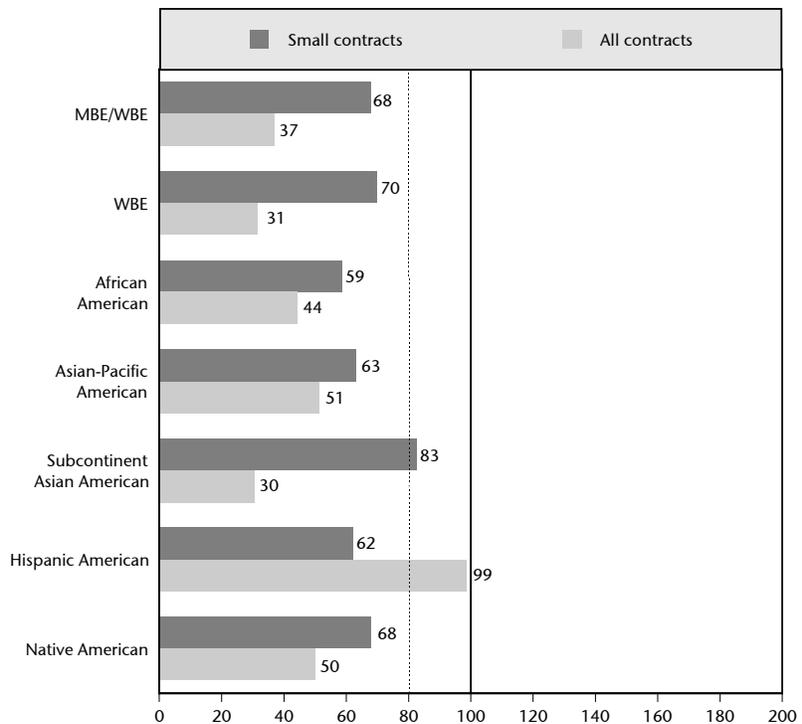
Note:

Number of small contracts analyzed is 29,607 and number of all contracts is 31,601.

For more detail, see Figures O-16 and O-6 in Appendix O.

Source:

BBC Research & Consulting from data on IDOA contracts.



5. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE groups were underutilized on IDOA contracts during the study period. However, the State of Indiana MBE/WBE Program, which encourages MBE/WBE utilization as subcontractors, appears to be effective in reducing or eliminating disparities for certain study industries.

The study team observed disparities for several MBE/WBE groups, depending on contract type.

- Utilization of MBE/WBEs on IDOA construction subcontracts was much higher than what would be expected based on availability for those subcontracts.
- Because subcontracts account for a relatively large portion of total construction contract dollars, MBE/WBE utilization for prime contracts and subcontracts combined exceeded what would be expected based on availability for that study industry.
- Based on disparity results for IDOA prime contracts, it is clear that there would be disparities for MBE/WBEs for IDOA construction contracts without the level of MBE/WBE participation achieved on subcontracts.

BBC also observed disparities for several MBE/WBE groups for IDOA professional services contracts.

- MBE/WBEs received nearly one-quarter of IDOA professional services subcontract dollars, relatively close to what would be expected based on MBE/WBE availability.
- However, there was a large disparity between combined prime contract and subcontract MBE/WBE utilization and availability for IDOA professional services contracts.
- There were substantial disparities for combined prime contracts and subcontracts in professional services for each MBE/WBE group except for Hispanic American-owned firms.

Examining total IDOA contract dollars for goods purchases, there were substantial disparities for firms owned by:

- White women;
- African Americans;
- Asian-Pacific Americans; and
- Native Americans.

There were no disparities for Subcontinent Asian American- and Hispanic-owned firms for IDOA's goods contracts.

For support services, there were substantial disparities for firms owned by:

- White women;
- African Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and
- Native Americans.

There were no disparities for Asian-Pacific American-owned firms for IDOA's support services contracts.

Figure 7-15 identifies the specific sets of IDOA contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix O. For example, for information about construction prime contracts, see Figure O-7 in Appendix O.

Figure 7-15.
Directory of utilization and disparity analyses provided in Appendix O

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	13	n/a	n/a
Small contracts*	16	17	18	19	20

Note: * Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting from data on IDOA contracts.

CHAPTER 8.

INDOT Utilization and Disparity Analysis

Chapter 8 presents utilization and disparity results for Indiana Department of Transportation (INDOT) contracts. It presents analyses for INDOT contracts that are similar to the ones presented in Chapter 6 for combined state and SEI contracts.¹ Detailed utilization and disparity results are presented in Appendix Q.

Chapter 8 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 8 presents INDOT utilization results by:

- 1. Fiscal year;
- 2. MBE/WBE group;
- 3. Industry;
- 4. Prime contracts and subcontracts; and
- 5. Contract size.

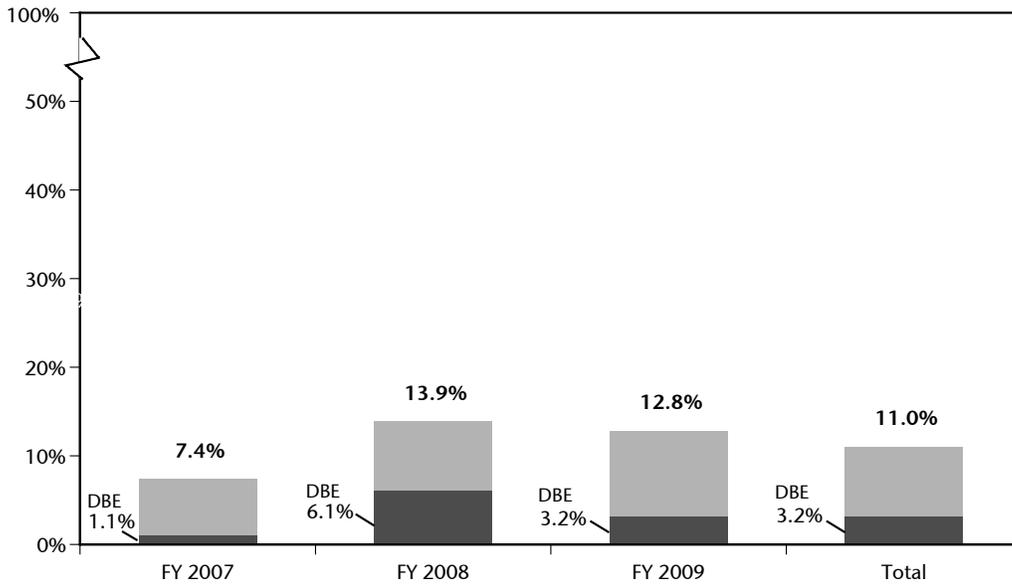
¹ It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. BBC examined more than 21,000 INDOT contracts and subcontracts totaling \$5.5 billion over the three-year study period. MBE/WBEs received about \$600 million in prime contract and subcontract dollars, or 11.0 percent of total contract dollars. Figure 8-1 presents utilization of minority- and women-owned firms as a percentage of INDOT contract dollars by state fiscal year (FY).²

As shown in Figure 8-1, MBE/WBEs obtained 7.4 percent of INDOT contract dollars in FY 2007, 13.9 percent in FY 2008 and 12.8 percent in FY 2009.

Figure 8-1 also provides results for businesses certified as DBEs (the darker portion of each bar) in each fiscal year. A smaller portion of INDOT’s procurement dollars went to firms that were certified as DBEs. Certified DBEs obtained 1.1 percent of INDOT procurement dollars in FY 2007, 6.1 percent in FY 2008 and 3.2 percent in FY 2009.

Figure 8-1.
MBE/WBE and DBE share of prime contract/subcontract dollars for INDOT contracts, by state fiscal year, July 2006–June 2009



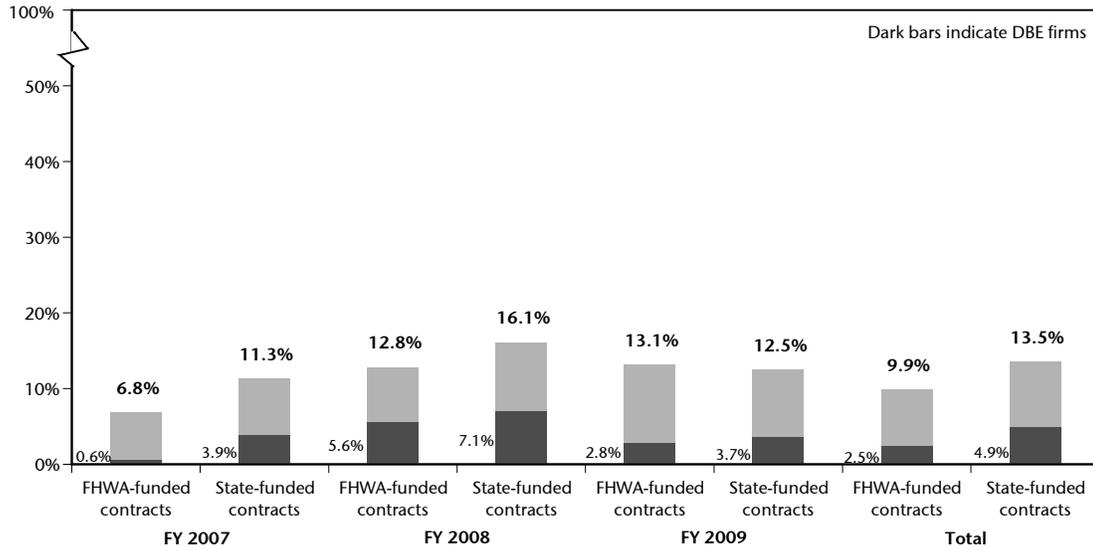
Note: Number of contracts/subcontracts analyzed is 3,966 for FY 2007, 9,123 for FY 2008, 8,689 for FY 2009 and 21,778 for all years combined.

Source: BBC Research & Consulting from data on INDOT contracts.

² Note that the federal fiscal year (October through September) differs from the state fiscal year (July through June). For consistency with analyses of IDOA and the SEIs, year-by-year results for INDOT reflect the state fiscal year.

Figure 8-2 presents the share of INDOT dollars that MBE/WBEs obtained on FHWA- and state-funded contracts. During the study period, in total, MBE/WBEs received a smaller share of FHWA-funded contract dollars (9.9%) than of state-funded contract dollars (13.5%).

Figure 8-2.
MBE/WBE and DBE share of prime contract/subcontract dollars for INDOT’s FHWA- and state-funded contracts, by state fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed for FHWA-funded contracts is 2,390 for FY 2007, 2,509 for FY 2008, 2,002 for FY 2009 and 6,901 for all years combined. Number of contracts/subcontracts analyzed for state-funded contracts is 1,576 for FY 2007, 6,614 for FY 2008, 6,687 for FY 2009 and 14,877 for all years combined. Number of contracts/subcontracts analyzed for total contracts is 3,966 for FY 2007, 9,123 for FY 2008, 8,689 for FY 2009 and 21,778 for all years combined.

Source: BBC Research & Consulting from data on INDOT contracts.

2. Utilization results by MBE/WBE group. Figure 8-3 details utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as DBEs (bottom half of the figure) by racial/ethnic/gender group.

As shown in Figure 8-3, WBEs (6.1%) and African American-owned firms (1.9%) accounted for most of MBE/WBE utilization when considering FHWA- and state-funded contracts together. No other MBE/WBE groups obtained more than 1 percent of INDOT contract dollars during the study period. The study team observed the same general results when considering FHWA- and state-funded contracts separately.

Note that a relatively small portion of MBE/WBE utilization occurred with firms that were DBE certified.

Figure 8-3.
MBE/WBE and DBE share of prime/subcontract dollars for INDOT FHWA- and state-funded contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	FHWA-funded contracts		State-funded contracts		Total	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs						
African American-owned	\$40,259	1.0 %	\$65,218	4.1 %	\$105,710	1.9 %
Asian-Pacific American-owned	12,221	0.3	5,035	0.3	17,217	0.3
Subcontinent Asian American-owned	38,144	1.0	17,634	1.1	55,669	1.0
Hispanic American-owned	29,604	0.8	12,113	0.8	41,620	0.8
Native American-owned	25,768	0.7	23,610	1.5	49,391	0.9
Total MBE	\$145,996	3.7 %	\$123,610	7.7 %	\$269,606	4.9 %
WBE (white women-owned)	244,705	6.2	93,126	5.8	337,831	6.1
Total MBE/WBE	\$390,702	9.9 %	\$216,736	13.5 %	\$607,437	11.0 %
Majority-owned	3,554,594	90.1	1,382,805	86.5	4,937,400	89.0
Total	\$3,945,296	100.0 %	\$1,599,541	100.0 %	\$5,544,837	100.0 %
DBEs						
African American-owned	\$13,409	0.3 %	\$45,320	2.8 %	\$58,729	1.1 %
Asian-Pacific American-owned	1,598	0.0	773	0.0	2,370	0.0
Subcontinent Asian American-owned	10,836	0.3	1,845	0.1	12,681	0.2
Hispanic American-owned	3,447	0.1	4,515	0.3	7,962	0.1
Native American-owned	4,758	0.1	2,668	0.2	7,446	0.1
Total DBE-certified MBE	\$34,047	0.9 %	\$55,140	3.4 %	\$89,187	1.6 %
WBE (white women-owned)	64,372	1.6	23,815	1.5	88,187	1.6
Total DBE-certified MBE/WBE	\$98,419	2.5 %	\$78,956	4.9 %	\$177,374	3.2 %
Non-DBE	3,846,877	97.5	1,520,585	95.1	5,367,463	96.8
Total	\$3,945,296	100.0 %	\$1,599,541	100.0 %	\$5,544,837	100.0 %

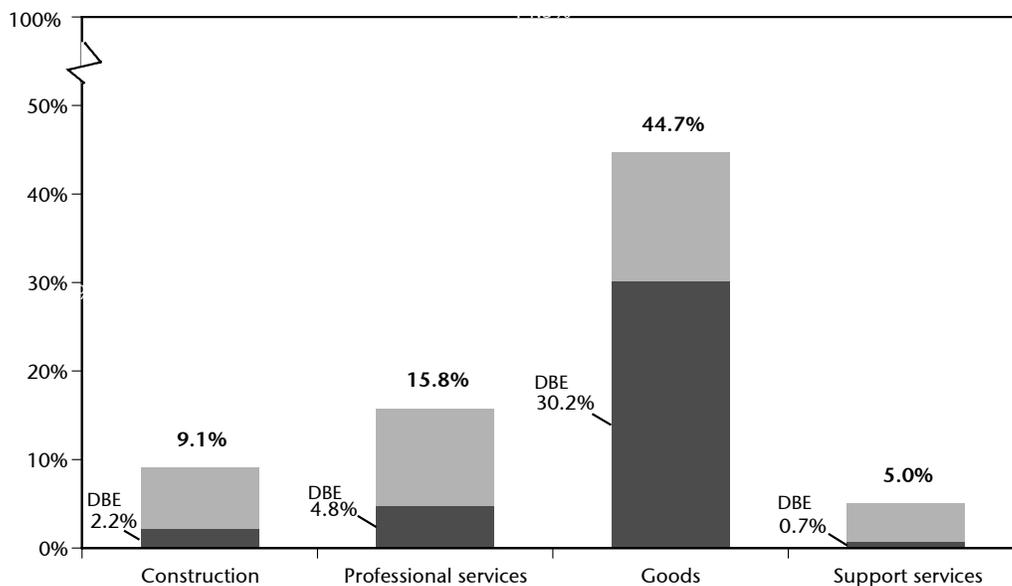
Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
Number of contracts/subcontracts analyzed is 6,901 FHWA-funded, 14,877 for state-funded and 21,778 for total contracts.
For more detail, see Figures Q-1, Q-101 and Q-201 in Appendix Q.

Source: BBC Research & Consulting from data on INDOT contracts.

3. Utilization results by industry. Figure 8-4 presents MBE/WBE utilization by industry — construction, professional services, goods and support services — for July 2006 through June 2009.

- BBC analyzed more than 10,000 INDOT construction prime contracts and subcontracts totaling \$4.5 billion. About \$410 million of INDOT construction contract dollars went to MBE/WBEs (9.1% utilization).
- The utilization and disparity analyses included almost \$900 million in INDOT professional services contracts in the study period (8,377 total prime contracts and subcontracts). MBE/WBEs received \$142 million, or 15.8 percent of these contract dollars.
- There was a smaller volume of INDOT goods contracts that BBC examined for the study period. There were about 2,200 goods contracts and subcontracts totaling about \$120 million. MBE/WBE utilization was \$54 million, or 45 percent of goods dollars.
- Support services was the smallest study industry that BBC examined for INDOT — there was \$43 million in these types of services contracts during the study period (455 contracts and subcontracts). MBE/WBE's received \$2.1 million, or 5 percent of the total support services contract dollars.³

Figure 8-4.
MBE/WBE and DBE share of prime contract/subcontract dollars for INDOT construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 10,738 for construction, 8,377 for professional services, 2,208 for goods and 455 for support services.

For more detail and results by group, see Figures Q-2, Q-3, Q-4 and Q-5 in Appendix Q.

Source: BBC Research & Consulting from data on INDOT contracts.

³ Note that “support services” includes different types of service industry firms — such as cleaning and janitorial services, and does not refer to the support services provided to DBEs as part of INDOT’s implementation of the Federal DBE Program.

Construction. Results for FHWA- and state-funded construction contracts are presented by racial/ethnic/gender group in Figure 8-5. When considering FHWA- and state-funded construction contracts together, WBEs (6.4%) exhibited higher utilization on INDOT construction contracts than other MBE/WBE groups. Subcontinent Asian American-owned firms (0.0%) showed the lowest utilization.

The study team observed the same general trends when separately considering FHWA- and state funded construction contracts.

Figure 8-5.
MBE/WBE and DBE share of prime/subcontract dollars for INDOT construction contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	FHWA-funded contracts		State-funded contracts		Total	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs						
African American-owned	\$31,584	0.9 %	\$17,096	1.5 %	\$48,671	1.1 %
Asian-Pacific American-owned	1,887	0.1	1,788	0.2	3,679	0.1
Subcontinent Asian American-owned	353	0.0	90	0.0	442	0.0
Hispanic American-owned	19,336	0.6	3,977	0.4	23,269	0.5
Native American-owned	24,228	0.7	22,885	2.1	47,163	1.1
Total MBE	\$77,388	2.3 %	\$45,836	4.1 %	\$123,223	2.7 %
WBE (white women-owned)	210,721	6.2	75,893	6.8	286,614	6.4
Total MBE/WBE	\$288,109	8.5 %	\$121,728	11.0 %	\$409,837	9.1 %
Majority-owned	3,086,982	91.5	989,179	89.0	4,076,162	90.9
Total	\$3,375,091	100.0 %	\$1,110,907	100.0 %	\$4,485,999	100.0 %
DBEs						
African American-owned	\$7,887	0.2 %	\$8,751	0.8 %	\$16,639	0.4 %
Asian-Pacific American-owned	283	0.0	584	0.1	867	0.0
Subcontinent Asian American-owned	332	0.0	85	0.0	417	0.0
Hispanic American-owned	2,128	0.1	1,121	0.1	3,249	0.1
Native American-owned	4,758	0.1	2,688	0.2	7,446	0.2
Total DBE-certified MBE	\$15,388	0.5 %	\$13,230	1.2 %	\$28,617	0.6 %
WBE (white women-owned)	46,806	1.4	22,730	2.0	69,536	1.6
Total DBE-certified MBE/WBE	\$62,194	1.8 %	\$35,959	3.2 %	\$98,153	2.2 %
Non-DBE	3,312,897	98.2	1,074,948	96.8	4,387,846	97.8
Total	\$3,375,091	100.0 %	\$1,110,907	100.0 %	\$4,485,999	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
Number of contracts/subcontracts analyzed is 5,320 for FHWA-funded contracts, 5,418 for state-funded contracts and 10,738 for total contracts.

For more detail, see Figures Q-102, Q-202 and Q-2 in Appendix Q.

Source: BBC Research & Consulting from data on INDOT contracts.

Professional services. Figure 8-6 presents utilization by racial/ethnic/gender group for INDOT FHWA- and state-funded professional services contracts. When considering FHWA- and state-funded contracts together, Subcontinent Asian American- (5.9%) and white women-owned firms (4.8%) had higher utilization on INDOT professional services contracts than other MBE/WBE groups. Native American-owned firms (0.4%) exhibited the lowest utilization on these contracts.

The study team observed the same general trends when considering FHWA- and state funded professional services contracts separately.

Figure 8-6.
MBE/WBE and DBE share of prime/subcontract dollars for INDOT professional services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	FHWA-funded contracts		State-funded contracts		Total	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs						
African American-owned	\$9,155	1.7 %	\$2,645	0.7 %	\$11,799	1.3 %
Asian-Pacific American-owned	10,065	1.9	3,237	0.9	13,301	1.5
Subcontinent Asian American-owned	36,627	6.9	16,555	4.5	53,182	5.9
Hispanic American-owned	10,482	2.0	6,657	1.8	17,140	1.9
Native American-owned	2,159	0.4	1,444	0.4	3,604	0.4
Total MBE	\$68,488	12.9 %	\$30,538	8.4 %	\$99,027	11.1 %
WBE (white women-owned)	28,088	5.3	14,565	4.0	42,653	4.8
Total MBE/WBE	\$96,576	18.2 %	\$45,104	12.4 %	\$141,680	15.8 %
Majority-owned	434,891	81.8	319,261	87.6	754,152	84.2
Total	\$531,467	100.0 %	\$364,365	100.0 %	\$895,832	100.0 %
DBEs						
African American-owned	\$5,521	1.0 %	\$332	0.1 %	\$5,853	0.7 %
Asian-Pacific American-owned	1,315	0.2	183	0.1	1,498	0.2
Subcontinent Asian American-owned	10,504	2.0	1,759	0.5	12,264	1.4
Hispanic American-owned	1,319	0.2	3,394	0.9	4,713	0.5
Native American-owned	0	0.0	0	0.0	0	0.0
Total DBE-certified MBE	\$18,659	3.5 %	\$5,668	1.6 %	\$24,327	2.7 %
WBE (white women-owned)	17,316	3.3	1,025	0.3	18,341	2.0
Total DBE-certified MBE/WBE	\$35,975	6.8 %	\$6,693	1.8 %	\$42,668	4.8 %
Non-DBE	495,492	93.2	357,672	98.2	853,164	95.2
Total	\$531,467	100.0 %	\$364,365	100.0 %	\$895,832	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
 Number of contracts/subcontracts analyzed is 1,391 for FHWA-funded contracts, 6,986 for state-funded contracts and 8,377 for total contracts.
 For more detail, see Figures Q-103, Q-203 and Q-3 in Appendix Q.

Source: BBC Research & Consulting from data on INDOT contracts.

Goods and support services. Figure 8-7 presents detailed utilization results for INDOT goods and support services contracts by racial/ethnic/gender group. Because there were very few INDOT goods and support services contracts that were FHWA-funded, the results in Figure 8-7 combine data from FHWA- and state-funded contracts. Detailed results for INDOT's FHWA- and state-funded goods and support services contracts can be found in Figures Q-104, Q-105, Q-204 and Q-205 in Appendix Q.

- As shown in Figure 8-7, \$45 million of the \$120 million in INDOT goods contract dollars went to African American-owned firms (37.5%). Almost all of the utilization of African American-owned firms was from a single contract related to vehicles.
- Considering support services procurements, WBEs (4.7%) accounted for nearly all of the MBE/WBE utilization. The only other MBE/WBE group to be utilized on support services contracts was African American-owned firms (0.3%).

Figure 8-7.
MBE/WBE and DBE share of prime/subcontract dollars for INDOT goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs				
African American-owned	\$45,108	37.5 %	\$136	0.3 %
Asian-Pacific American-owned	5	0.0	0	0.0
Subcontinent Asian American-owned	656	0.5	0	0.0
Hispanic American-owned	1,451	1.2	0	0.0
Native American-owned	0	0.0	0	0.0
Total MBE	\$47,221	39.3 %	\$136	0.3 %
WBE (white women-owned)	6,557	5.5	2,007	4.7
Total MBE/WBE	\$53,778	44.7 %	\$2,143	5.0 %
Majority-owned	66,415	55.3	40,670	95.0
Total	\$120,193	100.0 %	\$42,813	100.0 %
DBEs				
African American-owned	\$36,237	30.1 %	\$0	0.0 %
Asian-Pacific American-owned	5	0.0	0	0.0
Subcontinent Asian American-owned	0	0.0	0	0.0
Hispanic American-owned	0	0.0	0	0.0
Native American-owned	0	0.0	0	0.0
Total DBE-certified MBE	\$36,243	30.2 %	\$0	0.0 %
WBE (white women-owned)	0	0.0	311	0.7
Total DBE-certified MBE/WBE	\$36,243	30.2 %	\$311	0.7 %
Non-DBE	83,950	69.8	42,502	99.3
Total	\$120,193	100.0 %	\$42,813	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
 Number of contracts/subcontracts analyzed is 2,208 for goods contracts and 455 for support services contracts.
 For more detail, see Figures Q-4 and Q-5 in Appendix Q.

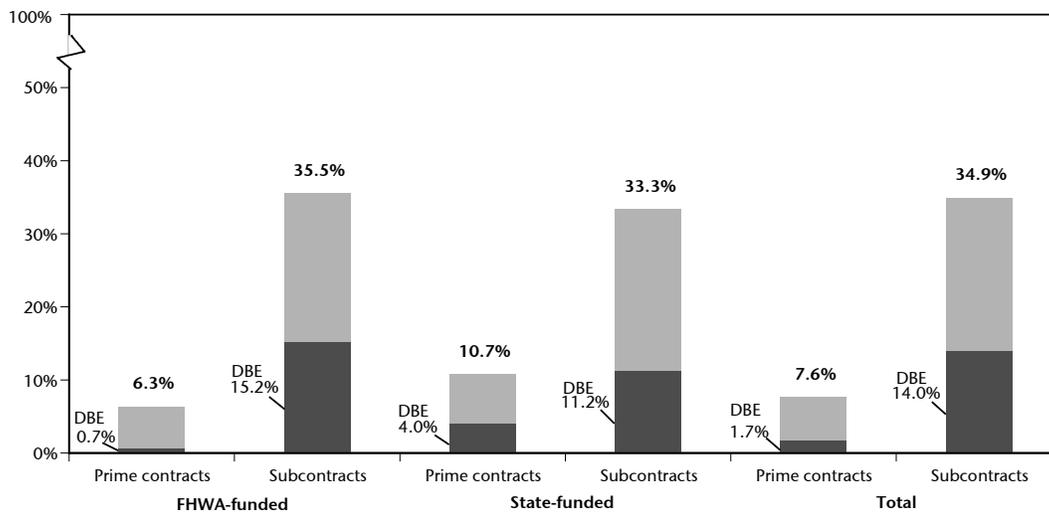
Source: BBC Research & Consulting from data on INDOT contracts.

4. Utilization results by prime contracts and subcontracts. Of the approximately \$5.5 billion of INDOT contracts examined in the study, BBC identified \$700 million in subcontracts. Figure 8-8 presents the percent of dollars going to MBE/WBEs on INDOT prime contracts and on subcontracts.

MBE/WBEs received a much larger share of subcontract dollars than prime contract dollars during the study period — more than one-third of INDOT subcontract dollars went to MBE/WBEs, compared to only 7.6 percent of prime contract dollars. The study team observed similar trends when considering FHWA- and state-funded procurements separately.

These outcomes may be largely due to DBE and MBE/WBE contract goals set on INDOT’s FHWA- and state-funded contracts. Prime contractors often meet those goals by subcontracting work to certified firms. Results in Figure 8-8 indicate that INDOT’s implementation of the Federal DBE Program and the State of Indiana MBE/WBE Program may have expanded opportunities for minority- and women-owned firms to work as subcontractors.

Figure 8-8.
MBE/WBE and DBE share of prime contract and subcontract dollars for INDOT FHWA- and state-funded contracts, July 2006–June 2009



Note: Number of prime contracts analyzed is 3,142 for FHWA-funded, 14,293 for state-funded and 17,435 for total prime contracts. Number of subcontracts analyzed is 3,759 for FHWA-funded, 584 for state-funded and 4,343 for total subcontracts.

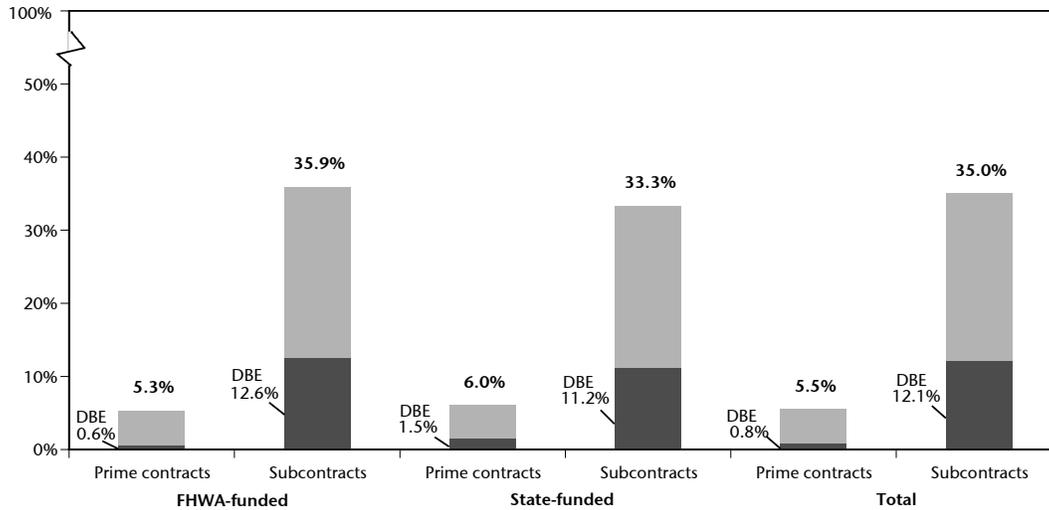
For more detail and results by group, see Figures Q-106 and Q-111, Figures Q-206 and Q-211, and Figures Q-6 and Q-11 in Appendix Q.

Source: BBC Research & Consulting from data on INDOT contracts.

Subcontracting is industry practice for many types of construction and some professional services work. Accordingly, virtually all (99%) of the subcontract dollars in Figure 8-8 pertain to INDOT construction and professional services contracts.

Construction. Figure 8-9 presents prime contract and subcontract results for FHWA- and state-funded construction contracts. Similar to utilization analyses of all contracts, MBE/WBEs obtained a much larger share of INDOT construction subcontract dollars than prime contract dollars. When considering FHWA- and state-funded contracts together, MBE/WBEs obtained 35.0 percent of construction subcontract dollars and only 5.5 percent of prime contract dollars.

Figure 8-9.
MBE/WBE and DBE share of prime contract and subcontract dollars for INDOT FHWA- and state-funded construction contracts, July 2006–June 2009



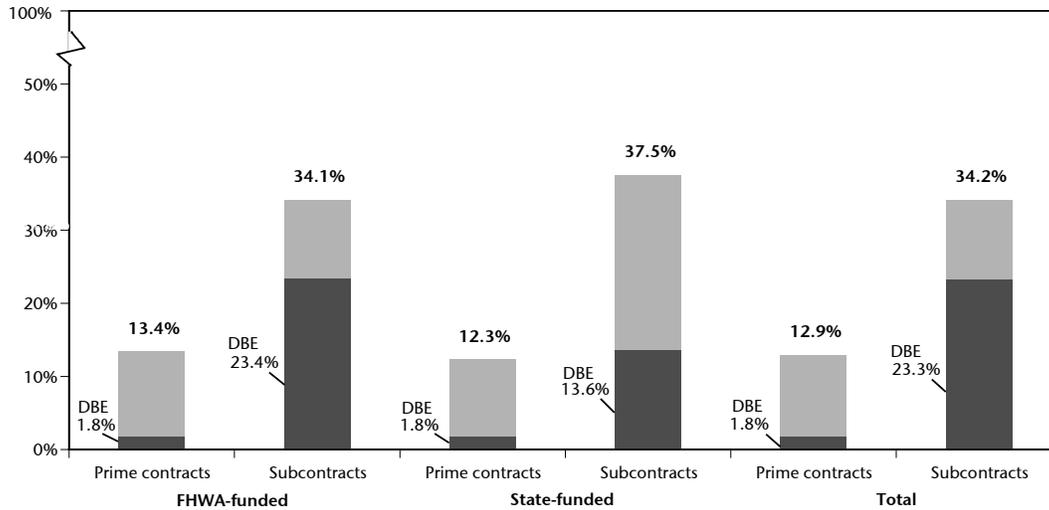
Note: Number of prime contracts analyzed is 2,189 for FHWA-funded, 4,863 for state-funded and 7,052 for total prime contracts. Number of subcontracts analyzed is 3,131 for FHWA-funded, 555 for state-funded, and 3,686 for total subcontracts.

For more detail and results by group, see Figures Q-107 and Q-112, Figures, Q-207 and Q-212, and Figures Q- 7 and Q-12 in Appendix Q.

Source: BBC Research & Consulting from data on INDOT contracts.

Professional services. Figure 8-10 provides results for FHWA- and state-funded professional services prime contracts and subcontracts. Similar to construction contracts, MBE/WBEs also received a much larger share of INDOT professional services subcontract dollars than of prime contract dollars. When considering FHWA- and state-funded contracts together, MBE/WBEs obtained 34.2 percent of subcontract dollars and 12.9 percent of prime contract dollars.

Figure 8-10.
MBE/WBE and DBE share of prime contract and subcontract dollars for INDOT professional services contracts, July 2006–June 2009



Note: Number of prime contracts analyzed is 824 for FHWA-funded, 6,964 for state-funded and 7,788 for total contracts. Number of subcontracts analyzed is 567 for FHWA-funded, 22 for state-funded, and 589 for total subcontracts.

For more detail and results by group, see Figures Q-108 and Q-113, Figures Q-208 and Q-213, and Figures Q-8 and Q-13 in Appendix Q.

Source: BBC Research & Consulting from data on INDOT contracts.

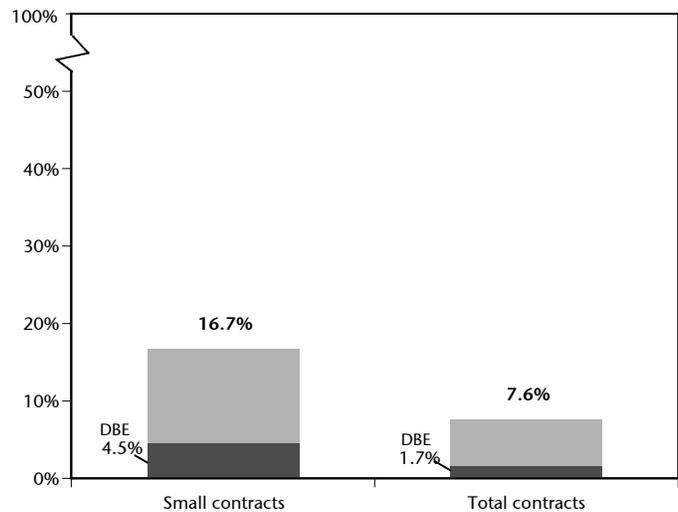
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases.”⁴ Most of INDOT contracts are small procurements — of the 17,435 prime contracts examined, more than 14,000 were \$150,000 or less.⁵ However, small contracts accounted for only \$400 million of the \$5.5 billion of INDOT contracts included in the study.

Figure 8-11 indicates that MBE/WBEs received a larger proportion of prime dollars on small procurements (16.7%) than of prime dollars on all procurements (7.6%). In the second half of this chapter, BBC returns to results for small contracts when comparing MBE/WBE utilization and availability.

Figure 8-11.
MBE/WBE and DBE share of prime contract dollars for INDOT small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those less than \$150,000.
 Number of prime contracts analyzed is 14,382 for small contracts and 17,435 for total prime contracts.
 For more detail and results by group, see Figures Q-16 and Q-6 in Appendix Q.

Source:
 BBC Research & Consulting from data on INDOT contracts.



B. Disparity Analysis

The second half of Chapter 8 presents INDOT disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix Q provides detailed information concerning disparity results for INDOT contracts.

⁴ IC 5-22-8.

⁵ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

1. Overall disparity results. Figure 8-12 summarizes the overall results of the disparity analysis for INDOT contracts by racial/ethnic/gender groups.

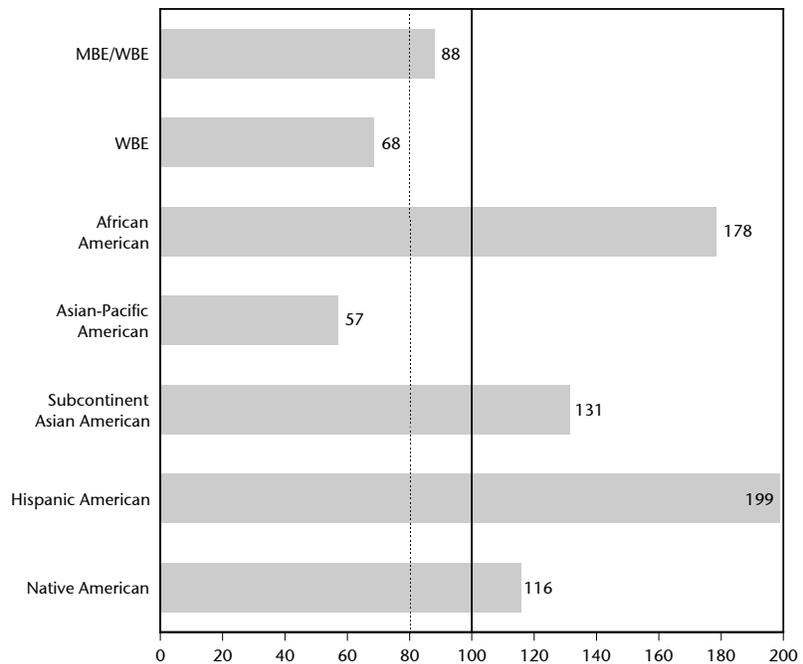
Overall, MBE/WBEs were somewhat underutilized on INDOT procurements. The disparity index of 88 indicates that MBE/WBEs received 88 percent of dollars that would be expected based on their availability for INDOT contracts. Only two MBE/WBE groups showed substantial disparities — WBEs (disparity index of 68) and Asian-Pacific American-owned firms (disparity index of 57).⁶

Because the State of Indiana MBE/WBE Program and the Federal DBE Program were in place during the entire study period, any disparities identified in Figure 7-8 occurred despite the use of MBE/WBE contracting goals. The lack of disparities for African American-, Subcontinent Asian American-, Hispanic American- and Native American-owned firms may indicate the success of these programs in encouraging utilization of those groups.

Figure 8-12.
Disparity indices for
MBE/WBE utilization on
INDOT contracts, July
2006–June 2009

Note:
 Number of contracts/subcontracts analyzed is 21,778.
 For more detail, see Figure Q-1 in Appendix Q.

Source:
 BBC Research & Consulting from data on INDOT contracts.



⁶ BBC’s use of the word “substantial” in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

Figure 8-13 provides overall results for FHWA- and state-funded contracts. Darker bars represent disparity indices for FHWA-funded contracts, and lighter bars represent indices for state-funded contracts.

As shown in Figure 8-13, INDOT’s utilization of MBE/WBEs overall for state-funded contracts was what would be expected based on availability (disparity index of 101). However, MBE/WBE utilization was below availability for FHWA-funded contracts. The value of 82 for the disparity index for FHWA-funded contracts was close to indicating a substantial disparity (a disparity index under 80). The same two groups showed substantial disparities for both FHWA- and state-funded contracts:

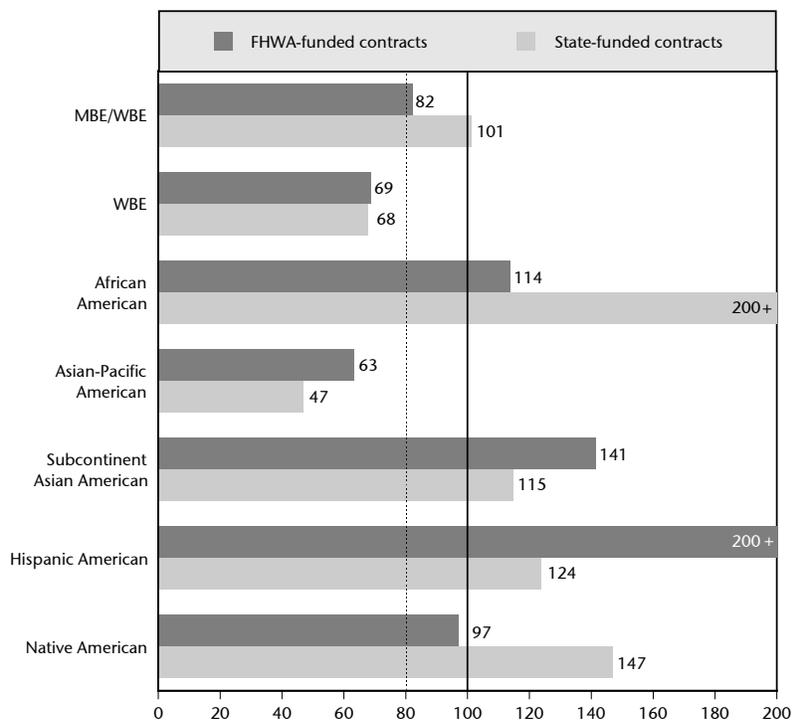
- WBEs had a disparity index of 69 on FHWA-funded contracts and a disparity index of 68 on state-funded contracts.
- Asian-Pacific American-owned firms had a disparity index of 63 on FHWA-funded contracts and a disparity index of 47 on state-funded contracts.

Substantial disparities were observed for these two groups even with implementation of the Federal DBE Program and State of Indiana MBE/WBE Program.

Figure 8-13.
Disparity indices for
MBE/WBE utilization on
INDOT FHWA- and state-
funded contracts, July
2006–June 2009

Note:
 Number of contracts/subcontracts analyzed is 6,901 for FHWA-funded and 14,877 for state-funded contracts.
 For more detail, see Figures Q-101 and Q-201 in Appendix Q.

Source:
 BBC Research & Consulting from data on INDOT contracts.



2. Disparity results by industry. BBC also examined disparity results by study industry.

Construction. Figure 8-14 presents disparity indices for INDOT FHWA-funded and state-funded construction contracts. MBE/WBEs overall did not show a disparity for state-funded construction contracts (disparity index of 108) but did show a disparity for FHWA-funded construction contracts (disparity index of 80).

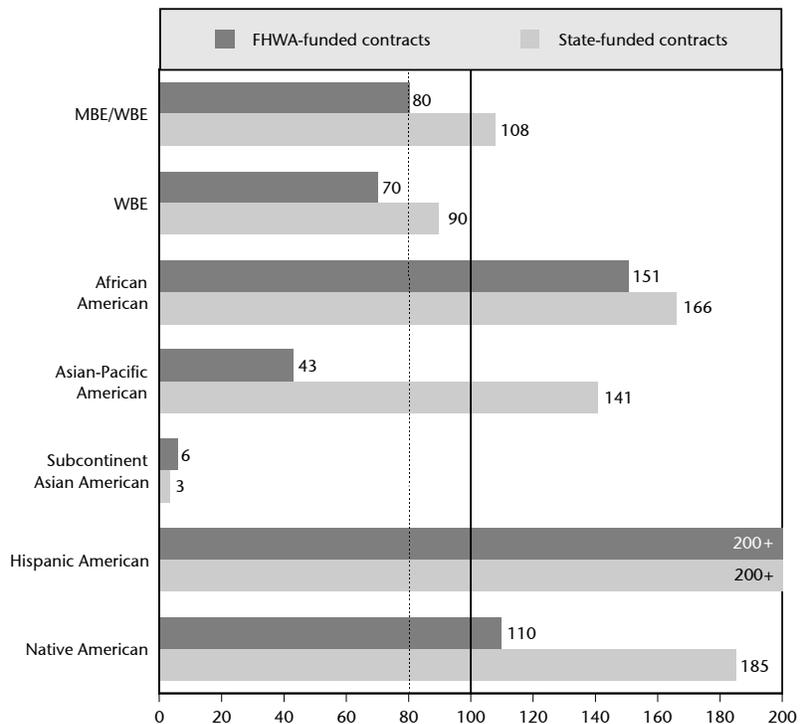
Three groups showed substantial disparities on FHWA-funded construction contracts — WBEs (disparity index of 70), Asian-Pacific American-owned firms (disparity index of 43) and Subcontinent Asian American-owned firms (disparity index of 6). Disparities were found for these groups even with INDOT’s implementation of DBE goals on FHWA-funded construction contracts.

Subcontinent Asian American-owned firms were also the only group to show a large disparity on state-funded construction contracts — they obtained about 3 percent of the dollars that they would be expected to receive based on their availability for those contracts (disparity index of 3).

Figure 8-14.
Disparity indices for
MBE/WBE utilization on
INDOT FHWA- and state-
funded construction
contracts, July 2006–June
2009

Note:
 Number of contracts/subcontracts analyzed is 5,320 for FHWA-funded and 5,418 for state-funded contracts.
 For more detail, see Figures Q-102 and Q-202 in Appendix Q.

Source:
 BBC Research & Consulting from data on INDOT contracts.



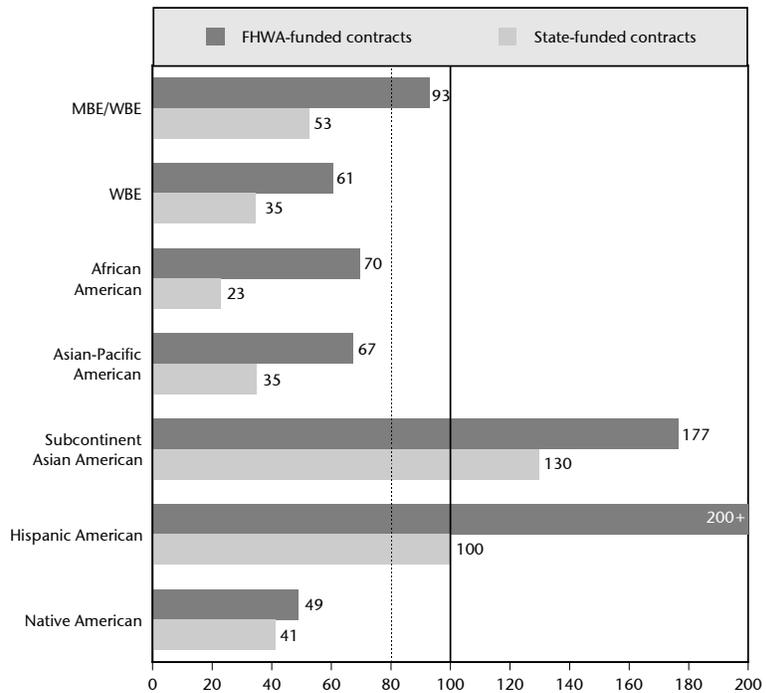
Professional services. Figure 8-15 presents disparity indices for FHWA-funded and state-funded professional services contracts. In contrast to disparity analyses for construction contracts, MBE/WBEs overall did not show a large disparity for FHWA-funded professional services contracts (disparity index of 93) but did exhibit a large disparity for state-funded contracts (disparity index of 53).

Each MBE/WBE group except for Subcontinent Asian American-owned firms and Hispanic American-owned firms exhibited substantial disparities for both FHWA- and state-funded professional services contracts. INDOT implements the Federal DBE Program and State of Indiana MBE/WBE Program for its professional services contracts.

Figure 8-15.
Disparity indices for
MBE/WBE utilization on
INDOT FHWA- and state-
funded professional
services contracts, July
2006–June 2009

Note:
 Number of contracts/subcontracts analyzed is 1,391 for FHWA-funded and 6,986 for state-funded contracts.
 For more detail, see Figures Q-103 and Q-203 in Appendix Q.

Source:
 BBC Research & Consulting from data on INDOT contracts.

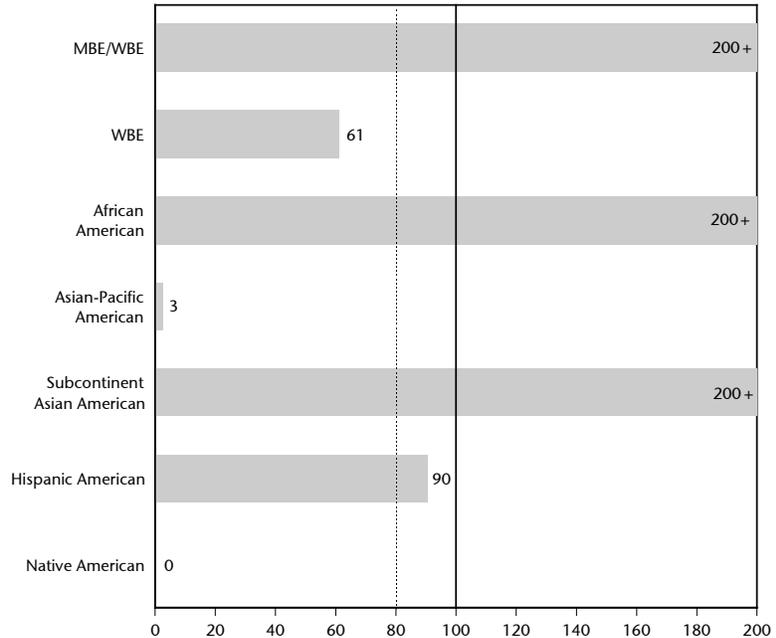


Goods. Because of the limited number of FHWA-funded INDOT goods contracts, Figure 8-16 presents disparity results for FHWA- and state-funded goods contracts together. As shown, MBE/WBE utilization exceeded availability for INDOT goods procurements (disparity index greater than 200). One contract going to an African American-owned firm represented much of the MBE/WBE utilization on those contracts. Three groups were substantially underutilized in INDOT goods procurements — WBEs (disparity index of 61), Asian-Pacific American-owned firms (disparity index of 3) and Native American-owned firms (disparity index of 0).

Figure 8-16.
Disparity indices for
MBE/WBE utilization on
INDOT goods contracts,
July 2006–June 2009

Note:
 Number of contracts/subcontracts analyzed
 is 2,208.
 For more detail, see Figures Q-4 in
 Appendix Q.

Source:
 BBC Research & Consulting from data on
 INDOT contracts.



Support services. Similar to goods, there were very few FHWA-funded support services contracts. Figure 8-17 presents disparity results for FHWA- and state-funded support services contracts together. Overall, MBE/WBE groups (disparity index of 16) earned less than one-sixth of the support services dollars that might be expected based on MBE/WBE availability.

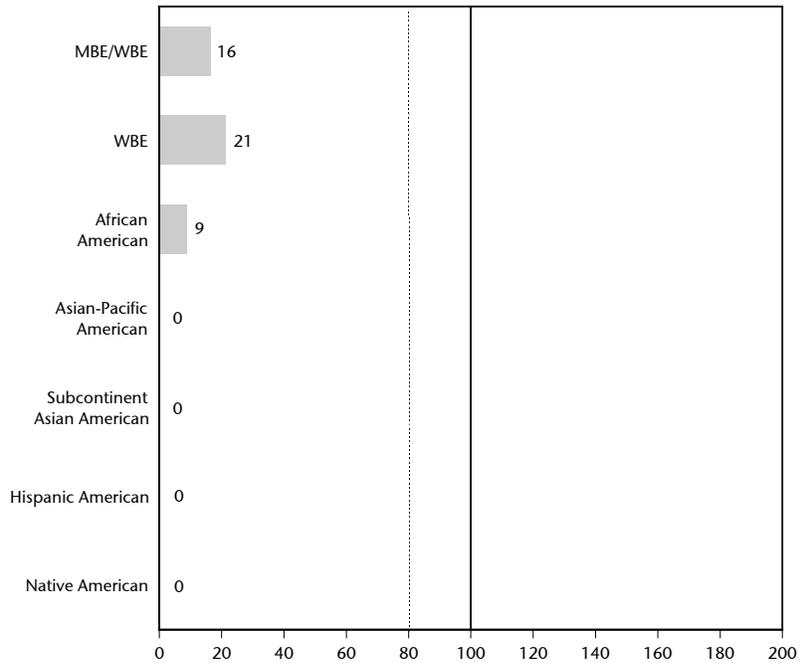
Each MBE/WBE group was substantially underutilized. No disparity index was larger than 21.

Figure 8-17.
Disparity indices for
MBE/WBE utilization on
INDOT support services
contracts, July 2006–June
2009

Note:
 Number of contracts/subcontracts analyzed
 is 455.

For more detail, see Figures Q-5 in
 Appendix Q.

Source:
 BBC Research & Consulting from data on
 INDOT contracts.



3. Disparity results by prime contracts and subcontracts. Figure 8-18 shows disparity results for prime contracts and subcontracts. The darker bars represent disparity indices for prime contracts and the lighter bars represent disparity indices for subcontracts. In part because of the influence of the State of Indiana MBE/WBE Program and the Federal DBE Program on subcontract utilization, every MBE/WBE group exhibited a disparity index near or above 100 for INDOT subcontracts.

DBE and MBE/WBE contract goals appear to have little effect on MBE/WBE utilization as prime contractors. MBE/WBEs overall (disparity index of 67) were underutilized on INDOT prime contracts. WBEs (disparity index of 49) as well as Asian-Pacific American- (disparity index of 36) and Native American-owned firms (disparity index of 64) all exhibited disparity indices well below 100.

Figure 8-18.
Disparity indices for
MBE/WBE utilization on
INDOT prime contracts and
subcontracts, July 2006–
June 2009

Note:
 Number of prime contracts is 17,435 and
 number of subcontracts is 4,343.
 For more detail, see Figures Q-6 and Q-11 in
 Appendix Q.

Source:
 BBC Research & Consulting from data on
 INDOT contracts.

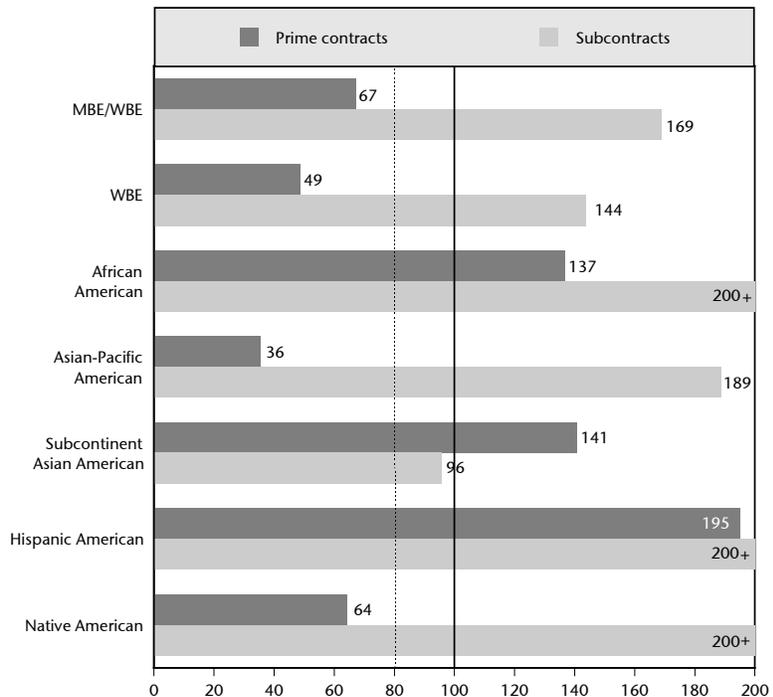


Figure 8-19 presents disparity results for INDOT construction and professional services prime contracts and subcontracts.

Construction. Similar to disparity analyses for all prime contracts and subcontracts, MBE/WBE firms were not underutilized on construction subcontracts (disparity index of 177) but were underutilized on construction prime contracts (disparity index of 59).

With the exception of Subcontinent Asian American-owned firms (disparity index of 19), utilization of every MBE/WBE group substantially exceeded availability for INDOT construction subcontracts. In contrast, nearly every MBE/WBE group exhibited substantial disparities for construction prime contracts. The only exception was Hispanic American-owned firms, which exhibited a disparity index greater than 200.

Professional services. Similar to disparity analyses for construction, utilization of MBE/WBE firms as subcontractors on professional services subcontracts exceeded availability (disparity index of 138). Only Native American-owned firms (disparity index of 0) were underutilized on INDOT subcontracts.

There was substantial underutilization of MBE/WBEs on professional services prime contracts (disparity index of 63). Only Subcontinent Asian American- (disparity index of 167) and Hispanic American-owned firms (disparity index of 154) showed disparity indices above 100 on INDOT professional services prime contracts.

Figures Q-107, Q-112, Q-207 and Q-212 in Appendix Q present results for FHWA- and state-funded construction prime contracts and subcontracts. Similarly, Figures Q-108, Q-113, Q-208 and Q-213 provide results for FHWA- and state-funded professional services prime contracts and subcontracts.

Figure 8-19.
Disparity indices for
MBE/WBE utilization on
INDOT construction and
professional services prime
contracts and subcontracts,
July 2006–June 2009

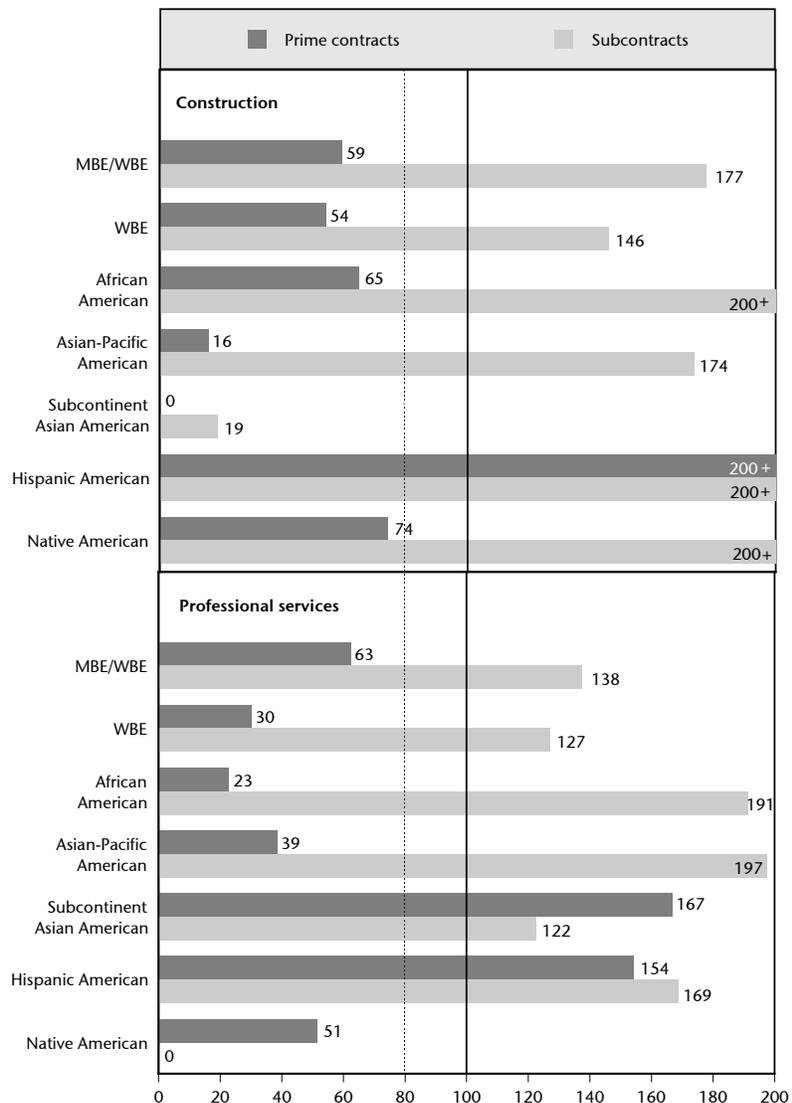
Note:

Number of prime contracts is 7,052 for construction and 7,788 for professional services. The number of subcontracts is 3,686 for construction and 589 for professional services.

For more detail, see Figures Q-7, Q-8, Q-12 and Q-13 in Appendix Q.

Source:

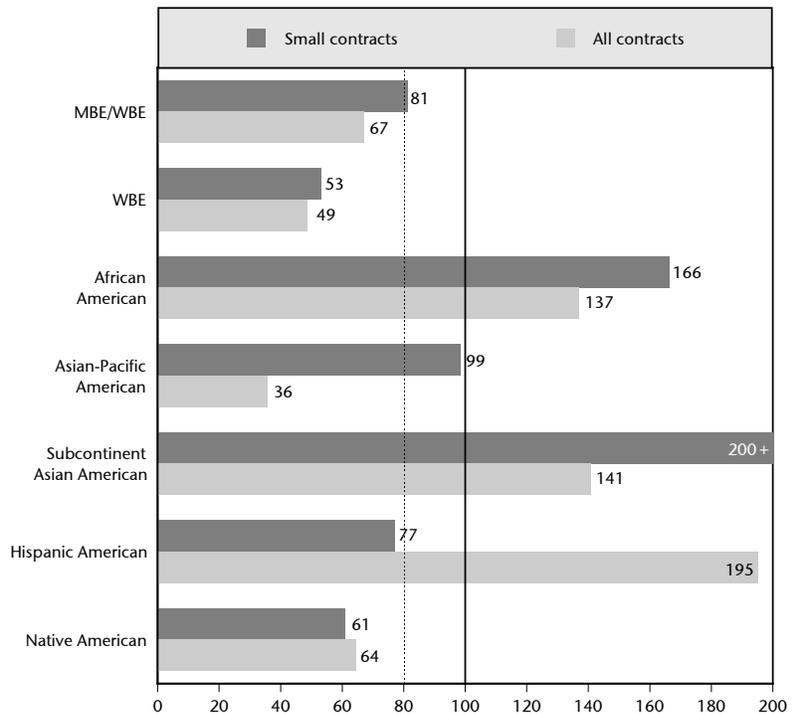
BBC Research & Consulting from data on INDOT contracts.



4. Disparity results by contract size. BBC also examined disparity results for INDOT contracts worth less than \$150,000 (prime contractor utilization). In Figure 8-20, the darker bars represent disparity indices for small prime contracts and the lighter bars represent disparity indices for all prime contracts.

As shown in Figure 8-20, overall, MBE/WBEs showed a smaller disparity (indicated by a larger disparity index) as prime contractors on small procurements (disparity index of 81) than as prime contractors on all procurements (disparity index of 67). Three groups were substantially underutilized as prime contractors on INDOT procurements worth less than \$150,000 — WBEs (disparity index of 53), Hispanic Americans (disparity index of 77) and Native Americans (disparity index of 61).

Figure 8-20.
Disparity indices for MBE/WBE utilization as prime contractors, INDOT small contracts and all prime contracts, July 2006–June 2009



Note:

Small contracts are those less than \$150,000.

Number of contracts analyzed is 14,382 for small contracts and 17,435 for all prime contracts.

For more detail, see Figures Q-16 and Q-6 in Appendix Q.

Source:

BBC Research & Consulting from data on INDOT contracts.

5. Summary of disparity results. The utilization and disparity analyses indicate that, in general, INDOT’s implementation of the Federal DBE Program on FHWA-funded contracts and implementation of the State of Indiana MBE/WBE Program on state-funded contracts has encouraged utilization of minority- and women-owned firms, especially as subcontractors.

- Overall, the percentage of INDOT’s subcontract dollars going to MBE/WBEs far exceeded MBE/WBE utilization as prime contractors. MBE/WBE utilization as subcontractors generally exceeded availability for that work.
- MBE/WBE utilization generally exceeded availability for both FHWA- and state-funded subcontracts.

However, there were substantial disparities between utilization and availability for construction and professional services prime contracts for firms owned by the following groups:

- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans (for construction only);
- Native Americans; and
- White women.

There was no underutilization of Hispanic American-owned firms as prime contractors on INDOT construction or professional services contracts.

For INDOT goods prime contracts and subcontracts, there were substantial disparities in the utilization of firms owned by:

- Asian-Pacific Americans;
- Native Americans; and
- White women.

There were substantial disparities in the utilization of each MBE/WBE group for INDOT support services procurements.

Figure 8-21 identifies the specific sets of INDOT contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix Q. For example, for information about construction prime contracts, see Figure Q-7 in Appendix Q.

Figure 8-21.
Directory of utilization and disparity analyses provided in Appendix Q

	Total	Construction	Professional services	Goods	Support services
FHWA- and state-funded contracts					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	13	n/a	n/a
Small contracts*	16	17	18	19	20
Prime/Sub - North	21	22	23	24	25
Prime/Sub - Central	26	27	28	29	30
Prime/Sub - South	31	32	33	34	35
FHWA-funded contracts					
Prime/subcontracts	101	102	103	104	105
Prime contracts	106	107	108	109	110
Subcontracts	111	112	113	n/a	n/a
Small contracts*	116	117	118	119	120
State-funded contracts					
Prime/subcontracts	201	202	203	204	205
Prime contracts	206	207	208	209	210
Subcontracts	211	212	213	n/a	n/a
Small contracts*	216	217	218	219	220
Prime/Sub - North	221	222	223	224	225
Prime/Sub - Central	226	227	228	229	230
Prime/Sub - South	231	232	233	234	235

Note: *Prime contract utilization on contracts of \$150,000 or less.
Source: BBC Research & Consulting.

CHAPTER 9.

Ball State University Utilization and Disparity Analysis

Chapter 9 presents utilization and disparity results for Ball State University (BSU) contracts. It presents analyses for BSU contracts that are similar to the combined analyses presented in Chapter 6 for state and SEI contracts.¹ Detailed utilization and disparity results are presented in Appendix S.

Chapter 9 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 9 presents BSU utilization results by:

1. Fiscal year;
2. MBE/WBE group;
3. Industry;
4. Prime contracts and subcontracts; and
5. Contract size.

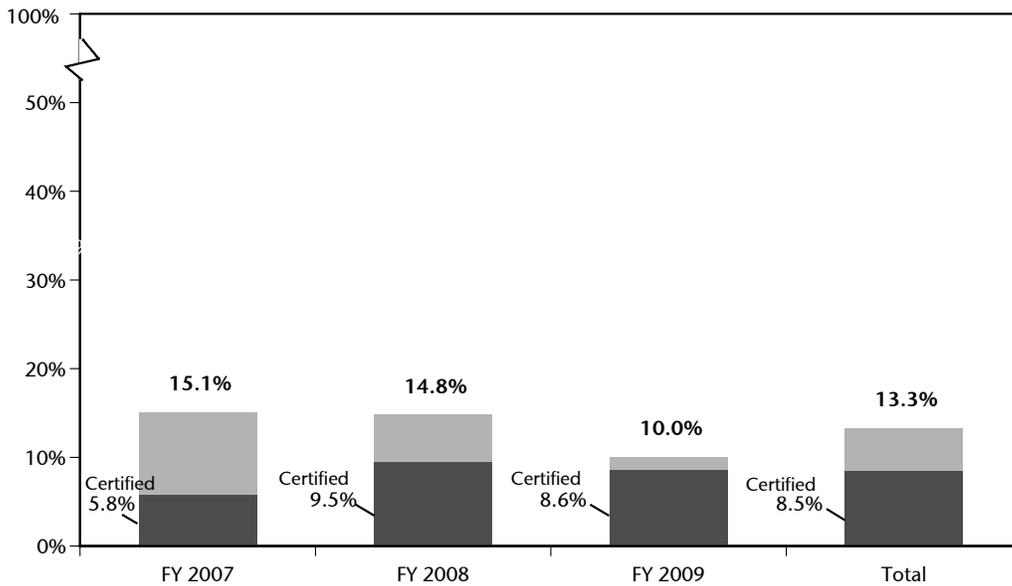
¹ It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. Figure 9-1 presents utilization of minority- and women-owned firms as a percentage of BSU contract dollars by fiscal year (FY). Figure 9-1 also provides results for businesses certified with the State of Indiana as MBE/WBEs (the darker portion of each bar).

Over the three-year study period, MBE/WBEs received 13.3 percent of BSU contract dollars. As shown in Figure 9-1, minority- and women-owned firms obtained 15.1 percent of BSU contract dollars in FY 2007, 14.8 percent in FY 2008 and 10.0 percent in FY 2009.

A smaller portion of BSU's procurement dollars went to firms that were MBE/WBE certified with the State of Indiana. Certified MBE/WBEs obtained 5.8 percent of BSU procurement dollars in FY 2007, 9.5 percent in FY 2008 and 8.6 percent in FY 2009.

Figure 9-1.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for BSU contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 782 for FY 2007, 762 for FY 2008, 774 for FY 2009 and 2,318 for all years combined.

Source: BBC Research & Consulting from data on BSU contracts.

2. Utilization results by MBE/WBE group. As shown in Figure 9-2, MBE/WBEs obtained about \$30 million out of the \$227 million in BSU contract dollars that BBC examined in the study. Figure 9-2 also provides the percent utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group.

As shown in Figure 9-2, WBEs (10.1%) accounted for much of BSU's overall MBE/WBE utilization. MBEs as a whole represented 3.2 percentage points of overall MBE/WBE participation. No individual MBE group obtained more than 2 percent of BSU procurement dollars during the study period.

About two-thirds (64%) of overall MBE/WBE participation on BSU contracts was with firms certified as MBE/WBEs with the State of Indiana.

Figure 9-2.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for BSU construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Total	
	\$ in thousands	Percent
MBE/WBEs		
African American-owned	\$1,769	0.8 %
Asian-Pacific American-owned	511	0.2
Subcontinent Asian American-owned	3,560	1.6
Hispanic American-owned	1,222	0.5
Native American-owned	217	0.1
Total MBE	\$7,280	3.2 %
WBE (white women-owned)	23,048	10.1
Total MBE/WBE	\$30,328	13.3 %
Majority-owned	197,075	86.7
Total	\$227,403	100.0 %
Certified		
African American-owned	\$1,641	0.7 %
Asian-Pacific American-owned	353	0.2
Subcontinent Asian American-owned	3,469	1.5
Hispanic American-owned	308	0.1
Native American-owned	211	0.1
Total MBE certified	\$5,983	2.6 %
WBE (white women-owned)	13,309	5.9
Total MBE/WBE certified	\$19,292	8.5 %
Non-certified	208,111	91.5
Total	\$227,403	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
 Number of contracts/subcontracts analyzed is 2,318.

For more detail, see Figure S-1 in Appendix S.

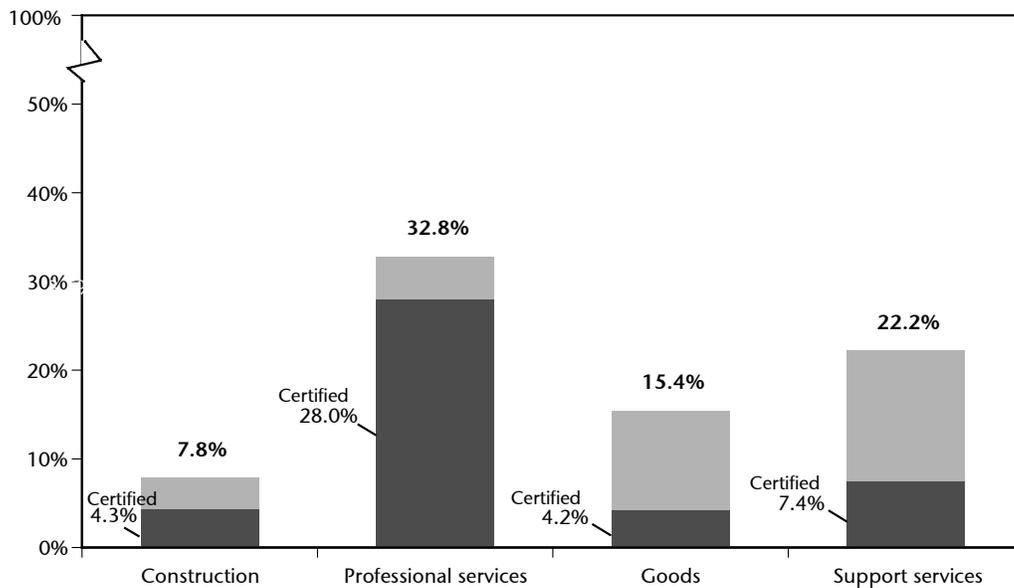
Source: BBC Research & Consulting from data on BSU contracts.

3. Utilization results by industry. Figure 9-3 presents MBE/WBE utilization by industry — construction, professional services, goods and support services. Overall MBE/WBE utilization was:

- 7.8 percent for construction;
- 32.8 percent for professional services;
- 15.4 percent for goods; and
- 22.2 percent for support services.

Most of the MBE/WBE utilization for construction and professional services occurred with firms that were MBE/WBE certified with the State of Indiana. Less MBE/WBE utilization for goods and support services occurred with certified firms.

Figure 9-3.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for BSU construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 715 for construction, 682 for professional services, 824 for goods and 97 for support services.
Source: BBC Research & Consulting from data on BSU contracts.

Industry results are presented by racial/ethnic/gender group in Figure 9-4.

Construction. BBC examined \$155 million of BSU construction contracts during the study period, the largest dollar volume of any study industry. MBE/WBEs received \$12 million in contract dollars. WBEs (utilization of 4.7%) accounted for much of the overall MBE/WBE utilization for construction contracts. Firms identified as minority-owned firms received approximately \$5 million in BSU construction contracts during the three-year study period.

Professional services. There were nearly 700 professional services contracts and subcontracts totaling \$40 million in the BSU procurement data that BBC analyzed. WBEs (28.5%) and African American-owned firms (3.1%) exhibited higher utilization for BSU professional contracts than other MBE/WBE groups. The only other group to be utilized on professional services contracts was Asian-Pacific American-owned firms (1.2%).

Goods. BSU goods contract dollars examined for the study period totaled \$30 million (more than 800 contracts). White women-owned firms accounted for 13.2 percentage points of the 15.4 percent overall MBE/WBE utilization. The only MBE group to exceed 1 percent utilization was Hispanic American-owned firms (1.6%).

Support services. BSU support services contracts examined in the study totaled \$1.5 million. Much of the overall MBE/WBE utilization was with WBEs (18.2% utilization). The remaining 4 percentage points of MBE/WBE utilization occurred with minority-owned firms of unknown ethnicity.

Figure 9-4.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for BSU, by industry and race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$337	0.2 %	\$1,264	3.1 %	\$155	0.5 %	\$0	0.0 %
Asian-Pacific American-owned	0	0.0	475	1.2	30	0.1	0	0.0
Subcontinent Asian American-owned	3,469	2.2	0	0.0	0	0.0	0	0.0
Hispanic American-owned	789	0.5	0	0.0	486	1.6	0	0.0
Native American-owned	211	0.1	0	0.0	0	0.0	0	0.0
Unknown minority-owned	0	0.0	0	0.0	0	0.0	63	4.0
Total MBE	\$4,807	3.1 %	\$1,739	4.3 %	\$671	2.2 %	\$63	4.0 %
WBE (white women-owned)	7,332	4.7	11,453	28.5	3,979	13.2	284	18.2
Total MBE/WBE	\$12,139	7.8 %	\$13,191	32.8 %	\$4,651	15.4 %	\$347	22.2 %
Majority-owned	143,304	92.2	26,990	67.2	25,564	84.6	1,217	77.8
Total	\$155,443	100.0 %	\$40,181	100.0 %	\$30,215	100.0 %	\$1,564	100.0 %
Certified								
African American-owned	\$283	0.2 %	\$1,258	3.1 %	\$99	0.3 %	\$0	0.0 %
Asian-Pacific American-owned	0	0.0	328	0.8	25	0.1	0	0.0
Subcontinent Asian American-owned	3,469	2.2	0	0.0	0	0.0	0	0.0
Hispanic American-owned	279	0.2	0	0.0	29	0.1	0	0.0
Native American-owned	211	0.1	0	0.0	0	0.0	0	0.0
Total MBE certified	\$4,242	2.7 %	\$1,587	3.9 %	\$154	0.5 %	\$0	0.0 %
WBE (white women-owned)	2,423	1.6	9,654	24.0	1,117	3.7	115	7.4
Total MBE/WBE certified	\$6,665	4.3 %	\$11,241	28.0 %	\$1,271	4.2 %	\$115	7.4 %
Non-certified	148,778	95.7	28,940	72.0	28,944	95.8	1,449	92.6
Total	\$155,443	100.0 %	\$40,181	100.0 %	\$30,215	100.0 %	\$1,564	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.

Number of contracts/subcontracts analyzed is 715 for construction, 682 for professional services, 824 for goods and 97 for support services.

For more detail, see Figures S-2, S-3, S-4 and S-5 in Appendix S.

Source: BBC Research & Consulting from data on BSU contracts.

4. Utilization results by prime contracts and subcontracts. Of the approximately \$200 million of BSU contracts examined in the study, BBC identified \$37 million in subcontracts.² Figure 9-5 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts.

Results in Figure 9-5 indicate that MBE/WBEs received a substantially larger share of subcontract dollars than prime contract dollars during the study period — 22 percent of BSU subcontract dollars went to MBE/WBEs compared to 11.6 percent of prime contract dollars.

Figure 9-5.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for BSU contracts, July 2006–June 2009

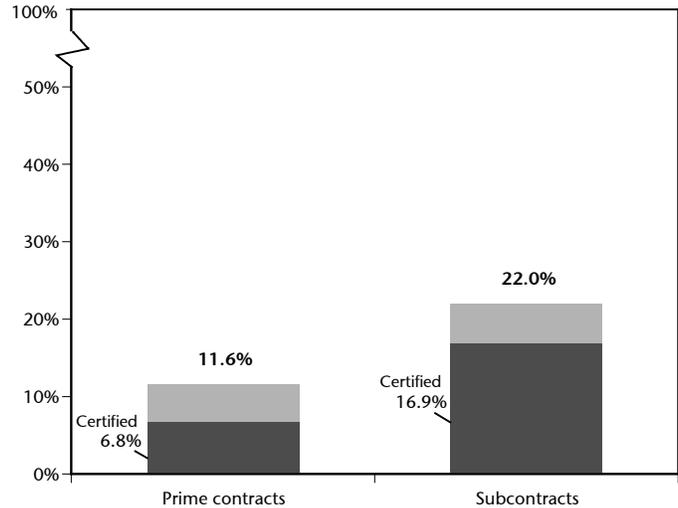
Note:

Number of prime contracts analyzed is 2,172 and number of subcontracts analyzed is 146.

For more detail and results by group, see Figures S-6 and S-11 in Appendix S.

Source:

BBC Research & Consulting from data on BSU contracts.



Subcontracting is industry practice for many types of construction work. Accordingly, virtually all (95%) of the subcontract dollars in Figure 9-5 pertain to BSU construction contracts.

² Because BSU did not have complete information on subcontracts, BBC contacted prime contractors directly to collect that information.

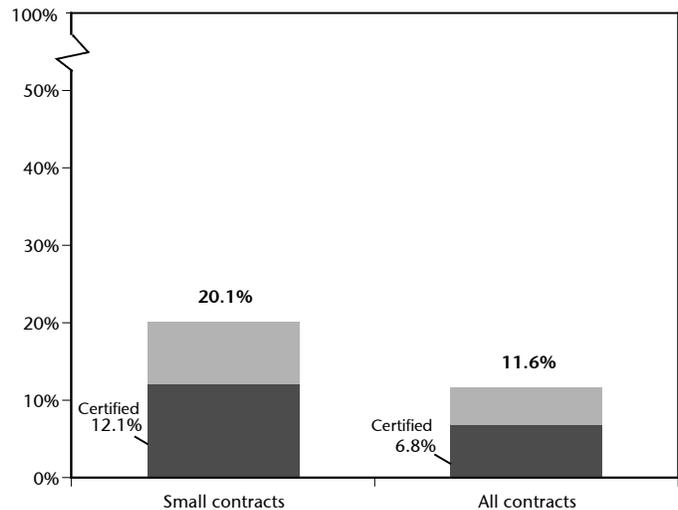
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases,” and public and competitive bidding procedures are not required for procurements of that size.^{3,4} Of the \$200 million of BSU contracts included in the study, BBC identified about \$43 million in contracts worth less than \$150,000.⁵ Figure 9-6 presents the percent of dollars that MBE/WBEs received on those small procurements.

Figure 9-6 shows the utilization of MBE/WBEs as prime contractors on small contracts and as prime contractors on all contracts. MBE/WBEs received a larger proportion of prime dollars on small contracts (20.1%) than of prime dollars on all contracts (11.6%). The disparity analysis later in this section examines whether this result reflects greater availability of MBE/WBEs for smaller contracts.

Figure 9-6.
MBE/WBE and certified MBE/WBE share of prime contract dollars for BSU small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those worth less than \$150,000.
 Number of prime contracts analyzed is 2,172 and number of small contracts analyzed is 2,046.
 For more detail and results by group, see Figures S-6 and S-16 in Appendix S.

Source:
 BBC Research & Consulting from data on BSU contracts.



B. Disparity Analysis

The second half of Chapter 9 presents BSU disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix S provides detailed information concerning disparity results for BSU contracts.

³ IC 5-22-8.

⁴ Because this state law does not apply to SEIs, thresholds for small purchases may vary by institution.

⁵ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

1. Overall disparity results. Figure 9-7 summarizes the overall results of the disparity analysis for BSU contracts by racial/ethnic/gender groups.

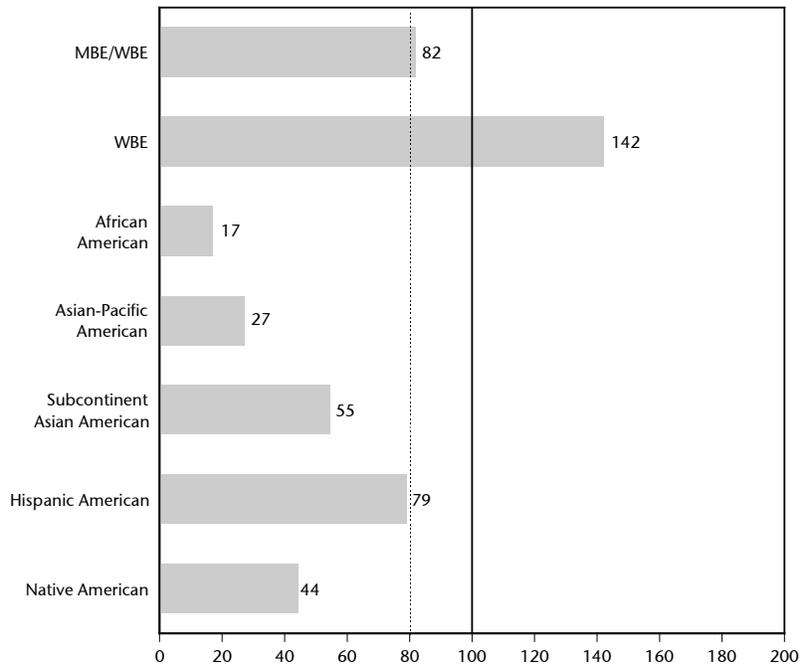
Overall, MBE/WBEs were underutilized on BSU procurements. The disparity index of 82 indicates that MBE/WBEs received 82 percent of the dollars that they would be expected to receive based on their availability for BSU contracts.

Only one MBE/WBE group did not show a large disparity — WBEs (disparity index of 142) received a percentage of BSU contract dollars that exceeded what they would be expected to receive based on availability. All MBE groups exhibited substantial disparities.⁶

Figure 9-7.
Disparity indices for
MBE/WBE utilization on
BSU contracts, July 2006–
June 2009

Note:
 Number of contracts/subcontracts analyzed
 is 2,318.
 For more detail, see Figure S-1
 in Appendix S.

Source:
 BBC Research & Consulting from data on
 BSU contracts.



⁶ BBC's use of the word "substantial" in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

2. Disparity results by industry. Figure 9-8 presents disparity indices for BSU contracts by study industry. Overall, MBE/WBEs were underutilized for every study industry except professional services (disparity index of 138).

Construction. MBE/WBEs (disparity index of 63) obtained less than two-thirds of the dollars that they would be expected to receive based on their availability for BSU construction contracts. The only groups to not show disparities were WBEs (disparity index of 128) and Hispanic American-owned firms (disparity index greater than 200). Asian-Pacific American-owned firms exhibited a disparity index of 0.

Professional services. Overall, MBE/WBE utilization exceeded availability for BSU professional services contracts due to the relatively high participation of WBEs (disparity index greater than 200). Every MBE group was substantially underutilized on those procurements. Three groups — Subcontinent Asian American-, Hispanic American- and Native American-owned firms — showed disparity indices of 0.

Goods. Considered together, MBE/WBEs showed a disparity index of 59, indicating that they obtained less than two-thirds of BSU goods dollars that they would be expected to receive based on availability. The disparity index for WBEs was 83. Subcontinent Asian American- (disparity index of 0) and Asian-Pacific American-owned firms (disparity index of 5) showed the greatest disparities, whereas Native American-owned firms (disparity index of 100) did not show a disparity.

Support services. MBE/WBEs (disparity index of 69) obtained about two-thirds of the BSU support services dollars that they would be expected to receive based on their availability. Both WBEs (disparity index of 71) and MBEs (disparity index of 60) were substantially underutilized.

For support services, BBC calculated a disparity index for MBEs as a whole because information on race/ethnicity was not available for the minority-owned firms that BSU utilized on those contracts.

Figure 9-8.
Disparity indices for
MBE/WBE utilization on
BSU contracts, by industry,
July 2006–June 2009

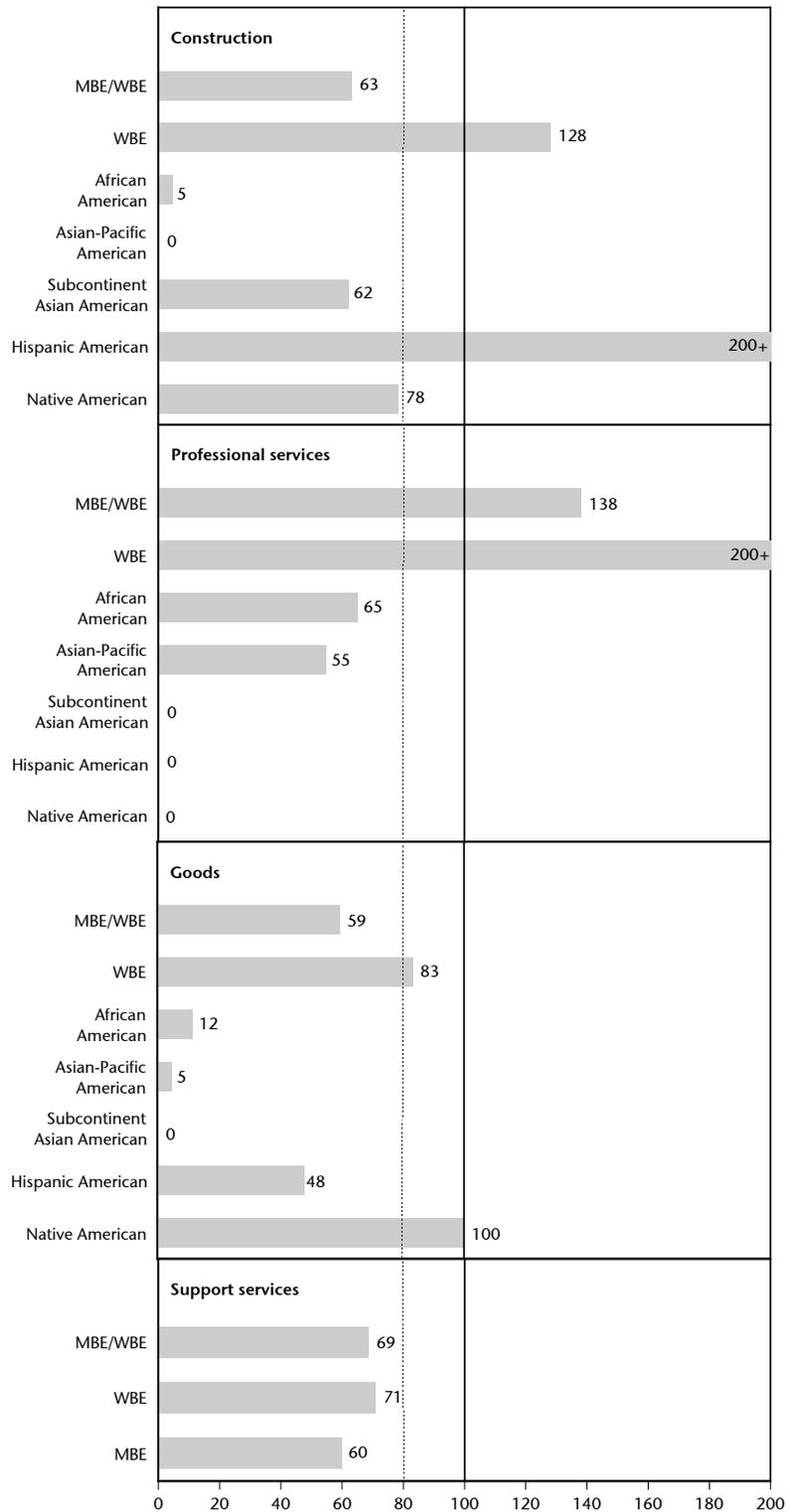
Note:

Number of contracts/subcontracts analyzed is 715 for construction, 682 for professional services, 824 for goods and 97 for support services.

For more detail, see Figures S-2, S-3, S-4 and S-5 in Appendix S.

Source:

BBC Research & Consulting from data on BSU contracts.



3. Disparity results by prime contracts and subcontracts. Figure 9-9 shows disparity results for prime contracts and subcontracts. The darker bars present disparity indices for prime contracts and the lighter bars present disparity indices for subcontracts. Overall, there was a disparity between MBE/WBE utilization and availability for BSU prime contracts (disparity index of 69) but not for subcontracts (disparity index of 171).

Although most MBE/WBE groups did not show a disparity for BSU subcontracts, two groups — Asian-Pacific American- and Hispanic American-owned firms — showed a disparity index of 0.

Figure 9-9.
Disparity indices for
MBE/WBE utilization on
BSU contracts, prime
contracts and subcontracts,
July 2006–June 2009

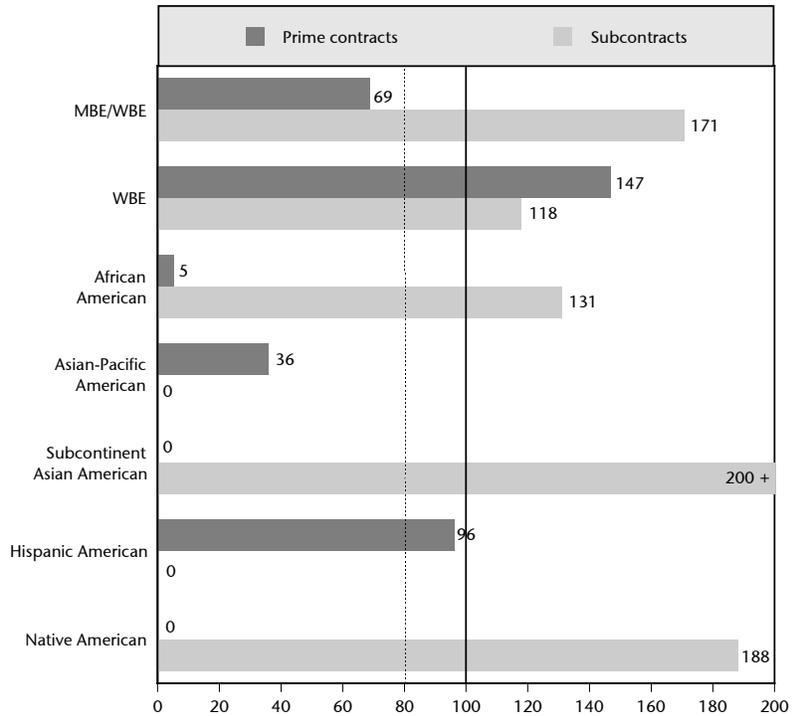
Note:

Number of prime contracts is 2,172 and number of subcontracts is 146.

For more detail, see Figures S-6 and S-11 in Appendix S.

Source:

BBC Research & Consulting from data on BSU contracts.



4. Disparity results by contract size. BBC also examined disparity results for small BSU contracts (prime contractor utilization). In Figure 9-10, the darker bars represent disparity indices for small prime contracts and the lighter bars represent disparity indices for all prime contracts.

Overall, MBE/WBEs were underutilized as prime contractors on BSU procurements worth less than \$150,000. Three groups were substantially underutilized on those contracts — African American- (disparity index of 26), Subcontinent Asian American- (disparity index of 0) and Native American-owned firms (disparity index of 0).

Figure 9-10.
Disparity indices for MBE/WBE utilization as prime contractors, BSU small contracts and all contracts, July 2006–June 2009

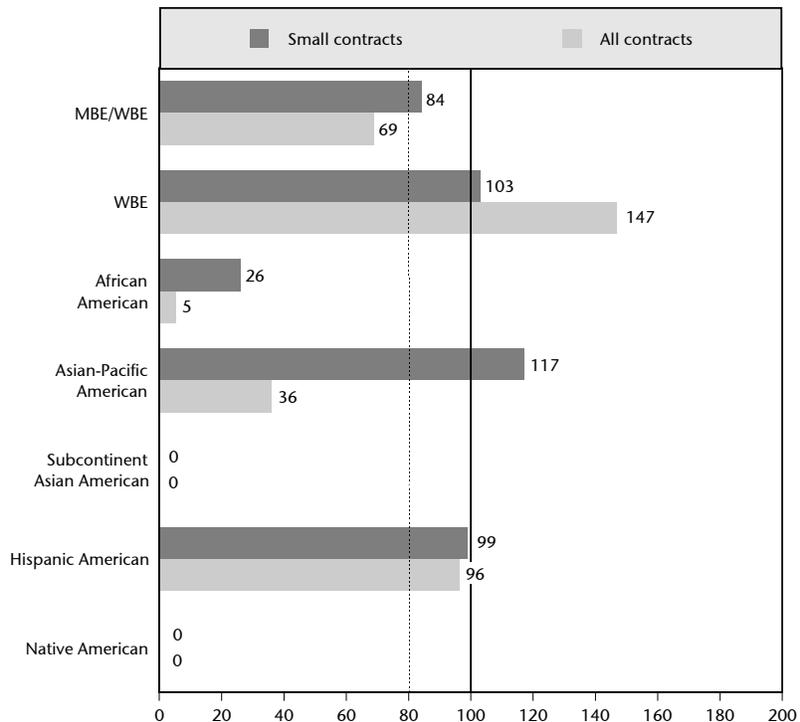
Note:

Number of contracts analyzed is 2,046 for small contracts and 2,172 for all prime contracts.

For more detail, see Figures S-16 and S-6 in Appendix S.

Source:

BBC Research & Consulting from data on BSU contracts.



5. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE groups were underutilized on BSU contracts during the study period. Overall, across all study industries, MBE/WBEs showed disparities for BSU contracts. Considered together, MBE/WBE groups obtained about 82 percent of the BSU contract dollars that they would be expected to receive based on availability. The study team observed similar results for BSU prime contracts. For subcontracts, MBE/WBEs were overutilized, but certain groups still exhibited substantial disparities for those contract elements.

Construction. Firms owned by members of the following groups exhibited substantial disparities between utilization and availability for BSU construction contracts:

- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Native Americans.

There were no disparities for white women- or Hispanic American-owned firms on BSU construction contracts.

Professional services. Firms owned by members of the following groups exhibited substantial disparities between utilization and availability for professional services contracts:

- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and
- Native Americans.

There were no disparities for white women-owned firms on BSU professional services contracts.

Goods. For BSU goods procurements, there were substantial disparities for firms owned by:

- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Hispanic Americans.

The study team did not observe disparities for BSU goods procurements for firms owned by white women or Native Americans.

Support services. The study team observed substantial disparities for both minority- and women-owned firms on BSU support services contracts.

Figure 9-11 identifies the specific sets of BSU contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix S. For example, for information about construction prime contracts, see Figure S-7 in Appendix S.

Figure 9-11.
Directory of utilization and disparity analyses provided in Appendix S

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	13	n/a	n/a
Small contracts*	16	17	18	19	20

Note: * Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting from data on BSU contracts.

CHAPTER 10.

Indiana State University Utilization and Disparity Analysis

Chapter 10 presents utilization and disparity results for Indiana State University (ISU) contracts. It presents analyses for ISU contracts that are similar to the combined analyses presented in Chapter 6 for state and SEI contracts.¹ Detailed utilization and disparity results are presented in Appendix U.

Chapter 10 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 10 presents ISU utilization results by:

1. Fiscal year;
2. MBE/WBE group;
3. Industry;
4. Prime contracts and subcontracts; and
5. Contract size.

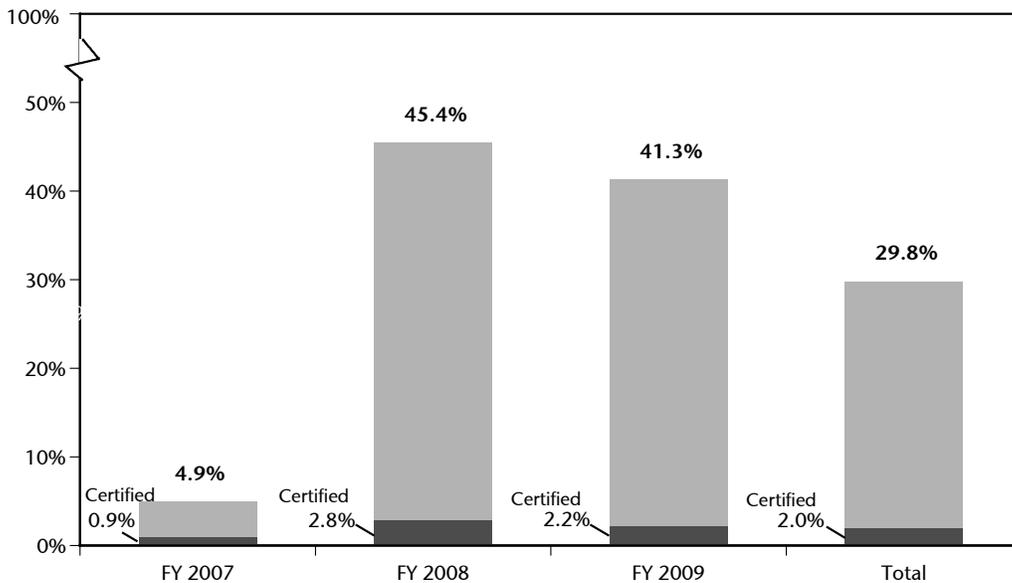
¹ It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. Figure 10-1 presents utilization of minority- and women-owned firms as a percentage of ISU contract dollars by fiscal year (FY). Figure 10-1 also provides results for businesses certified with the State of Indiana as MBE/WBEs (the darker portion of each bar).

Over the three-year study period, MBE/WBEs received 29.8 percent of ISU contract dollars. As shown in Figure 10-1, minority- and women-owned firms obtained 4.9 percent of ISU contract dollars in FY 2007, 45.4 percent in FY 2008 and 41.3 percent in FY 2009. The marked increase in MBE/WBE utilization for FY 2008 and FY 2009 was due to a large construction contract that ISU awarded to a woman-owned firm in each of those two years.

A much smaller portion of ISU's procurement dollars went to firms that were MBE/WBE certified with the State of Indiana. Certified MBE/WBEs obtained only 0.9 percent of ISU procurement dollars in FY 2007, 2.8 percent in FY 2008 and 2.2 percent in FY 2009.

Figure 10-1.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for ISU contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 441 for FY 2007, 414 for FY 2008, 501 for FY 2009 and 1,356 for all years combined.
Source: BBC Research & Consulting from data on ISU contracts.

2. Utilization results by MBE/WBE group. Figure 10-2 details utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group.

As shown in Figure 10-2, WBEs (28.5%) accounted for most of ISU's overall MBE/WBE utilization. A single woman-owned construction firm received most of the MBE/WBE contract dollars during the study period. Asian-Pacific Americans (1.1%) was the only other MBE/WBE group that showed utilization greater than 1 percent.

A small portion (2 percentage points) of overall MBE/WBE participation on ISU contracts was with firms certified as MBE/WBEs with the State of Indiana.

Figure 10-2.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for ISU construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Total	
	\$ in thousands	Percent
MBE/WBEs		
African American-owned	\$174	0.1 %
Asian-Pacific American-owned	1,364	1.1
Subcontinent Asian American-owned	59	0.0
Unknown Asian American-owned	26	0.0
Hispanic American-owned	31	0.0
Native American-owned	20	0.0
Total MBE	\$1,673	1.3 %
WBE (white women-owned)	35,354	28.5
Total MBE/WBE	\$37,027	29.8 %
Majority-owned	87,200	70.2
Total	\$124,227	100.0 %
Certified		
African American-owned	\$110	0.1 %
Asian-Pacific American-owned	1,040	0.8
Subcontinent Asian American-owned	21	0.0
Hispanic American-owned	0	0.0
Native American-owned	0	0.0
Total MBE certified	\$1,171	0.9 %
WBE (white women-owned)	1,263	1.0
Total MBE/WBE certified	\$2,434	2.0 %
Non-certified	121,793	98.0
Total	\$124,227	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.

Number of contracts/subcontracts analyzed is 1,356.

For more detail, see Figure U-1 in Appendix U.

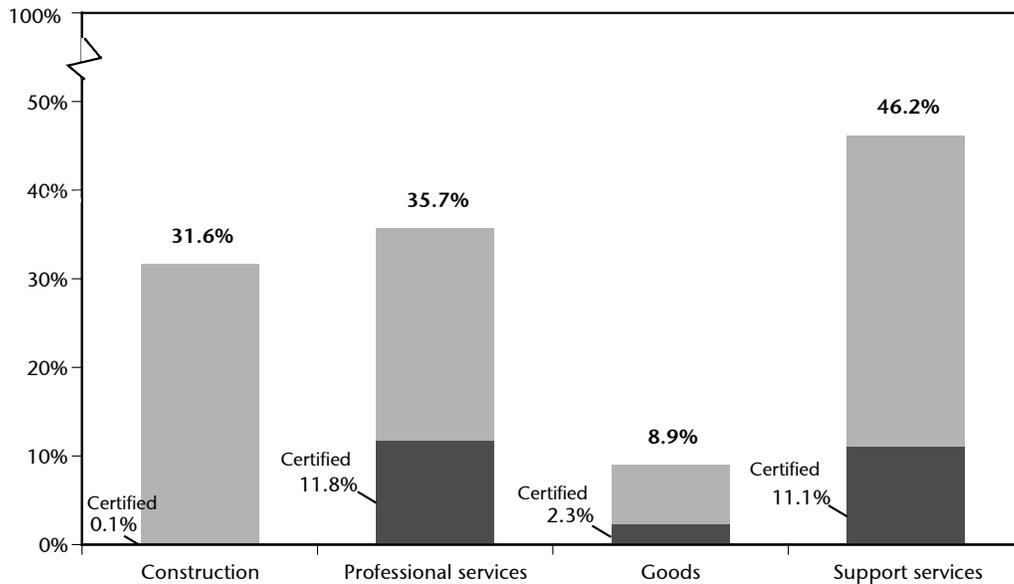
Source: BBC Research & Consulting from data on ISU contracts.

3. Utilization results by industry. Figure 10-3 presents MBE/WBE utilization by industry — construction, professional services, goods and support services. Overall MBE/WBE utilization was:

- 31.6 percent for construction;
- 35.7 percent for professional services;
- 8.9 percent for goods; and
- 46.2 percent for support services.

Almost no MBE/WBE utilization for construction occurred with firms that were certified with the State of Indiana, and a small portion of the utilization for professional services, goods and support services was with certified firms.

Figure 10-3.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for ISU construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 550 for construction, 341 for professional services, 393 for goods and 72 for support services.

Source: BBC Research & Consulting from data on ISU contracts.

Industry results are presented by racial/ethnic/gender group in Figure 10-4.

Construction. BBC examined 550 ISU construction prime contracts and subcontracts totaling \$93 million during the study period, which was the largest dollar volume of any study industry. MBE/WBEs received approximately \$30 million of those contracts. WBEs (utilization of 31.5%) accounted for most of the overall MBE/WBE utilization for construction contracts. Firms identified as minority-owned received \$143,000 (all African American- or Hispanic American-owned firms) in ISU construction contracts during the three-year study period.

Professional services. There were 341 professional services contracts and subcontracts totaling \$15.5 million in the ISU procurement data that BBC analyzed. WBEs (26.9%) and African American- (0.2%) and Asian American-owned firms (8.6%) accounted for all of those dollars.

Goods. ISU goods dollars that BBC examined for the study period totaled \$14 million (more than 390 contracts). White women-owned firms accounted for 7.8 percentage points of the 8.9 percent overall MBE/WBE utilization. Each MBE group received less than 1 percent of ISU goods dollars.

Support services. ISU support services contracts that BBC examined in the study totaled \$1.6 million. WBEs (45.2% utilization) accounted for most of the overall MBE/WBE utilization. The only other MBE/WBE group that ISU utilized was Native American-owned firms (1.1%).

Figure 10-4.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for ISU, by industry and race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$111	0.1 %	\$38	0.2 %	\$83	0.6 %	\$0	0.0 %
Asian-Pacific American-owned	0	0.0	1,297	8.4	0	0.0	0	0.0
Subcontinent Asian American-owned	0	0.0	0	0.0	53	0.4	0	0.0
Unknown Asian American-owned	0	0.0	25	0.2	0	0.0	0	0.0
Hispanic American-owned	32	0.0	0	0.0	17	0.1	0	0.0
Native American-owned	0	0.0	0	0.0	0	0.0	17	1.1
Total MBE	\$143	0.2 %	\$1,360	8.8 %	\$152	1.1 %	\$17	1.1 %
WBE (white women-owned)	29,378	31.5	4,172	26.9	1,076	7.8	728	45.2
Total MBE/WBE	\$29,521	31.6 %	\$5,532	35.7 %	\$1,228	8.9 %	\$746	46.2 %
Majority-owned	63,773	68.4	9,973	64.3	12,587	91.1	866	53.8
Total	\$93,294	100.0 %	\$15,505	100.0 %	\$13,815	100.0 %	\$1,612	100.0 %
Certified								
African American-owned	\$37	0.0 %	\$35	0.2 %	\$39	0.3 %	\$0	0.0 %
Asian-Pacific American-owned	0	0.0	1,040	6.7	0	0.0	0	0.0
Subcontinent Asian American-owned	0	0.0	0	0.0	21	0.1	0	0.0
Hispanic American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Native American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Total MBE certified	\$37	0.0 %	\$1,075	6.9 %	\$59	0.4 %	\$0	0.0 %
WBE (white women-owned)	72	0.1	752	4.9	261	1.9	179	11.1
Total MBE/WBE certified	\$109	0.1 %	\$1,827	11.8 %	\$320	2.3 %	\$179	11.1 %
Non-certified	93,185	99.9	13,678	88.2	13,495	97.7	1,433	88.9
Total	\$93,294	100.0 %	\$15,505	100.0 %	\$13,815	100.0 %	\$1,612	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.

Number of contracts/subcontracts analyzed is 550 for construction, 341 for professional services, 393 for goods and 72 for support services.

For more detail, see Figures U-2, U-3, U-4 and U-5 in Appendix U.

Source: BBC Research & Consulting from data on ISU contracts.

4. Utilization results by prime contracts and subcontracts. Of the approximately \$124 million of ISU contracts examined in the study, BBC identified \$4 million in subcontracts. Figure 10-5 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts.

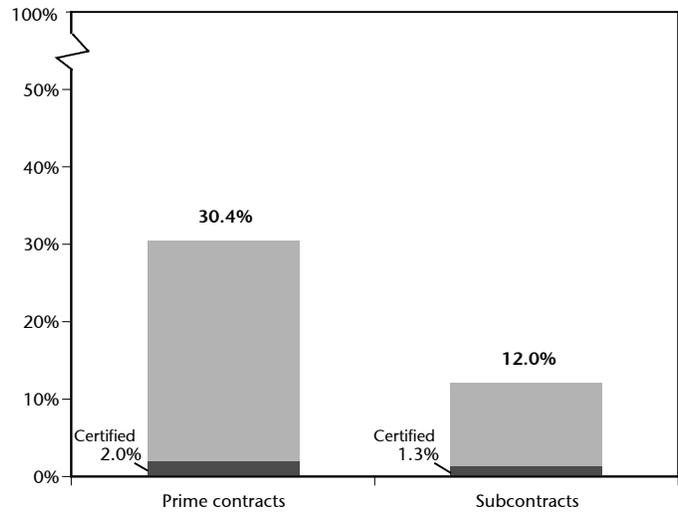
Results in Figure 10-5 indicate that MBE/WBEs received a much smaller share of subcontract dollars than prime contract dollars during the study period — 12.0 percent of ISU subcontract dollars went to MBE/WBEs compared to 30.4 percent of prime contract dollars.

This result is very different from BBC’s analysis of IDOA and INDOT contracts, to which MBE/WBE and DBE contract goals were sometimes applied. As discussed in Chapter 7 for IDOA and Chapter 8 for INDOT, MBE/WBEs’ share of subcontract dollars was much higher than MBE/WBEs’ share of prime contract dollars for those agencies. The difference in results may be due in part to the absence of MBE/WBE goals on ISU contracts during the study period.²

Figure 10-5.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for ISU contracts, July 2006–June 2009

Note:
 Number of prime contracts analyzed is 1,292 and number of subcontracts analyzed is 64.
 For more detail and results by group, see Figures U-6 and U-11 in Appendix U.

Source:
 BBC Research & Consulting from data on ISU contracts.



Subcontracting is industry practice for many types of construction work. Accordingly, all of the subcontract dollars in Figure 10-5 pertain to ISU construction contracts.

² As of March 2010, ISU began using a 5 percent MBE subcontracting goal and a 5 percent WBE subcontracting goal on its construction contracts, consistent with the goals that IDOA and INDOT use as part of the State of Indiana MBE/WBE program. However, it appears there are no consequences for prime contractors who fail to meet ISU goals or fail to fulfill good faith efforts.

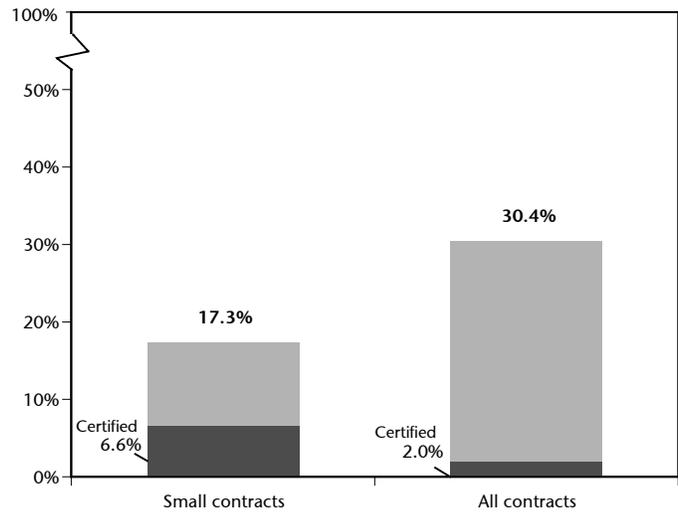
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases,” and public and competitive bidding procedures are not required for procurements of that size.³ Of the \$124 million of ISU contracts included in the study, BBC identified about \$26 million in contracts worth less than \$150,000.^{4,5} Figure 10-6 presents the percent of dollars that MBE/WBEs received on those small procurements.

Figure 10-6 shows the utilization of MBE/WBEs as prime contractors on small contracts and as prime contractors on all contracts. MBE/WBEs received a larger proportion of prime dollars on all contracts (30.4%) than of prime dollars on small contracts (17.3%). The disparity analysis later in this section examines whether this result reflects greater availability of MBE/WBEs for larger contracts.

Figure 10-6.
MBE/WBE and certified MBE/WBE share of prime contract dollars for ISU small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those worth less than \$150,000.
 Number of small contracts analyzed is 1,216 and number of all contracts analyzed is 1,292.
 For more detail and results by group, see Figures U-6 and U-16 in Appendix U.

Source:
 BBC Research & Consulting from data on ISU contracts.



B. Disparity Analysis

The second half of Chapter 10 presents ISU disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix U provides detailed information concerning disparity results for ISU contracts.

³ IC 5-22-8.

⁴ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

⁵ Because this state law does not apply to SEIs, thresholds for small purchases may vary by institution.

1. Overall disparity results. Figure 10-7 summarizes the overall results of the disparity analysis for ISU contracts by racial/ethnic/gender groups.

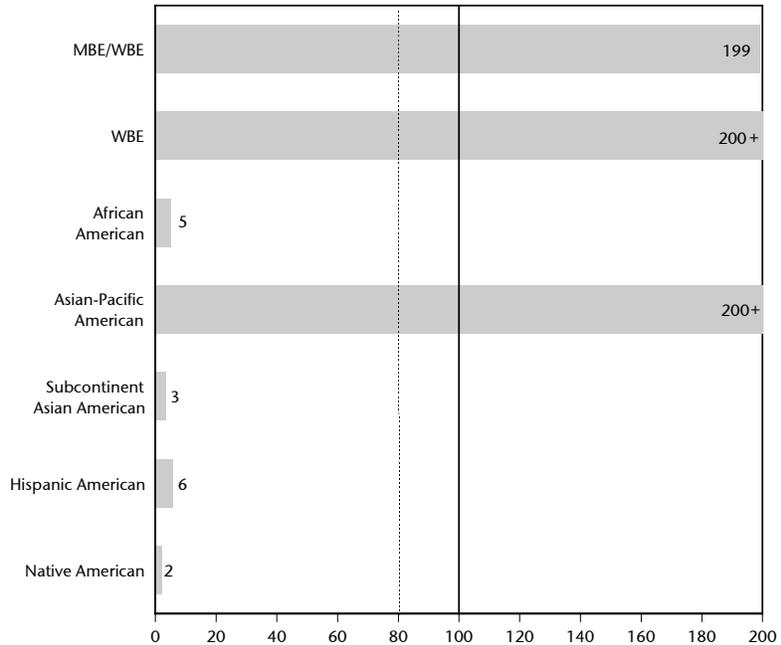
Overall, MBE/WBE utilization far exceeded MBE/WBE availability for ISU contracts. The disparity index of 199 indicates that MBE/WBEs received almost twice the dollars that they would be expected to receive based on their availability for ISU contracts.

However, the overall MBE/WBE disparity index was primarily driven by utilization of two groups — WBEs (disparity index greater than 200) and Asian-Pacific American-owned firms (disparity index greater than 200). All other MBE groups exhibited a disparity index of 6 or less.

Figure 10-7.
Disparity indices for
MBE/WBE utilization on ISU
contracts, July 2006–June
2009

Note:
 Number of contracts/subcontracts analyzed
 is 1,356.
 For more detail, see Figure U-1
 in Appendix U.

Source:
 BBC Research & Consulting from data on
 ISU contracts.



2. Disparity results by industry. Figure 10-8 presents disparity indices for ISU contracts by study industry. Overall, MBE/WBEs only showed a disparity for ISU goods procurements (disparity index of 80).⁶

Construction. With the exception of WBEs, every MBE/WBE group was substantially underutilized on ISU construction contracts. Three MBE groups — Asian-Pacific American-, Subcontinent Asian- and Native American-owned firms — showed a disparity index of 0.

Professional services. Overall, MBE/WBE utilization exceeded availability for ISU professional services contracts. However, only two groups did not show substantial disparities — WBEs (disparity index greater than 192) and Asian-Pacific American-owned firms (disparity index greater than 200). African American-owned firms exhibited a disparity index of 6, and every other MBE group exhibited a disparity index of 0.

Goods. Considered together, MBE/WBEs showed a disparity index of 80, indicating that they obtained a little more than three-fourths of ISU goods dollars that they would be expected to receive based on availability. Asian-Pacific American- and Native American-owned firms showed a disparity index of 0, whereas WBEs (disparity index of 105) and Subcontinent Asian American-owned firms (disparity index greater than 200) did not show disparities.

Support services. MBE/WBE utilization exceeded availability for ISU support services contracts (disparity index of 130). However, only two groups did not show disparities — WBEs (disparity index of 189) and Native American-owned firms (disparity index of 164). All other groups exhibited a disparity index of 0.

⁶ BBC's use of the word "substantial" in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

Figure 10-8.
Disparity indices for
MBE/WBE utilization on ISU
contracts, by industry, July
2006–June 2009

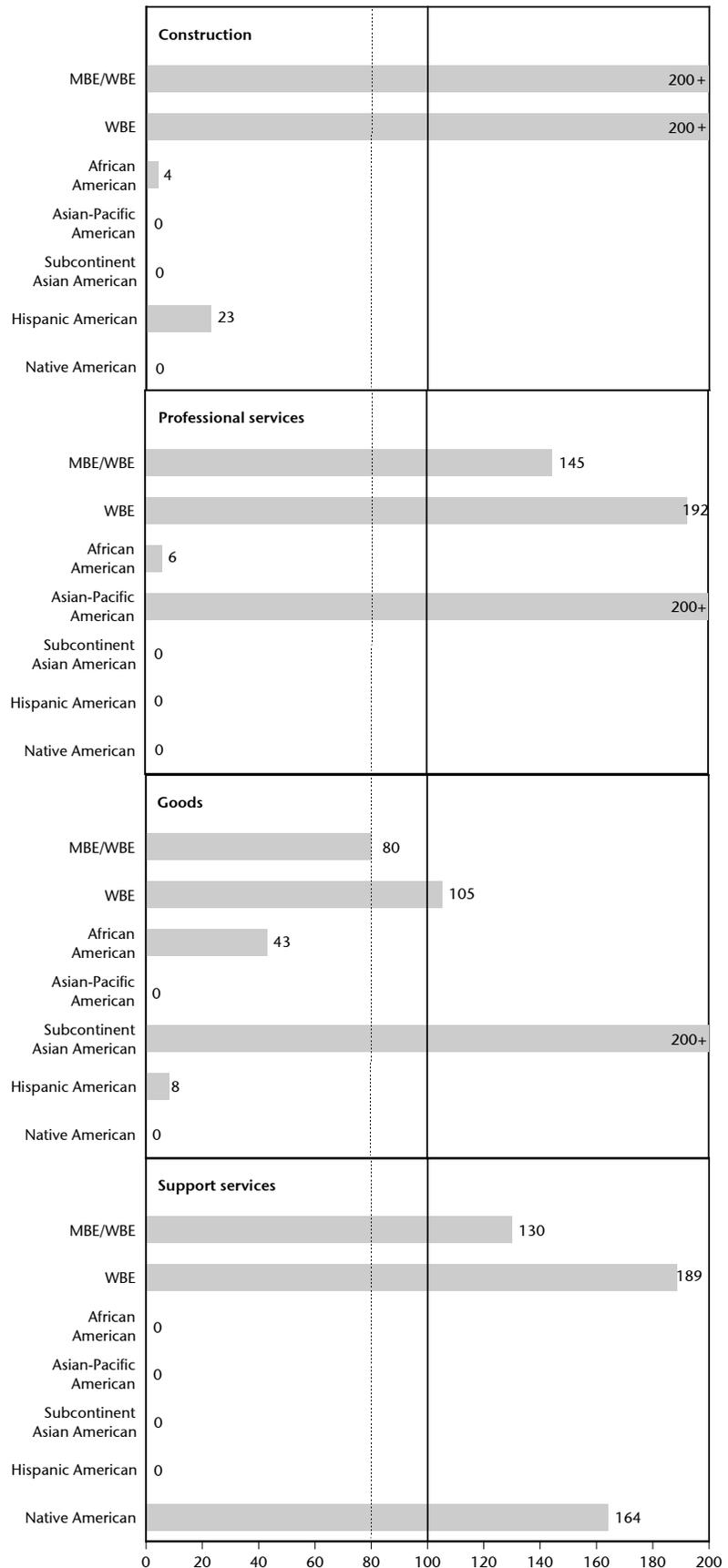
Note:

Number of contracts/subcontracts analyzed is 550 for construction, 341 for professional services, 393 for goods and 72 for support services.

For more detail, see Figures U-2, U-3, U-4 and U-5 in Appendix U.

Source:

BBC Research & Consulting from data on ISU contracts.



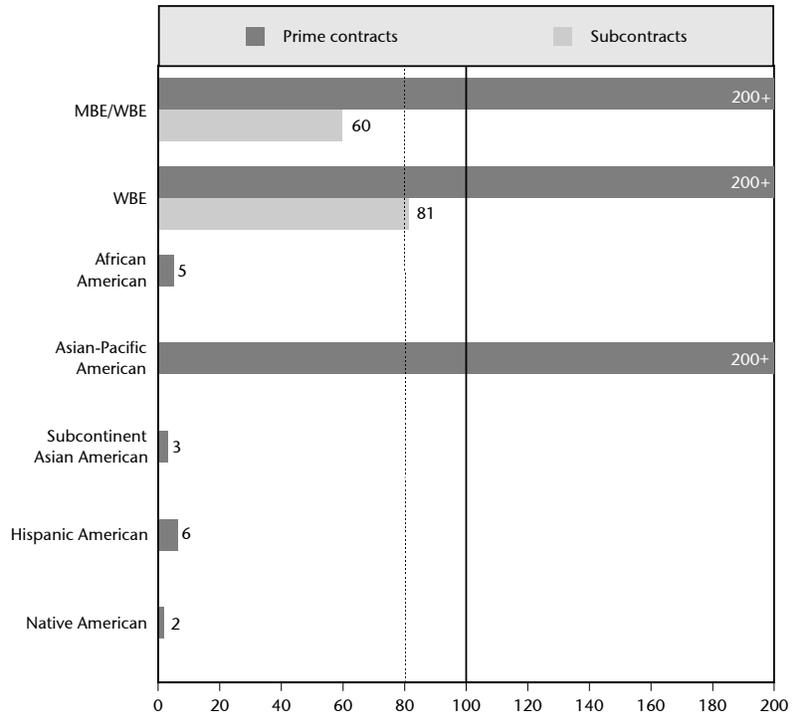
3. Disparity results by prime contracts and subcontracts. Figure 10-9 shows disparity results for prime contracts (darker bars) and subcontracts (lighter bars). Overall, there was a disparity between MBE/WBE utilization and availability for ISU subcontracts (disparity index of 60) but not for prime contracts (disparity index greater than 200).

WBEs (disparity index of 81) showed a disparity index greater than 80. The disparity index for all MBEs considered together was 9. In the set of contracts and subcontracts that BBC examined, only one ISU subcontract went to a minority-owned firm (of unknown ethnicity; worth \$22,000).

Figure 10-9.
Disparity indices for
MBE/WBE utilization on ISU
contracts, prime contracts
and subcontracts, July
2006–June 2009

Note:
 Number of prime contracts is 1,292 and
 number of subcontracts is 64.
 For more detail, see Figures U-6 and U-11 in
 Appendix U.

Source:
 BBC Research & Consulting from data on
 ISU contracts.



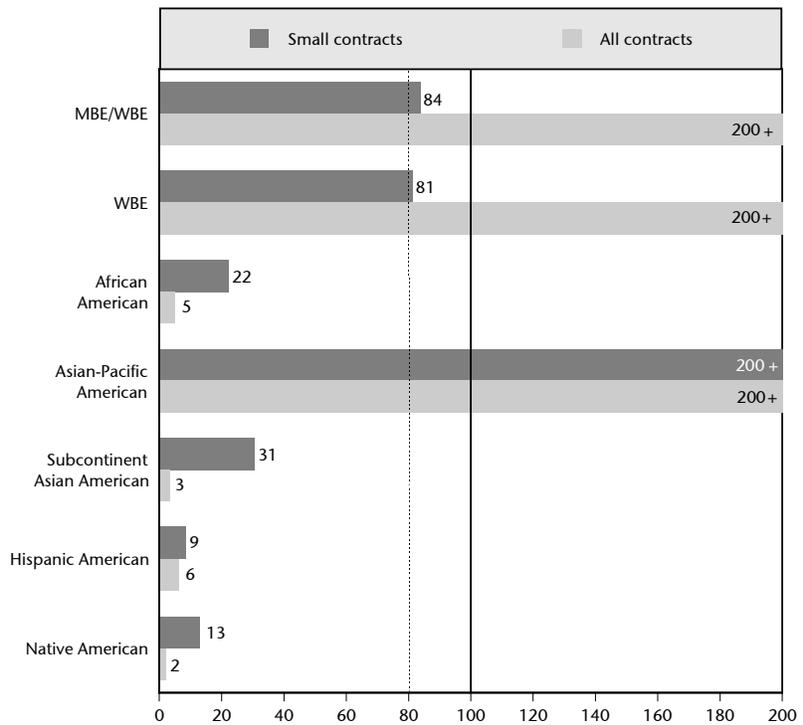
4. Disparity results by contract size. BBC also examined disparity results for small ISU contracts (prime contractor utilization). In Figure 10-10, the darker bars present disparity indices for small prime contracts and the lighter bars present disparity indices for all prime contracts.

Overall, MBE/WBEs were underutilized as prime contractors on ISU procurements worth less than \$150,000. Only WBEs (disparity index of 81) and Asian-Pacific American-owned firms (disparity index greater than 200) did not show a substantial disparity index for those contracts. All other MBE groups exhibited substantial disparities.

Figure 10-10.
Disparity indices for
MBE/WBE utilization as
prime contractors, ISU
small contracts and all
contracts, July 2006–June
2009

Note:
 Number of contracts analyzed is 1,216 for small contracts and 1,292 for all contracts.
 For more detail, see Figures U-16 and U-6 in Appendix U.

Source:
 BBC Research & Consulting from data on ISU contracts.



5. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE utilization exceed availability on ISU contracts during the study period. However, that result was primarily driven by two groups — WBEs and Asian-Pacific American-owned firms. The study team observed substantial disparities for all other MBE groups across study industries.

Construction. Businesses owned by the following groups exhibited substantial disparities between utilization and availability for construction contracts:

- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and
- Native Americans.

There were no disparities for white women-owned firms on ISU construction contracts.

Professional services. Firms owned by members of the following groups exhibited substantial disparities between utilization and availability for professional services contracts:

- African Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and
- Native Americans

There were no disparities for firms owned by white women or Asian-Pacific Americans on ISU professional services contracts.

Goods. For ISU goods procurements, there were substantial disparities for firms owned by:

- African Americans;
- Asian-Pacific Americans;
- Hispanic Americans; and
- Native Americans

The study team did not observe disparities for ISU goods procurements for firms owned by white women or Subcontinent Asian Americans.

Support services. Firms owned by members of the following groups were underutilized on ISU support services contracts:

- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Hispanic Americans.

The study team did not observe disparities for white women or Native Americans for ISU support services contracts.

Figure 10-11 identifies the specific sets of ISU contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix U. For example, for information about construction prime contracts, see Figure U-7 in Appendix U.

Figure 10-11.
Directory of utilization and disparity analyses provided in Appendix U

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	n/a	n/a	n/a
Small contracts*	16	17	18	19	20

Note: * Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting from data on ISU contracts.

CHAPTER 11.

Indiana University Utilization and Disparity Analysis

Chapter 11 presents utilization and disparity results for Indiana University (IU) contracts. It presents analyses for IU contracts that are similar to the combined analyses presented in Chapter 6 for state and SEI contracts.¹ Detailed utilization and disparity results are presented in Appendix W.

Chapter 11 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 11 presents IU utilization results by:

1. Fiscal year;
2. MBE/WBE group;
3. Industry;
4. Prime contracts and subcontracts; and
5. Contract size.

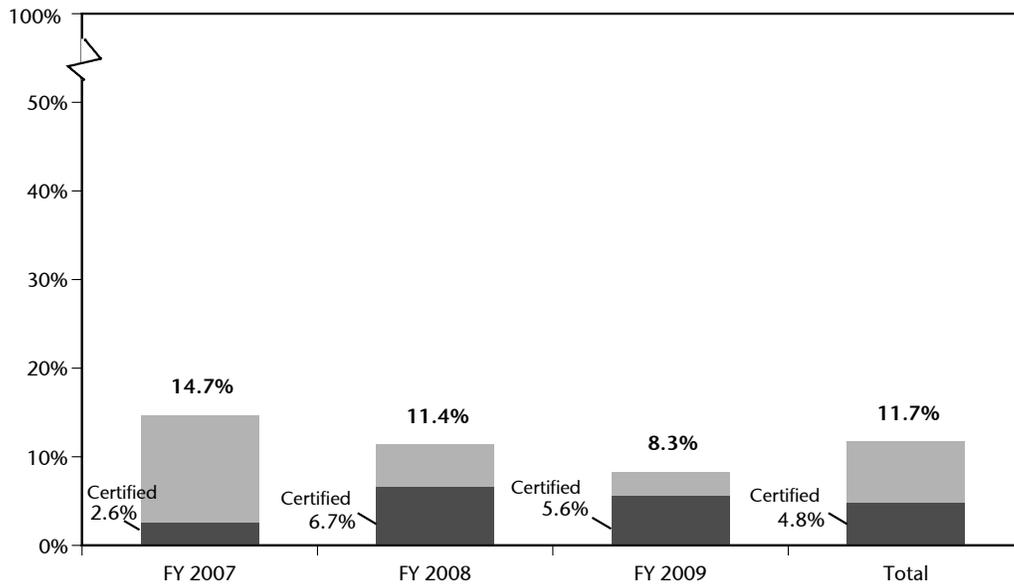
¹ It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. Figure 11-1 presents utilization of minority- and women-owned firms as a percentage of IU contract dollars by fiscal year (FY). Figure 11-1 also provides results for businesses certified with the State of Indiana as MBE/WBEs (the darker portion of each bar).

Over the three-year study period, MBE/WBEs received 11.7 percent of IU contract dollars. As shown in Figure 11-1, minority- and women-owned firms obtained 14.7 percent of IU contract dollars in FY 2007, 11.4 percent in FY 2008 and 8.3 percent in FY 2009.

A smaller portion of IU's procurement dollars went to firms that were MBE/WBE certified with the State of Indiana. Certified MBE/WBEs obtained 2.6 percent of IU procurement dollars in FY 2007, 6.7 percent in FY 2008 and 5.6 percent in FY 2009.

Figure 11-1.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for IU contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 3,656 for FY 2007, 3,864 for FY 2008, 3,731 for FY 2009 and 11,251 for all years combined.

Source: BBC Research & Consulting from data on IU contracts.

2. Utilization results by MBE/WBE group. Figure 11-2 details utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group.

As shown in Figure 11-2, WBEs (9.5% utilization) accounted for much of IU's overall MBE/WBE utilization. No other MBE/WBE groups obtained more than 1 percent of IU procurement dollars during the study period.

Less than half of overall MBE/WBE participation on IU contracts was with firms certified as MBE/WBEs with the State of Indiana. The difference between overall utilization including non-certified firms and just utilization of certified businesses was largest for WBEs.

Figure 11-2.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for IU construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Total	
	\$ in thousands	Percent
MBE/WBEs		
African American-owned	\$4,831	0.7 %
Asian-Pacific American-owned	3,073	0.4
Subcontinent Asian American-owned	370	0.1
Unknown Asian American-owned	66	0.0
Hispanic American-owned	5,574	0.8
Native American-owned	1,492	0.2
Total MBE	\$15,407	2.1 %
WBE (white women-owned)	69,280	9.5
Total MBE/WBE	\$84,686	11.7 %
Majority-owned	644,347	88.3
Total	\$729,033	100.0 %
Certified		
African American-owned	\$2,906	0.4 %
Asian-Pacific American-owned	1,603	0.2
Subcontinent Asian American-owned	171	0.0
Hispanic American-owned	3,481	0.5
Native American-owned	432	0.1
Total MBE certified	\$8,594	1.2 %
WBE (white women-owned)	26,363	3.6
Total MBE/WBE certified	\$34,957	4.8 %
Non-certified	691,076	95.2
Total	\$726,033	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.

Number of contracts/subcontracts analyzed is 11,251.

For more detail, see Figure W-1 in Appendix W.

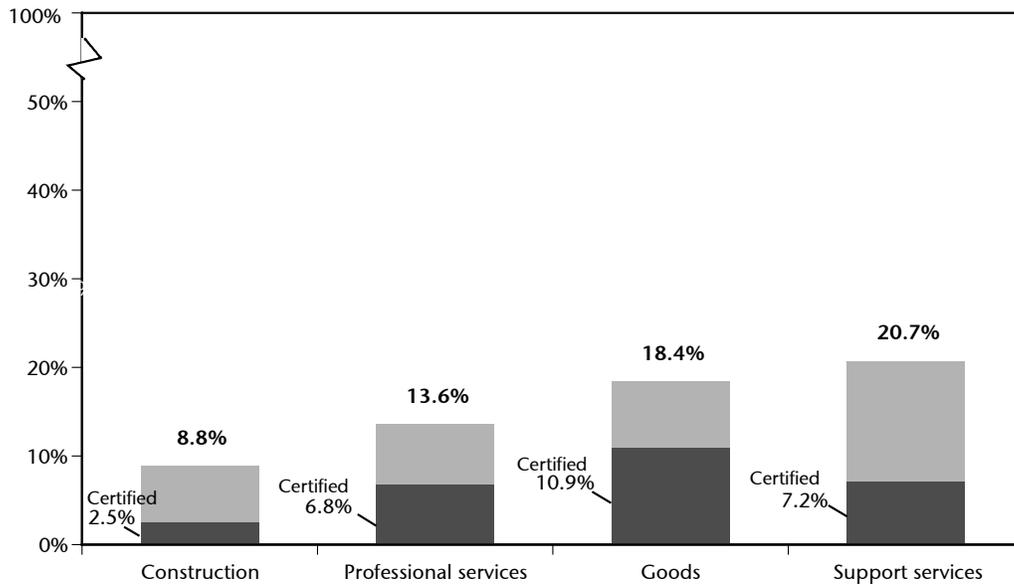
Source: BBC Research & Consulting from data on IU contracts.

3. Utilization results by industry. Figure 11-3 presents MBE/WBE utilization by industry — construction, professional services, goods and support services. Overall MBE/WBE utilization was:

- 8.8 percent for construction;
- 13.6 percent for professional services;
- 18.4 percent for goods; and
- 20.7 percent for support services

A larger proportion of MBE/WBE utilization on professional services and goods contracts occurred with firms that were MBE/WBE certified with the State of Indiana than on construction and support services contracts.

Figure 11-3.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for IU construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 3,166 for construction, 3,166 for professional services, 3,744 for goods and 1,175 for support services.

Source: BBC Research & Consulting from data on IU contracts.

Industry results are presented by racial/ethnic/gender group in Figure 11-4.

Construction. BBC examined \$446 million of IU construction contracts during the study period, and \$40 million went to MBE/WBEs. WBEs (utilization of 7.5%) accounted for most of the overall MBE/WBE utilization for construction contracts. MBEs obtained about \$6 million, or 1.3 percent of total construction dollars.

Professional services. There were more than 3,100 professional services contracts and subcontracts totaling \$141 million in the IU procurement data that BBC analyzed. About \$19 million of the professional services contract dollars went to MBE/WBEs. WBEs (utilization of 11.0%) and Hispanic American-owned firms (utilization of 1.1%) exhibited higher utilization for IU professional services contracts than other MBE/WBE groups.

Goods. IU goods contract dollars totaled about \$120 million (more than 3,700 contracts). White women-owned firms accounted for 14.2 percentage points of the 18.4 percent MBE/WBE utilization. Hispanic American- (2.3%) and Asian-Pacific American-owned firms (1.2%) were the only other groups that exceeded 1 percent utilization on IU goods procurements.

Support services. BBC examined about \$19 million in IU support services contracts. As with analyses for other study industries, WBEs exhibited higher utilization (16.3%) than any other MBE/WBE group. Hispanic American- (2.2%) and African American-owned firms (1.3%) were the only other groups that exceeded 1 percent utilization on IU support services procurements. No firms identified as Subcontinent Asian American-owned received IU support services contract dollars.

Figure 11-4.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for IU, by industry and race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$3,133	0.7 %	\$1,193	0.8 %	\$378	0.3 %	\$252	1.3 %
Asian-Pacific American-owned	914	0.2	612	0.4	1,438	1.2	64	0.3
Subcontinent Asian American-owned	8	0.0	241	0.2	122	0.1	0	0.0
Unknown Asian American-owned	0	0.0	61	0.0	8	0.0	0	0.0
Hispanic American-owned	778	0.2	1,549	1.1	2,719	2.3	428	2.2
Native American-owned	1,017	0.2	90	0.1	304	0.3	99	0.5
Total MBE	\$5,849	1.3 %	\$3,745	2.7 %	\$4,969	4.1 %	\$843	4.4 %
WBE (white women-owned)	33,575	7.5	15,478	11.0	17,089	14.2	3,138	16.3
Total MBE/WBE	\$39,425	8.8 %	\$19,223	13.6 %	\$22,058	18.4 %	\$3,981	20.7 %
Majority-owned	406,168	91.2	122,025	86.4	97,910	81.6	15,243	79.3
Total	\$445,593	100.0 %	\$141,248	100.0 %	\$119,968	100.0 %	\$19,224	100.0 %
Certified								
African American-owned	\$2,218	0.5 %	\$364	0.3 %	\$176	0.1 %	\$127	0.7 %
Asian-Pacific American-owned	476	0.1	194	0.1	888	0.7	52	0.3
Subcontinent Asian American-owned	0	0.0	138	0.1	32	0.0	0	0.0
Hispanic American-owned	312	0.1	967	0.7	2,191	1.8	33	0.2
Native American-owned	105	0.0	31	0.0	300	0.2	0	0.0
Total MBE certified	\$3,111	0.7 %	\$1,695	1.2 %	\$3,588	3.0 %	\$212	1.1 %
WBE (white women-owned)	8,089	1.8	7,864	5.6	9,218	3.0	1,181	6.1
Total MBE/WBE certified	\$11,200	2.5 %	\$9,559	6.8 %	\$12,806	10.7 %	\$1,392	7.2 %
Non-certified	434,393	97.5	131,689	93.2	107,162	89.3	17,832	92.8
Total	\$445,593	100.0 %	\$141,248	100.0 %	\$119,968	100.0 %	\$19,224	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.

Number of contracts/subcontracts analyzed is 3,166 for construction, 3,166 for professional services, 3,744 for goods and 1,175 for support services.

For more detail, see Figures W-2, W-3, W-4 and W-5 in Appendix W.

Source: BBC Research & Consulting from data on IU contracts.

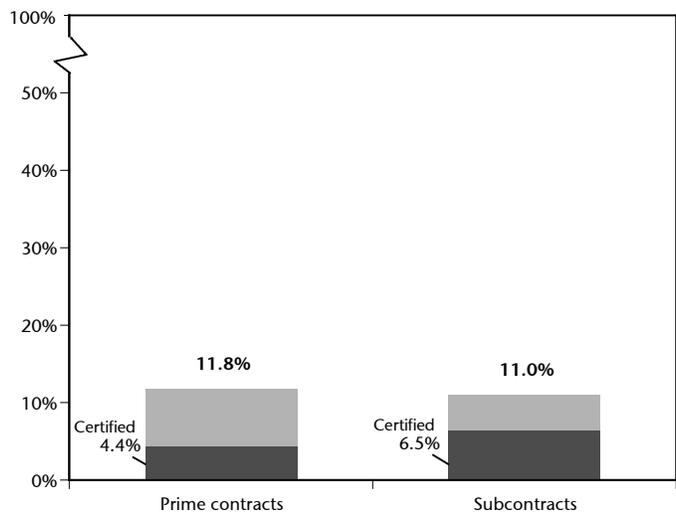
4. Utilization results for prime contracts and subcontracts. Of the approximately \$700 million dollars of IU contracts examined in the study, BBC identified more than \$140 million in subcontracts.² Figure 11-5 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts.

Results in Figure 11-5 indicate that MBE/WBEs received a slightly smaller share of subcontract dollars than prime contract dollars during the study period — 11.0 percent of IU subcontract dollars went to MBE/WBEs compared to 11.8 percent of prime contract dollars. This result is very different from BBC’s analysis of IDOA and INDOT contracts to which MBE/WBE and DBE contract goals are sometimes applied. As discussed in Chapter 7 for IDOA and Chapter 8 for INDOT, MBE/WBEs’ share of subcontract dollars is much higher than MBE/WBEs’ share of prime contract dollars for those agencies. The difference in results may be due in part to the absence of MBE/WBE goals on IU contracts.³

Figure 11-5.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for IU contracts, July 2006–June 2009

Note:
 Number of prime contracts analyzed is 10,241 and number of subcontracts analyzed is 1,010.
 For more detail and results by group, see Figures W-6 and W-11 in Appendix W.

Source:
 BBC Research & Consulting from data on IU contracts.



Subcontracting is industry practice for many types of construction work. Accordingly, virtually all (96%) of the subcontract dollars in Figure 11-5 pertain to IU construction contracts.

² Because IU did not have complete information on certain subcontracts, BBC contacted prime contractors directly to collect that information.

³ Although Indiana University sets subcontracting goals on some of its contracts, there are no consequences for prime contractors who fail to meet those goals or fail to fulfill good faith efforts.

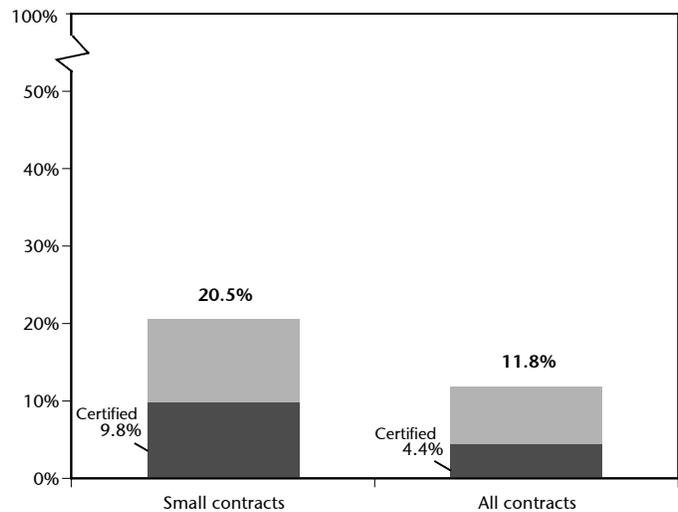
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases,” and public and competitive bidding procedures are not required for procurements of that size.^{4,5} Of the \$700 million of IU contracts included in the study, BBC identified about \$190 million in contracts worth less than \$150,000.⁶

Figure 11-6 presents the percent of dollars that MBE/WBEs received as prime contractors on those small procurements. MBE/WBEs received a larger proportion of prime dollars on small contracts (20.5%) than of prime dollars on all contracts (11.8%). The disparity analysis later in this section examines whether this result reflects greater availability of MBE/WBEs for smaller contracts.

Figure 11-6.
MBE/WBE and certified MBE/WBE share of prime contract dollars for IU small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those worth less than \$150,000.
 Number of total prime contracts analyzed is 10,241 and number of small contracts analyzed is 9,754.
 For more detail and results by group, see Figures W-6 and W-16 in Appendix W.

Source:
 BBC Research & Consulting from data on IU contracts.



B. Disparity Analysis

The second half of Chapter 11 presents IU disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix W provides detailed information concerning disparity results for IU contracts.

⁴ IC 5-22-8.

⁵ Because this state law does not apply to SEIs, thresholds for small purchases may vary by institution.

⁶ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

1. Overall disparity results. Figure 11-7 summarizes the overall results of the disparity analysis for IU contracts by racial/ethnic/gender groups.

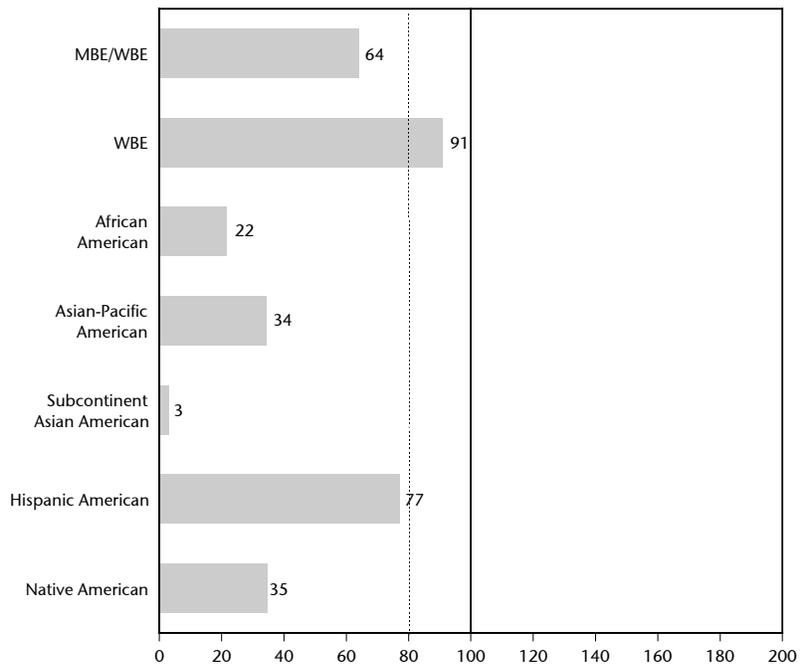
Overall, MBE/WBEs were substantially underutilized on IU procurements.⁷ The disparity index of 64 indicates that MBE/WBEs received less than two-thirds of the dollars that they would be expected to receive based on their availability for IU contracts.

Only one MBE/WBE group did not show a large disparity — WBEs (disparity index of 91) received more than 90 percent of the dollars that they would be expected to receive based on availability. Subcontinent Asian American- (disparity index of 3) and Asian-Pacific American-owned firms (disparity index of 35) showed the greatest disparities.

Figure 11-7.
Disparity indices for
MBE/WBE utilization on IU
contracts, July 2006–June
2009

Note:
 Number of contracts/subcontracts analyzed
 is 11,251.
 For more detail, see Figure W-1
 in Appendix W.

Source:
 BBC Research & Consulting from data on IU
 contracts.



⁷ BBC's use of the word "substantial" in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

2. Disparity results by industry. Figure 11-8 on the following page presents disparity indices for IU contracts by study industry.

Construction. The only MBE/WBE group to not show a disparity for IU construction contracts was WBEs (disparity index of 97). All MBE groups exhibited disparity indices of less than 30. Only one Subcontinent Asian American-owned firm was utilized on IU construction contracts.

Professional services. Overall, MBE/WBEs received 55 percent of the dollars that they would be expected to receive based on availability (disparity index of 55). Hispanic Americans was the only MBE/WBE group that was not substantially underutilized for IU professional services contracts.

Goods. Considered together, MBE/WBEs showed a disparity index of 101 for IU goods procurements, indicating that, overall, MBE/WBE utilization for goods purchases was in line with availability. However, two groups exhibited disparity indices that indicated substantial underutilization — African American- (disparity index of 18) and Asian-Pacific American-owned firms (disparity index of 70).

Support services. MBE/WBEs (disparity index of 63) obtained less than two-thirds of the IU support services dollars that they would be expected to receive based on their availability. The only group to not show a substantial disparity for IU support services procurements was Hispanic American-owned firms (disparity index of 114). No Subcontinent Asian American-owned firms received any IU support services contracts.

Figure 11-8.
Disparity indices for
MBE/WBE utilization on IU
contracts, by industry, July
2006–June 2009

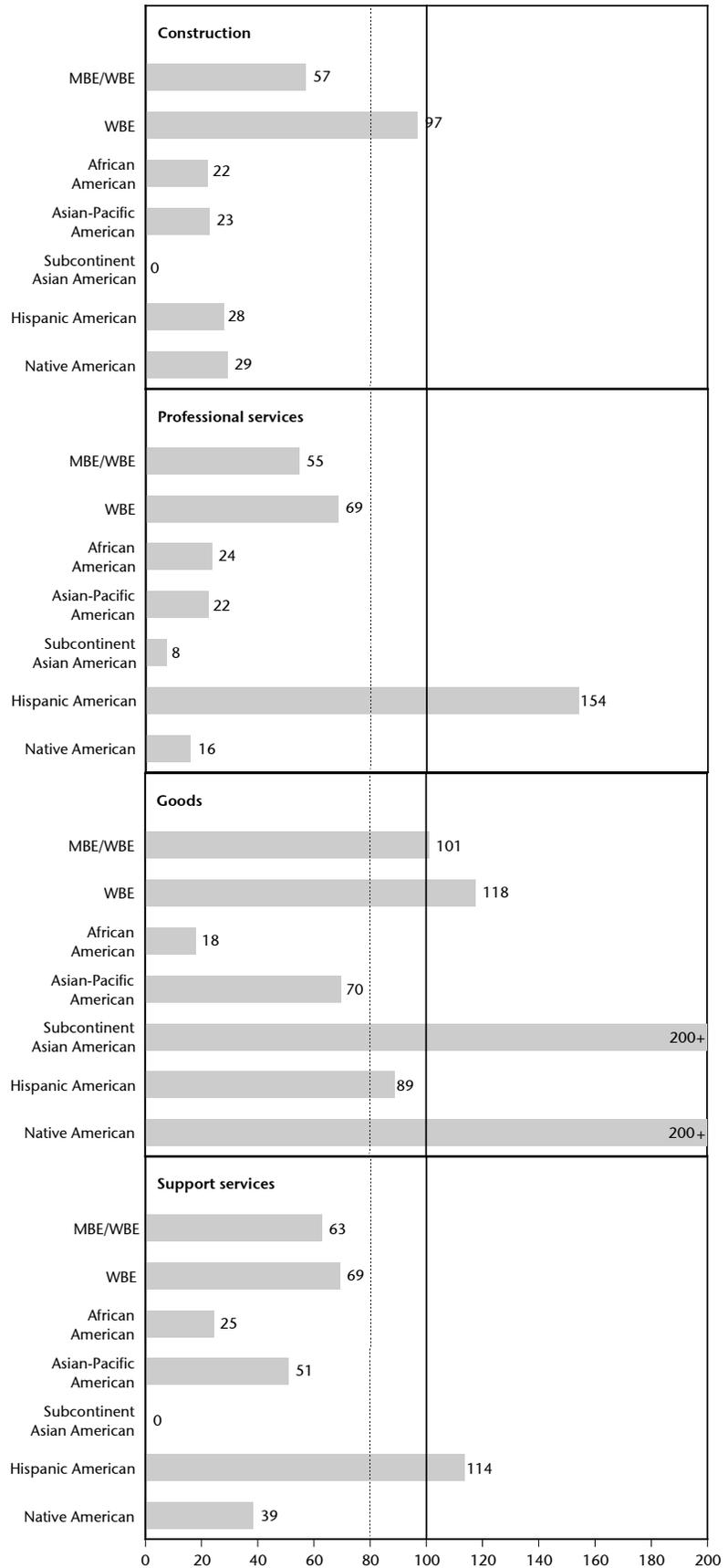
Note:

Number of contracts/subcontracts analyzed is 3,166 for construction, 3,166 for professional services, 3,744 for goods and 1,175 for support services.

For more detail, see Figures W-2, W-3, W-4 and W-5 in Appendix W.

Source:

BBC Research & Consulting from data on IU contracts.



3. Disparity results by prime contracts and subcontracts. Figure 11-9 shows disparity results for prime contracts (darker bars) and subcontracts (lighter bars). Overall, the disparity between MBE/WBE utilization and availability was similar for IU prime contracts (disparity index of 65) and subcontracts (disparity index of 59).

No MBE/WBE groups showed disparity indices greater than 80 for subcontracts, and one group — Subcontinent Asian American-owned firms — showed no subcontractor utilization at all. Only two groups — WBEs (disparity index of 98) and Hispanic American-owned firms (disparity index of 84) — showed disparity indices greater than 80 for prime contracts.

Figure 11-9.
Disparity indices for
MBE/WBE utilization on IU
contracts, prime contracts
and subcontracts, July
2006–June 2009

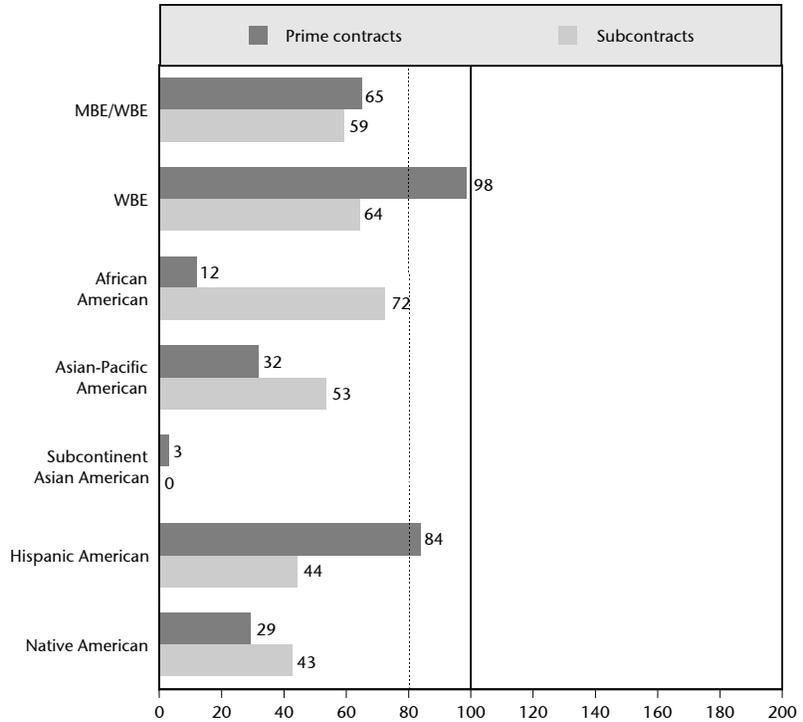
Note:

Number of prime contracts is 10,241 and number of subcontracts is 1,010.

For more detail, see Figures W-6 and W-11 in Appendix W.

Source:

BBC Research & Consulting from data on IU contracts.



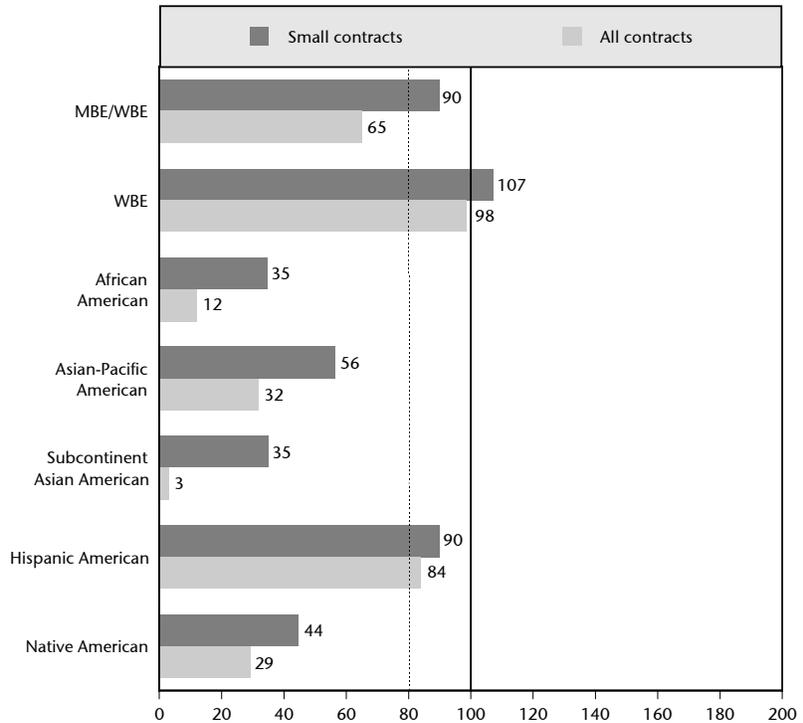
4. Disparity results by contract size. BBC also examined disparity results for small IU contracts (prime contractor utilization). In Figure 11-10, the darker bars represent disparity indices for small prime contracts and the lighter bars represent disparity indices for all prime contracts.

As shown in Figure 11-10, the study team observed no disparity between WBE utilization and availability for small prime contracts (i.e., those worth less than \$150,000). However, substantial disparities in the utilization on small contracts were identified for each MBE group except for Hispanic American-owned firms. Similarly, all MBE groups except Hispanic-Americans were substantially underutilized on large IU prime contracts.

Figure 11-10.
Disparity indices for
MBE/WBE utilization as
prime contractors, IU small
contracts and all contracts,
July 2006–June 2009

Note:
 Number of prime contracts analyzed is 9,754 for small contracts and 10,241 for all contracts.
 For more detail, see Figures W-16 and W-6 in Appendix W.

Source:
 BBC Research & Consulting from data on IU contracts.



5. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE groups were underutilized on IU contracts during the study period. Overall, across all study industries, MBE/WBEs showed large disparities for IU procurements — considered together, MBE/WBE groups obtained two-thirds of the IU dollars that they would be expected to receive based on availability. The study team observed similar results for both IU prime contracts and subcontracts (which were largely made up of construction procurements).

Construction. There were no disparities for white women on IU construction prime contracts. Firms owned by the following MBE groups exhibited substantial disparities between utilization and availability for construction contracts:

- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and
- Native Americans.

Professional services. Firms owned by the following groups exhibited substantial disparities between utilization and availability for professional services contracts:

- White women;
- African Americans;
- Asian-Pacific Americans; and
- Subcontinent Asian Americans; and
- Native Americans.

There were no disparities for Hispanic American-owned firms on IU professional services contracts.

Goods. For IU goods procurements, there were substantial disparities for firms owned by:

- African Americans; and
- Asian-Pacific Americans.

The study team did not observe disparities for firms owned by white women, Subcontinent Asian Americans, Hispanic Americans or Native Americans for IU goods procurements.

Support services. Firms owned by the following groups were underutilized on IU support services contracts:

- White women;
- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Native Americans.

The only MBE/WBE group for which the study team did not observe a disparity for IU support services contracts was Hispanic American-owned firms.

Figure 11-11 identifies the specific sets of IU contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix W. For example, for information about construction prime contracts, see Figure W-7 in Appendix W.

Figure 11-11.
Directory of utilization and disparity analyses provided in Appendix W

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	13	n/a	n/a
Small contracts*	16	17	18	19	20

Note: * Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting from data on IU contracts.

CHAPTER 12.

Ivy Tech Utilization and Disparity Analysis

Chapter 12 presents utilization and disparity results for Ivy Tech Community College (Ivy Tech) contracts. It presents analyses for Ivy Tech contracts that are similar to the combined analyses presented in Chapter 6 for state and SEI contracts.¹ Detailed utilization and disparity results are presented in Appendix Y.

Chapter 12 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 12 presents Ivy Tech utilization results by:

1. Fiscal year;
2. MBE/WBE group;
3. Industry;
4. Prime contracts and subcontracts; and
5. Contract size.

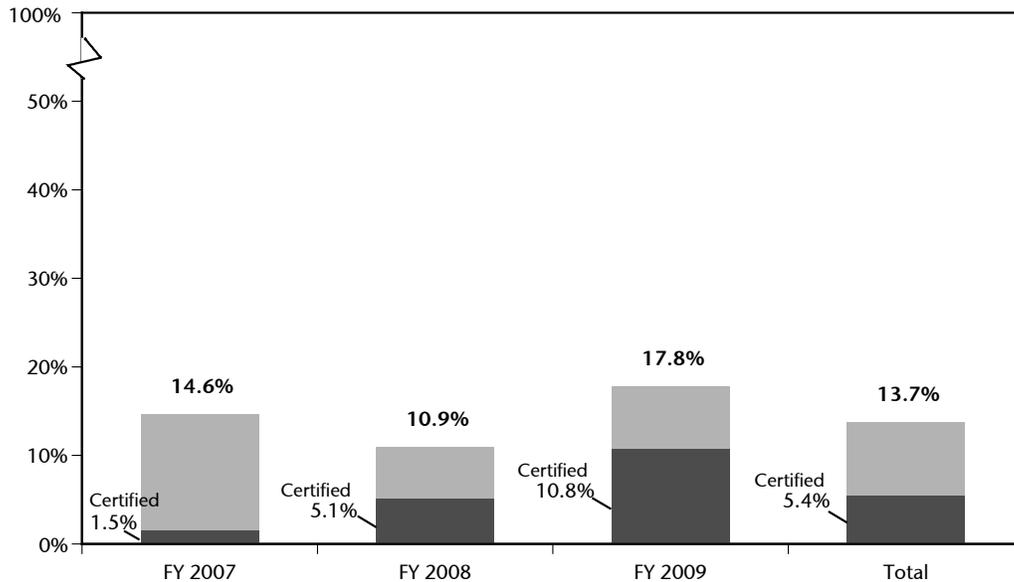
¹ It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. Figure 12-1 presents utilization of minority- and women-owned firms as a percentage of Ivy Tech contract dollars by fiscal year (FY). Figure 12-1 also provides results for businesses certified with the State of Indiana as MBE/WBEs (the darker portion of each bar).

Over the three-year study period, MBE/WBEs received 13.7 percent of Ivy Tech contract dollars. As shown in Figure 12-1, minority- and women-owned firms obtained 14.6 percent of Ivy Tech contract dollars in FY 2007, 10.9 percent in FY 2008 and 17.8 percent in FY 2009.

A smaller portion of Ivy Tech’s procurement dollars went to firms that were MBE/WBE certified with the State of Indiana. Certified MBE/WBEs obtained 1.5 percent of Ivy Tech procurement dollars in FY 2007, 5.1 percent in FY 2008 and 10.8 percent in FY 2009. Over the study period, 5.4 percent of Ivy Tech contract dollars went to certified MBE/WBEs.

Figure 12-1.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for Ivy Tech contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 1,305 for FY 2007, 1,845 for FY 2008, 1,509 for FY 2009 and 4,659 for all years combined.

Source: BBC Research & Consulting from data on Ivy Tech contracts.

2. Utilization results by MBE/WBE group. Figure 12-2 details utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group.

As shown in Figure 12-2, WBEs (9.1%) and African American-owned firms (3.5%) had the highest levels of utilization of MBE/WBE groups. No other MBE/WBE group obtained more than 1 percent of Ivy Tech procurement dollars during the study period.

Less than half of overall MBE/WBE participation on Ivy Tech contracts was with firms certified as MBE/WBEs with the State of Indiana.

Figure 12-2.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for Ivy Tech construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Total	
	\$ in thousands	Percent
MBE/WBEs		
African American-owned	\$6,578	3.5 %
Asian-Pacific American-owned	890	0.5
Subcontinent Asian American-owned	27	0.0
Hispanic American-owned	1,154	0.6
Native American-owned	29	0.0
Total MBE	\$8,678	4.6 %
WBE (white women-owned)	17,151	9.1
Total MBE/WBE	\$25,828	13.7 %
Majority-owned	162,639	86.3
Total	\$188,467	100.0 %
Certified		
African American-owned	\$3,518	1.9 %
Asian-Pacific American-owned	583	0.3
Subcontinent Asian American-owned	25	0.0
Hispanic American-owned	538	0.3
Native American-owned	0	0.0
Total MBE certified	\$4,665	2.5 %
WBE (white women-owned)	5,439	2.9
Total MBE/WBE certified	\$10,104	5.4 %
Non-certified	178,363	94.6
Total	\$188,467	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
 Number of contracts/subcontracts analyzed is 4,659.
 For more detail, see Figure Y-1 in Appendix Y.

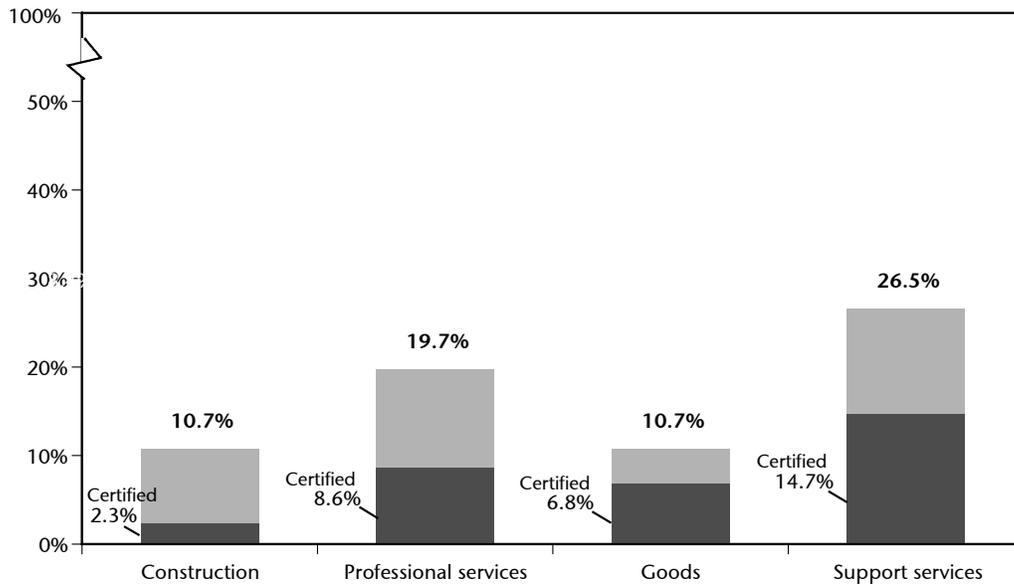
Source: BBC Research & Consulting from data on Ivy Tech contracts.

3. Utilization results by industry. Figure 12-3 presents MBE/WBE utilization by industry — construction, professional services, goods and support services. Overall MBE/WBE utilization was:

- 10.7 percent for construction;
- 19.7 percent for professional services;
- 10.7 percent for goods; and
- 26.5 percent for support services

Most MBE/WBE utilization for goods and support services contracts occurred with firms that were certified with the State of Indiana. Less MBE/WBE utilization for construction and professional services contracts occurred with certified firms.

Figure 12-3.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for Ivy Tech construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 1,220 for construction, 1,200 for professional services, 1,773 for goods and 466 for support services.

Source: BBC Research & Consulting from data on Ivy Tech contracts.

Industry results are presented by racial/ethnic/gender group in Figure 12-4.

Construction. BBC examined \$98 million of Ivy Tech construction contracts during the study period, with about \$10 million going to MBE/WBEs. WBEs (8.8%) accounted for most of the overall MBE/WBE utilization for construction contracts. No other MBE/WBE groups obtained more than 1 percent of total construction dollars.

Professional services. There were 1,200 professional services contracts and subcontracts totaling \$40 million in the Ivy Tech procurement data that BBC analyzed. WBEs (9.2%) and African American-owned firms (8.8%) exhibited higher utilization for Ivy Tech professional contracts than any other MBE/WBE groups.

Goods. Ivy Tech goods contract dollars totaled \$37 million (more than 1,700 contracts). White women-owned firms accounted for 9.1 percentage points of the 10.7 percent MBE/WBE utilization. No MBE group exceeded 1 percent utilization for Ivy Tech goods procurements.

Support services. BBC examined \$13 million in Ivy Tech support services contracts. African American-owned firms (15.0%) and WBEs (10.9%) accounted for most of the MBE/WBE utilization for support services contracts. The only other MBE group that was utilized on Ivy Tech support services contracts was Hispanic American-owned firms (0.5%).

Figure 12-4.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for Ivy Tech, by industry and race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$1,025	1.0 %	\$3,499	8.8 %	\$54	0.1 %	\$1,996	15.0 %
Asian-Pacific American-owned	496	0.5	98	0.2	288	0.8	0	0.0
Subcontinent Asian American-owned	0	0.0	21	0.1	7	0.0	0	0.0
Unknown Asian American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Hispanic American-owned	341	0.3	489	1.2	264	0.7	70	0.5
Native American-owned	0	0.0	30	0.1	0	0.0	0	0.0
Total MBE	\$1,862	1.9 %	\$4,137	10.4 %	\$613	1.6 %	\$2,066	15.6 %
WBE (white women-owned)	8,630	8.8	3,676	9.2	3,394	9.1	1,452	10.9
Total MBE/WBE	\$10,492	10.7 %	\$7,812	19.7 %	\$4,007	10.7 %	\$3,518	26.5 %
Majority-owned	87,597	89.3	31,938	80.3	33,338	89.3	9,765	73.5
Total	\$98,089	100.0 %	\$39,750	100.0 %	\$37,345	100.0 %	\$13,283	100.0 %
Certified								
African American-owned	\$923	0.9 %	\$1,392	3.5 %	\$0	0.0 %	\$1,199	9.0 %
Asian-Pacific American-owned	362	0.4	73	0.2	149	0.4	0	0.0
Subcontinent Asian American-owned	0	0.0	18	0.0	7	0.0	0	0.0
Hispanic American-owned	233	0.2	53	0.1	222	0.6	30	0.2
Native American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Total MBE certified	\$1,518	1.5 %	\$1,537	3.9 %	\$378	1.0 %	\$1,229	9.3 %
WBE (white women-owned)	693	0.7	1,886	4.7	2,144	5.7	719	5.4
Total MBE/WBE certified	\$2,211	2.3 %	\$3,423	8.6 %	\$2,521	6.8 %	\$1,948	14.7 %
Non-certified	95,878	97.7	36,327	91.4	34,686	93.2	11,335	85.3
Total	\$98,089	100.0 %	\$39,750	100.0 %	\$37,207	100.0 %	\$13,283	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.

Number of contracts/subcontracts analyzed is 1,220 for construction, 1,200 for professional services, 1,773 for goods and 466 for support services.

For more detail, see Figures Y-2, Y-3, Y-4 and Y-5 in Appendix Y.

Source: BBC Research & Consulting from data on Ivy Tech contracts.

4. Utilization results by prime contracts and subcontracts. Of the approximately \$190 million of Ivy Tech contracts examined in the study, BBC identified \$17 million in subcontracts, all of which pertained to construction contracts. Figure 12-5 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts.

Results in Figure 12-5 indicate that MBE/WBEs received a smaller share of subcontract dollars than prime contract dollars during the study period — 10 percent of Ivy Tech subcontract dollars went to MBE/WBEs compared to 14 percent of prime contract dollars. This result is very different from BBC’s analysis of IDOA and INDOT contracts for which MBE/WBE and DBE contract goals are sometimes applied. As discussed in Chapter 7 for IDOA and Chapter 8 for INDOT, MBE/WBEs’ share of subcontract dollars was much higher than MBE/WBEs’ share of prime contract dollars for those agencies. The difference in results may be due in part to the absence of MBE/WBE goals on Ivy Tech contracts.

Figure 12-5.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for Ivy Tech contracts, July 2006–June 2009

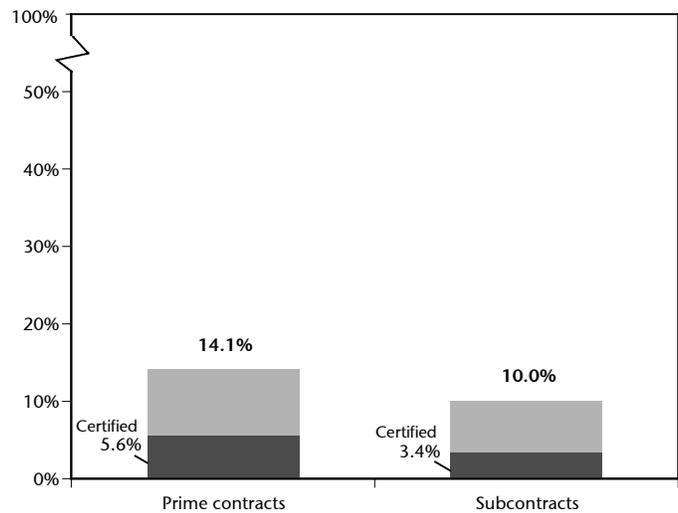
Note:

Number of prime contracts analyzed is 4,442 and number of subcontracts analyzed is 217.

For more detail and results by group, see Figures Y-6 and Y-11 in Appendix Y.

Source:

BBC Research & Consulting from data on Ivy Tech contracts.



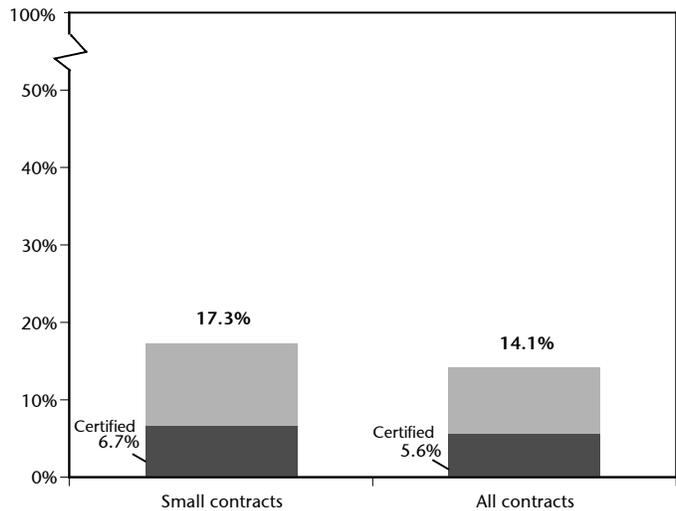
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases,” and public and competitive bidding procedures are not required for procurements of that size.^{2,3} Of the \$190 million of Ivy Tech contracts included in the study, BBC identified about \$77 million in contracts worth less than \$150,000.⁴ Figure 12-6 presents the percent of dollars that MBE/WBEs received on those small procurements.

Figure 12-6 shows the utilization of MBE/WBEs as prime contractors on small contracts and as prime contractors on all contracts. MBE/WBEs received a larger proportion of prime dollars on small contracts (17.3%) than of prime dollars on all contracts (14.1%). The disparity analysis later in this section examines whether this result reflects greater availability of MBE/WBEs for smaller contracts.

Figure 12-6.
MBE/WBE and certified MBE/WBE share of prime contract dollars for Ivy Tech small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those worth less than \$150,000.
 Number of prime contracts analyzed is 4,442 and number of small contracts analyzed is 4,235.
 For more detail and results by group, see Figures Y-6 and Y-11 in Appendix Y.

Source:
 BBC Research & Consulting from data on Ivy Tech contracts.



B. Disparity Analysis

The second half of Chapter 12 presents Ivy Tech disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix Y provides detailed information concerning disparity results for Ivy Tech contracts.

² IC 5-22-8.

³ Because this state law does not apply to SEIs, thresholds for small purchases may vary by institution.

⁴ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

1. Overall disparity results. Figure 12-7 summarizes the overall results of the disparity analysis for Ivy Tech contracts by racial/ethnic/gender groups.

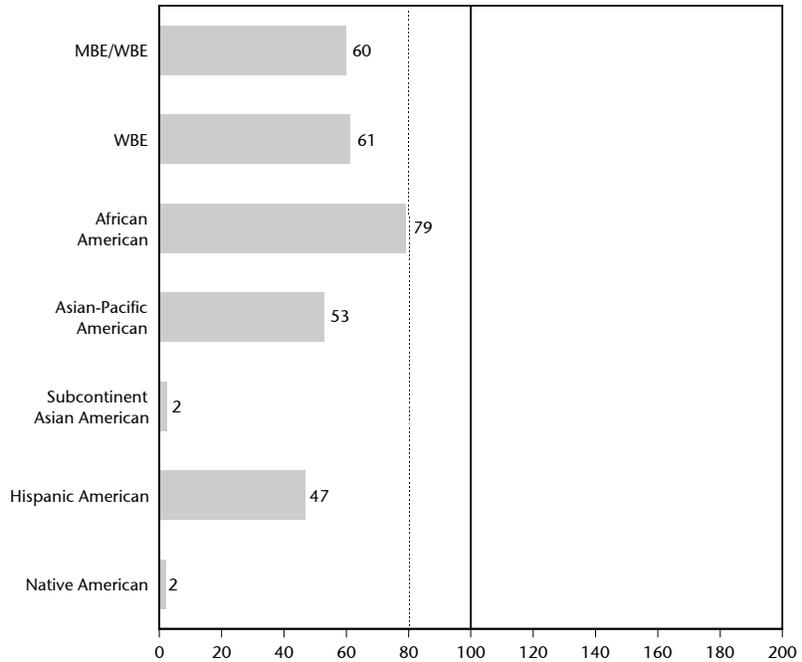
Overall, MBE/WBEs were substantially underutilized on Ivy Tech procurements.⁵ The disparity index of 60 indicates that MBE/WBEs received less than two-thirds of the dollars that they would be expected to receive based on their availability for Ivy Tech contracts.

All MBE/WBE groups exhibited substantial disparities between utilization and availability for Ivy Tech procurements. Subcontinent Asian American- (disparity index of 2) and Native American-owned firms (disparity index of 2) showed the greatest disparities.

Figure 12-7.
Disparity indices for
MBE/WBE utilization on Ivy
Tech contracts, July 2006–
June 2009

Note:
 Number of contracts/subcontracts analyzed is 4,659.
 For more detail, see Figure Y-1 in Appendix Y.

Source:
 BBC Research & Consulting from data on Ivy Tech contracts.



⁵ BBC's use of the word "substantial" in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

2. Disparity results by industry. Figure 12-8 on the following page presents disparity indices for Ivy Tech contracts by study industry. Overall, MBE/WBEs were underutilized for every study industry.

Construction. The only MBE/WBE group to not show a disparity for Ivy Tech construction contracts was Asian-Pacific American-owned firms (disparity index of 129). All other MBE/WBE groups exhibited disparity indices of less than 80. Two groups — Subcontinent Asian American- and Native American-owned firms — exhibited a disparity index of 0.

Professional services. Overall, MBE/WBEs received about two-thirds of the dollars that they would be expected to receive based on their availability for professional services contracts (disparity index of 68). African American- (disparity index of 174) and Hispanic American-owned firms (disparity index of 138) were the only MBE/WBE groups that were not substantially underutilized on Ivy Tech professional services contracts.

Goods. Considered together, MBE/WBEs showed a disparity index of 49 for Ivy Tech goods contracts, indicating that MBE/WBEs obtained approximately one-half of goods dollars that they would be expected to receive based on availability. Each MBE/WBE group was substantially underutilized on Ivy Tech goods procurements.

Support services. MBE/WBEs (disparity index of 60) obtained more than one-half of the Ivy Tech support services dollars that they would be expected to receive based on availability. Each MBE/WBE group exhibited disparities, and for all but one group — African Americans (disparity index of 85) —the disparities were substantial.

Figure 12-8.
Disparity indices for
MBE/WBE utilization on Ivy
Tech contracts, by industry,
July 2006–June 2009

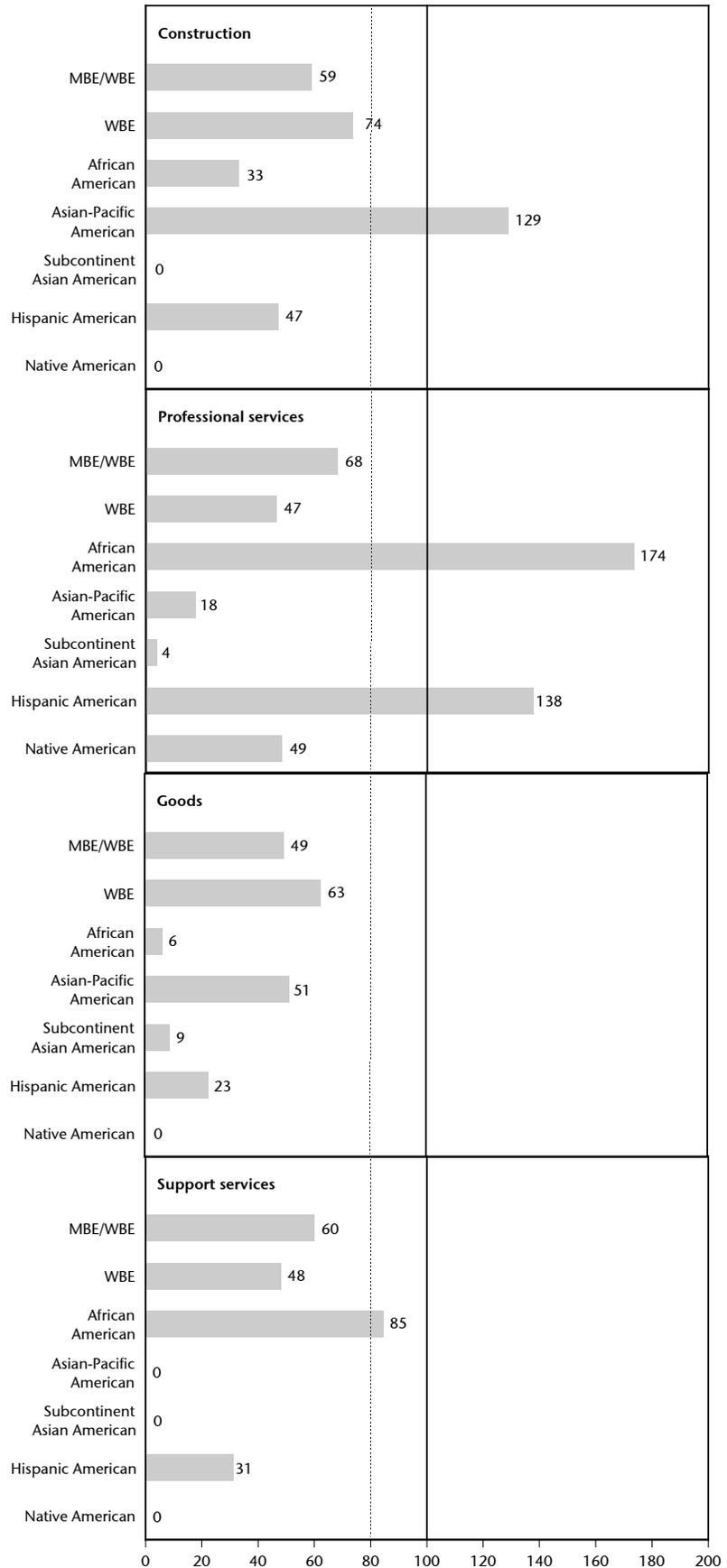
Note:

Number of contracts/subcontracts analyzed is 1,220 for construction, 1,200 for professional services, 1,773 for goods and 466 for support services.

For more detail, see Figures Y-2, Y-3, Y-4 and Y-5 in Appendix Y.

Source:

BBC Research & Consulting from data on Ivy Tech contracts.



3. Disparity results by prime contracts and subcontracts. Figure 12-9 shows disparity results for Ivy Tech prime contracts and subcontracts. The darker bars represent disparity indices for prime contracts and the lighter bars represent disparity indices for subcontracts.

Overall, the disparity between MBE/WBE utilization and availability was less for Ivy Tech prime contracts (disparity index of 60) than for subcontracts (disparity index of 55). No MBE/WBE showed a disparity index greater than 80 for Ivy Tech prime contracts. For subcontracts, there was only one group — Asian-Pacific American-owned firms (disparity index greater than 200) — that showed a disparity index greater than 80.

Figure 12-9.
Disparity indices for
MBE/WBE utilization on Ivy
Tech contracts, prime
contracts and subcontracts,
July 2006–June 2009

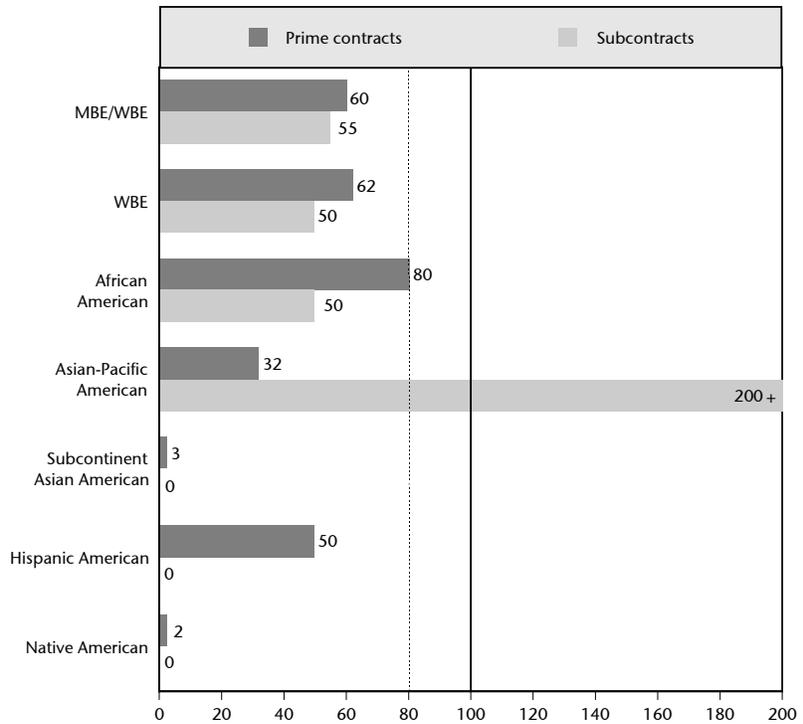
Note:

Number of prime contracts is 4,442 and number of subcontracts is 217.

For more detail, see Figures Y-6 and Y-11 in Appendix Y.

Source:

BBC Research & Consulting from data on Ivy Tech contracts.



4. Disparity results by contract size. BBC also examined disparity results for small Ivy Tech contracts (prime contractor utilization). In Figure 12-10, the darker bars represent disparity indices for small prime contracts and the lighter bars represent disparity indices for all prime contracts.

As shown in Figure 12-10, overall, MBE/WBEs were underutilized as prime contractors on Ivy Tech procurements worth less than \$150,000. However, two groups did not show substantial disparities for small contracts — African American- (disparity index of 105) and Hispanic American-owned firms (disparity index of 83). With regard to all prime contracts, no MBE/WBE groups exhibited a disparity index greater than 80.

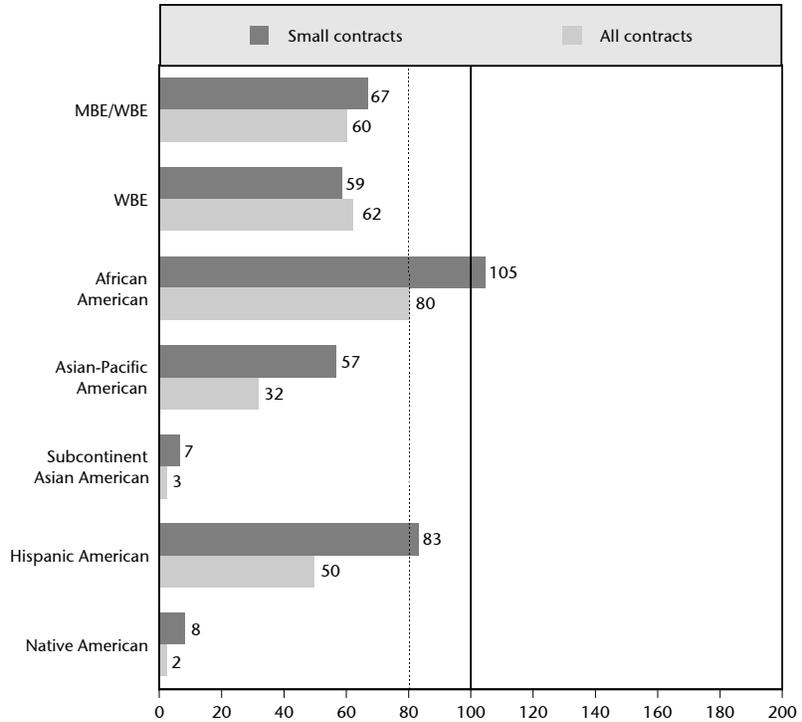
Figure 12-10.
Disparity indices for
MBE/WBE utilization as
prime contractors, Ivy Tech
small contracts and all
contracts, July 2006–June
2009

Note:

Number of contracts analyzed is 4,235 for small contracts and 4,442 for all contracts. For more detail, see Figures Y-16 and Y-6 in Appendix Y.

Source:

BBC Research & Consulting from data on Ivy Tech contracts.



5. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE groups were underutilized on Ivy Tech contracts during the study period. Overall, across all study industries, MBE/WBEs showed large disparities for Ivy Tech procurements — considered together, MBE/WBE groups obtained less than two-thirds of the Ivy Tech dollars that they would be expected to receive based on availability. Minority- and women-owned firms obtained 13.7 percent of Ivy Tech procurement dollars compared to 22.9 percent availability.

Construction. Firms owned by members of the following groups exhibited substantial disparities between utilization and availability for construction contracts:

- White women;
- African Americans;
- Subcontinent Asian Americans;

- Hispanic Americans; and
- Native Americans.

There were no disparities for firms owned by Asian-Pacific Americans on Ivy Tech construction contracts.

Professional services. Firms owned by the following groups exhibited substantial disparities between utilization and availability for professional services contracts:

- White women;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Native Americans.

There were no disparities for African American- or Hispanic American-owned firms on Ivy Tech professional services prime contracts.

Goods. For Ivy Tech goods procurements, there were substantial disparities for all MBE/WBE groups.

Support services. The following groups were substantially underutilized on Ivy Tech support services contracts:

- White women;
- Asian-Pacific Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and
- Native Americans.

Utilization of African American-owned firms was also somewhat below what those firms would be expected to receive based on availability (disparity index of 85).

Figure 12-11 identifies the specific sets of Ivy Tech contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix Y. For example, for information about construction prime contracts, see Figure Y-7 in Appendix Y.

Figure 12-11.
Directory of utilization and disparity analyses provided in Appendix Y

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	n/a	n/a	n/a
Small contracts*	16	17	18	19	20

Note: * Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting from data on Ivy Tech contracts.

CHAPTER 13.

Purdue University Utilization and Disparity Analysis

Chapter 13 presents utilization and disparity results for Purdue University (Purdue) contracts. It presents analyses for Purdue contracts that are similar to the combined analyses presented in Chapter 6 for state and SEI contracts.¹ Detailed utilization and disparity results are presented in Appendix AA.

Chapter 13 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 13 presents Purdue utilization results by:

- 1. Fiscal year;
- 2. MBE/WBE group;
- 3. Industry;
- 4. Prime contracts and subcontracts; and
- 5. Contract size.

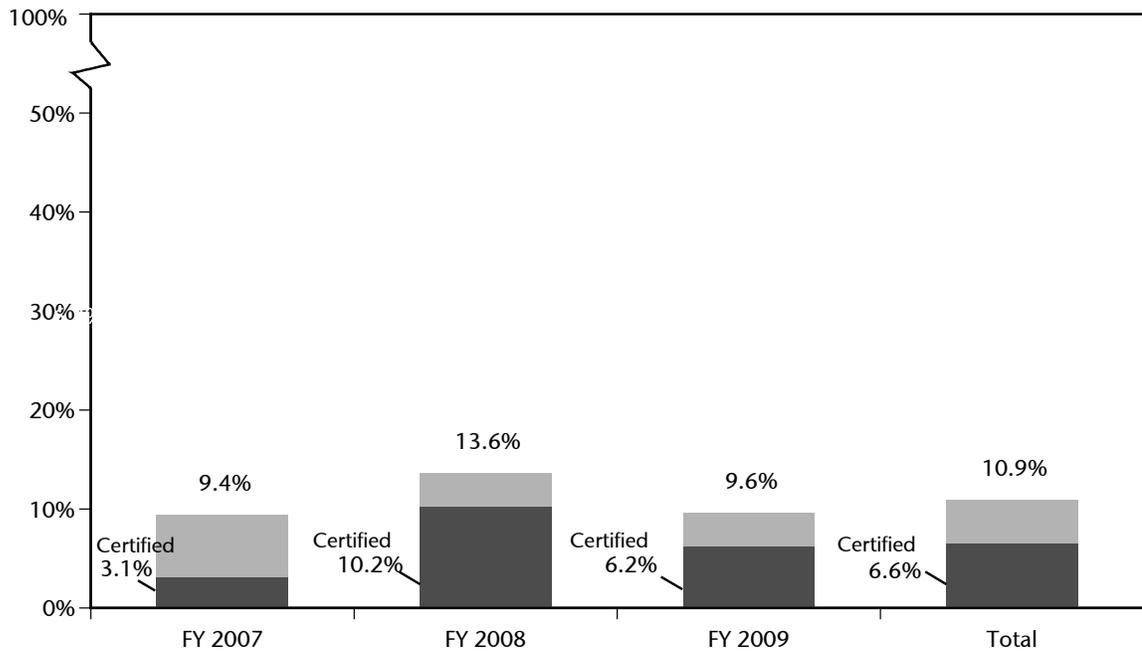
¹ It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. Figure 13-1 presents utilization of minority- and women-owned firms as a percentage of Purdue contract dollars by fiscal year (FY). Figure 13-1 also provides results for businesses certified with the State of Indiana as MBE/WBEs (the darker portion of each bar).

Over the three-year study period, MBE/WBEs received 10.9 percent of Purdue contract dollars. As shown in Figure 13-1, minority- and women-owned firms obtained 9.4 percent of Purdue contract dollars in FY 2007, 13.6 percent in FY 2008 and 9.6 percent in FY 2009.

A smaller portion of Purdue’s procurement dollars went to firms that were MBE/WBE certified with the State of Indiana. Certified MBE/WBEs obtained only 3.1 percent of Purdue procurement dollars in FY 2007, 10.2 percent in FY 2008 and 6.2 percent in FY 2009.

Figure 13-1.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for Purdue contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 2,806 for FY 2007, 3,277 for FY 2008, 2,888 for FY 2009 and 8,971 for all years combined.

Source: BBC Research & Consulting from data on Purdue contracts.

2. Utilization results by MBE/WBE group. Figure 13-2 details utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group.

As shown in Figure 13-2, WBEs (8.5%) accounted for most of Purdue's overall MBE/WBE utilization. Combined, MBEs represented 2.5 percentage points of overall MBE/WBE participation. No MBE group obtained more than 1 percent of Purdue procurement dollars during the study period.

More than half of overall MBE/WBE participation on Purdue contracts was with firms certified as MBE/WBEs with the State of Indiana.

Figure 13-2.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for Purdue construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Total	
	\$ in thousands	Percent
MBE/WBEs		
African American-owned	\$7,008	1.0 %
Asian-Pacific American-owned	2,490	0.4
Subcontinent Asian American-owned	2,272	0.3
Unknown Asian American-owned	26	0.0
Hispanic American-owned	4,054	0.6
Native American-owned	1,391	0.2
Total MBE	\$17,241	2.5 %
WBE (white women-owned)	58,766	8.5
Total MBE/WBE	\$76,008	10.9 %
Majority-owned	618,680	89.1
Total	\$694,688	100.0 %
Certified		
African American-owned	\$5,702	0.8 %
Asian-Pacific American-owned	518	0.1
Subcontinent Asian American-owned	1,135	0.2
Hispanic American-owned	1,657	0.2
Native American-owned	148	0.0
Total MBE certified	\$9,160	1.3 %
WBE (white women-owned)	36,348	5.2
Total MBE/WBE certified	\$45,508	6.6 %
Non-certified	649,180	93.4
Total	\$694,688	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
 Number of contracts/subcontracts analyzed is 8,971.

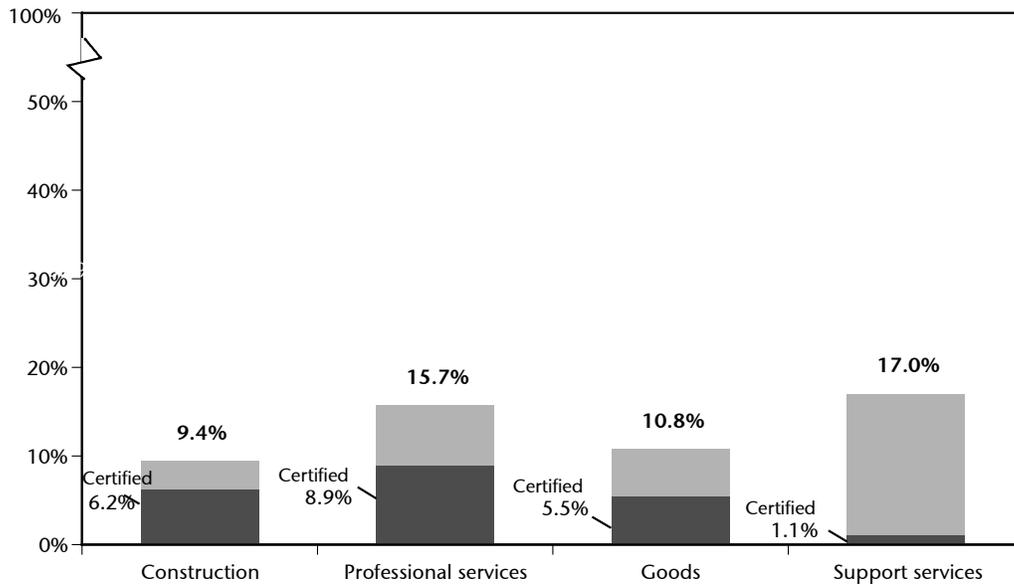
Source: BBC Research & Consulting from data on Purdue contracts.

3. Utilization results by industry. Figure 13-3 presents MBE/WBE utilization by industry — construction, professional services, goods and support services. Overall MBE/WBE utilization was:

- 9.4 percent for construction;
- 15.7 percent for professional services;
- 10.8 percent for goods; and
- 17.0 percent for support services

Most MBE/WBE utilization for construction, professional services and goods occurred with firms that were MBE/WBE certified with the State of Indiana. Far less MBE/WBE utilization for support services occurred with certified firms.

Figure 13-3.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for Purdue construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 2,408 for construction, 2,644 for professional services, 3,568 for goods and 351 for support services.

For more detail, see Figures AA-2, AA-3, AA-4 and AA-5.

Source: BBC Research & Consulting from data on Purdue contracts.

Industry results are presented by racial/ethnic/gender group in Figure 13-4.

Construction. BBC examined more than \$436 million of Purdue construction contracts during the study period, the largest dollar volume of any study industry. MBE/WBEs received \$41 million in construction contract dollars. WBEs (8.7%) accounted for most of the overall MBE/WBE utilization on construction contracts. MBEs received \$3 million in Purdue construction contracts during the three-year study period.

Professional services. There were more than 2,600 professional services contracts and subcontracts totaling \$136 million in the Purdue procurement data that BBC analyzed. WBEs (7.1%) and African American-owned firms (4.2%) exhibited higher utilization for Purdue professional contracts than other MBE/WBE groups.

Goods. The study team examined \$114 million (more than 3,500 contracts) in Purdue goods contract dollars for the study period totaled. White women-owned firms accounted for 9.0 percentage points of the 10.8 percent overall MBE/WBE utilization.

Support services. Purdue support services contracts examined in the study totaled approximately \$8 million. Much of the overall MBE/WBE utilization was with WBEs (10.3% utilization) and Asian-Pacific American-owned firms (5.2%). Native American- and Subcontinent Asian American-owned firms showed no utilization for Purdue support services dollars.

Figure 13-4.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for Purdue, by industry and race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$738	0.2 %	\$5,736	4.2 %	\$334	0.3 %	\$95	1.2 %
Asian-Pacific American-owned	97	0.0	1,675	1.2	275	0.2	403	5.2
Subcontinent Asian American-owned	526	0.1	1,558	1.1	206	0.2	0	0.0
Unknown Asian American-owned	0	0.0	20	0.1	7	0.0	0	0.0
Hispanic American-owned	1,504	0.3	1,636	1.2	1,036	0.9	23	0.3
Native American-owned	170	0.0	1,019	0.7	185	0.2	0	0.0
Total MBE	\$3,036	0.7 %	\$11,643	8.6 %	\$2,042	1.8 %	\$520	6.7 %
WBE (white women-owned)	38,015	8.7	9,696	7.1	10,256	9.0	799	10.3
Total MBE/WBE	\$41,051	9.4 %	\$21,339	15.7 %	\$12,298	10.8 %	\$1,319	17.0 %
Majority-owned	395,383	90.6	114,818	84.3	102,041	89.2	6,439	83.0
Total	\$436,434	100.0 %	\$136,157	100.0 %	\$114,339	100.0 %	\$7,758	100.0 %
Certified								
African American-owned	\$457	0.1 %	\$5,009	3.7 %	\$170	0.1 %	\$59	0.8 %
Asian-Pacific American-owned	14	0.0	473	0.3	31	0.0	0	0.0
Subcontinent Asian American-owned	347	0.1	782	0.6	5	0.0	0	0.0
Hispanic American-owned	244	0.1	584	0.4	816	0.7	20	0.3
Native American-owned	127	0.0	0	0.0	21	0.0	0	0.0
Total MBE certified	\$1,188	0.3 %	\$6,847	5.0 %	\$1,042	0.9 %	\$79	1.0 %
WBE (white women-owned)	25,848	5.9	5,238	3.8	5,255	4.6	9	0.1
Total MBE/WBE certified	\$27,037	6.2 %	\$12,086	8.9 %	\$6,297	5.5 %	\$88	1.1 %
Non-certified	409,397	93.8	124,071	91.1	108,042	94.5	7,670	98.9
Total	\$436,434	100.0 %	\$136,157	100.0 %	\$114,339	100.0 %	\$7,758	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
Number of contracts/subcontracts analyzed is 2,408 for construction, 2,644 for professional services, 3,568 for goods and 351 for support services.
For more detail, see Figures AA-2, AA-3, AA-4 and AA-5 in Appendix AA.

Source: BBC Research & Consulting from data on Purdue contracts.

4. Utilization results by prime contracts and subcontracts. Of the approximately \$700 million of Purdue contract dollars examined in the study, BBC identified more than \$100 million in subcontracts.² Figure 13-5 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts.

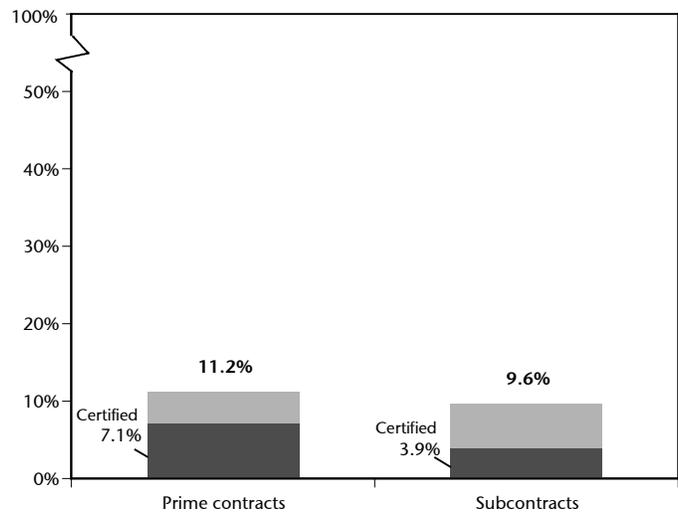
Results in Figure 13-5 indicate that MBE/WBEs received a slightly smaller share of subcontract dollars than prime contract dollars during the study period — 9.6 percent of Purdue subcontract dollars went to MBE/WBEs compared to 11.2 percent of prime contract dollars.

This result is very different from BBC’s analysis of IDOA and INDOT contracts for which MBE/WBE and DBE contract goals are sometimes applied. As discussed in Chapter 7 for IDOA and Chapter 8 for INDOT, MBE/WBEs’ share of subcontract dollars was much higher than MBE/WBEs’ share of prime contract dollars for those agencies. The difference in results may be due in part to the absence of MBE/WBE goals on Purdue contracts.³

Figure 13-5.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for Purdue contracts, July 2006–June 2009

Note:
 Number of prime contracts analyzed is 8,250 and number of subcontracts analyzed is 721.
 For more detail and results by group, see Figures AA-6 and AA-11 in Appendix AA.

Source:
 BBC Research & Consulting from data on Purdue contracts.



Subcontracting is industry practice for many types of construction and some professional services work. Accordingly, virtually all (98%) of the subcontract dollars in Figure 13-5 pertain to Purdue construction and professional services contracts. BBC further researched any differences in MBE/WBE utilization as subcontractors between Purdue’s construction and professional services contracts.

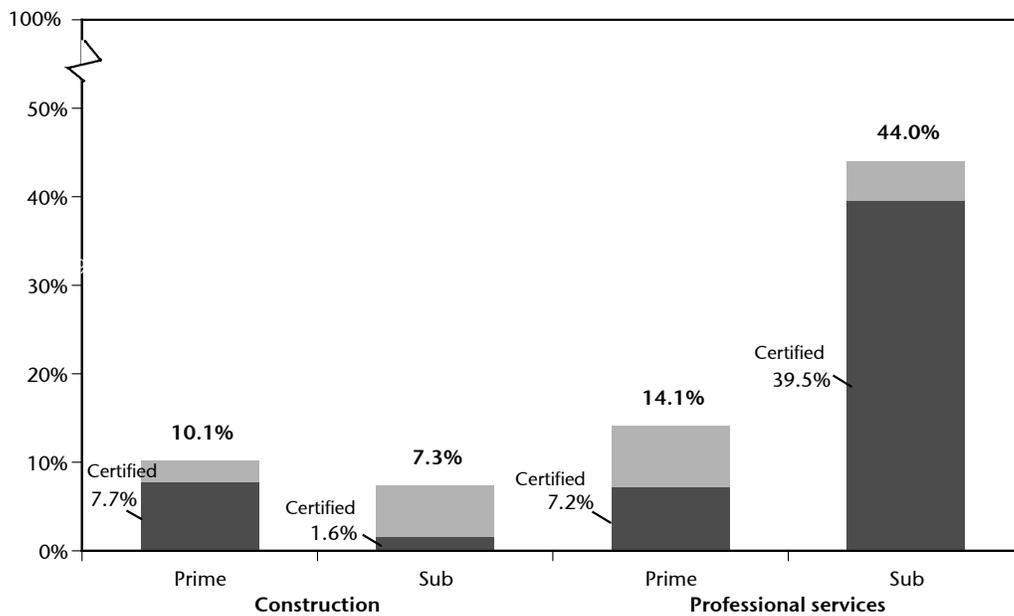
² Because Purdue did not have complete information on subcontracts, BBC contacted prime contractors directly to collect that information.

³ Although Purdue University applies contracting goals on some of its contracts, it appears there are no consequences for prime contractors who fail to meet those goals or fail to fulfill good faith efforts.

Figure 13-6 presents MBE/WBE utilization separately for construction and professional services prime contracts and subcontracts. As shown, MBE/WBE firms obtained a substantially larger share of Purdue subcontract dollars than prime contract dollars for professional services but not for construction.

- MBE/WBEs received only 7.3 percent of construction subcontract dollars, with certified firms accounting for very little (1.6 percentage points) of that utilization.
- MBE/WBEs received almost half (44%) of professional services subcontract dollars, and certified firms accounted for most of that utilization.

Figure 13-6.
MBE/WBE and certified MBE/WBE share of prime contract and subcontract dollars for Purdue construction and professional services contracts, July 2006–June 2009



Note: Number of prime contracts analyzed is 1,755 for construction, 2,586 for professional services. Number of subcontracts analyzed is 653 for construction and 58 for professional services.

Source: BBC Research & Consulting from data on Purdue contracts.

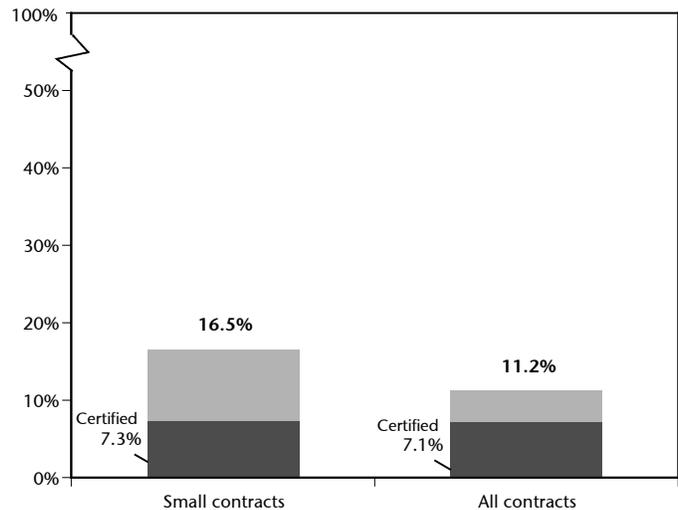
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases,” and public and competitive bidding procedures are not required for procurements of that size.^{4,5} Of the \$700 million of Purdue contracts included in the study, BBC identified about \$160 million in contracts worth less than \$150,000.⁶ Figure 13-6 presents the percent of dollars that MBE/WBEs received on those small procurements.

Figure 13-7 shows the utilization of MBE/WBEs as prime contractors on small contracts and as prime contractors on all contracts. MBE/WBE received a larger proportion of prime dollars on small contracts (16.5%) than of prime dollars on all contracts (11.2%). The disparity analysis later in this section examines whether this result reflects greater availability of MBE/WBEs for smaller contracts.

Figure 13-7.
MBE/WBE and certified MBE/WBE share of prime contract dollars for Purdue small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those worth less than \$150,000.
 Number of small contracts analyzed is 7,752 and number of total contracts analyzed is 8,250.
 For more detail and results by group, see Figures AA-16 and AA-6 in Appendix AA.

Source:
 BBC Research & Consulting from data on Purdue contracts.



B. Disparity Analysis

The second half of Chapter 13 presents Purdue disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix AA provides detailed information concerning disparity results for Purdue contracts.

⁴ IC 5-22-8.

⁵ Because this state law does not apply to SEIs, thresholds for small purchases may vary by institution.

⁶ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

1. Overall disparity results. Figure 13-8 summarizes the overall results of the disparity analysis for Purdue contracts by racial/ethnic/gender groups.

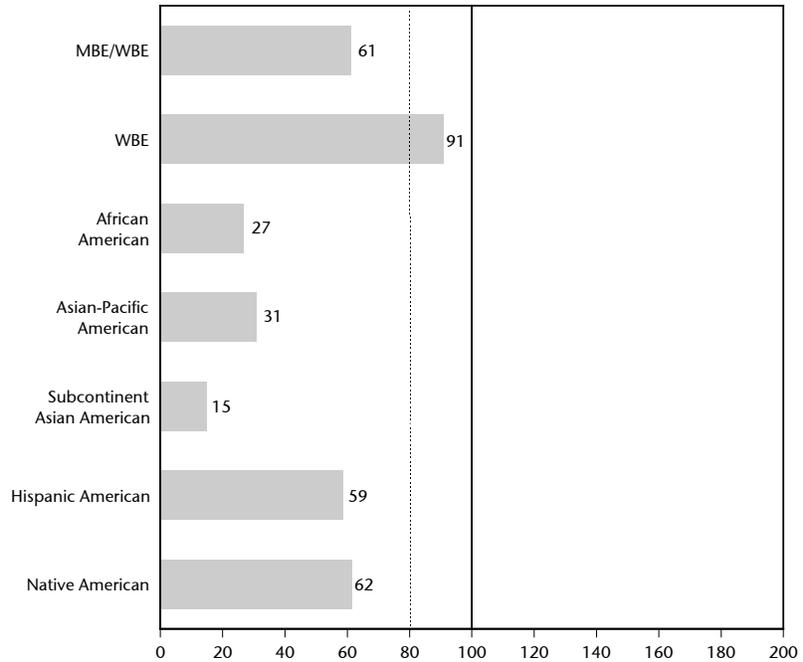
Overall, MBE/WBEs were substantially underutilized on Purdue procurements.⁷ The disparity index of 61 indicates that MBE/WBEs received less than two-thirds of the dollars that they would be expected to receive based on their availability for Purdue contracts.

Only one MBE/WBE group did not show a large disparity — WBEs (disparity index of 91) received a percentage of Purdue contract dollars that was close to what they would be expected to receive based on availability. All MBE groups exhibited substantial disparities.

Figure 13-8.
Disparity indices for
MBE/WBE utilization on
Purdue contracts, July
2006–June 2009

Note:
Number of contracts/subcontracts analyzed
is 8,971.
For more detail, see Figure AA-1
in Appendix AA.

Source:
BBC Research & Consulting from data on
Purdue contracts.



⁷ BBC's use of the word "substantial" in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

2. Disparity results by industry. Figure 13-9 presents disparity indices for Purdue contracts by study industry. Overall, MBE/WBEs were underutilized in every study industry.

Construction. All MBE groups exhibited disparity indices of less than 80 on Purdue construction contracts. Further, all MBE groups except Hispanic Americans (disparity index of 79) showed a disparity index of less than 15. WBEs did not show a disparity for Purdue construction contracts (disparity index of 112).

Professional services. Overall, MBE/WBEs received two-thirds of the dollars that would be expected based on their availability for professional services contracts (disparity index of 67). African American- (disparity index of 118), Hispanic American- (disparity index of 128) and Native American-owned firms (disparity index of 166) were not substantially underutilized on Purdue professional services contracts.

Goods. Considered together, MBE/WBEs showed a disparity index of 62, indicating that they obtained less than two-thirds of Purdue goods dollars that they would be expected to receive based on availability. Asian-Pacific American- (disparity index of 7) and African American-owned firms (disparity index of 14) showed the greatest disparities, whereas Subcontinent Asian American- and Native American-owned firms (disparity indices greater than 200) did not show disparities. WBEs exhibited utilization that was in line with availability (disparity index of 99).

Support services. Overall, MBE/WBEs (disparity index of 50) obtained one-half of the Purdue support services dollars that they would be expected to receive based on their availability for those contracts. The only group to not show a substantial disparity for Purdue support services procurements was Asian-Pacific American-owned firms (disparity index greater than 200).

Figure 13-9.
Disparity indices for
MBE/WBE utilization on
Purdue contracts, by
industry, July 2006–June
2009

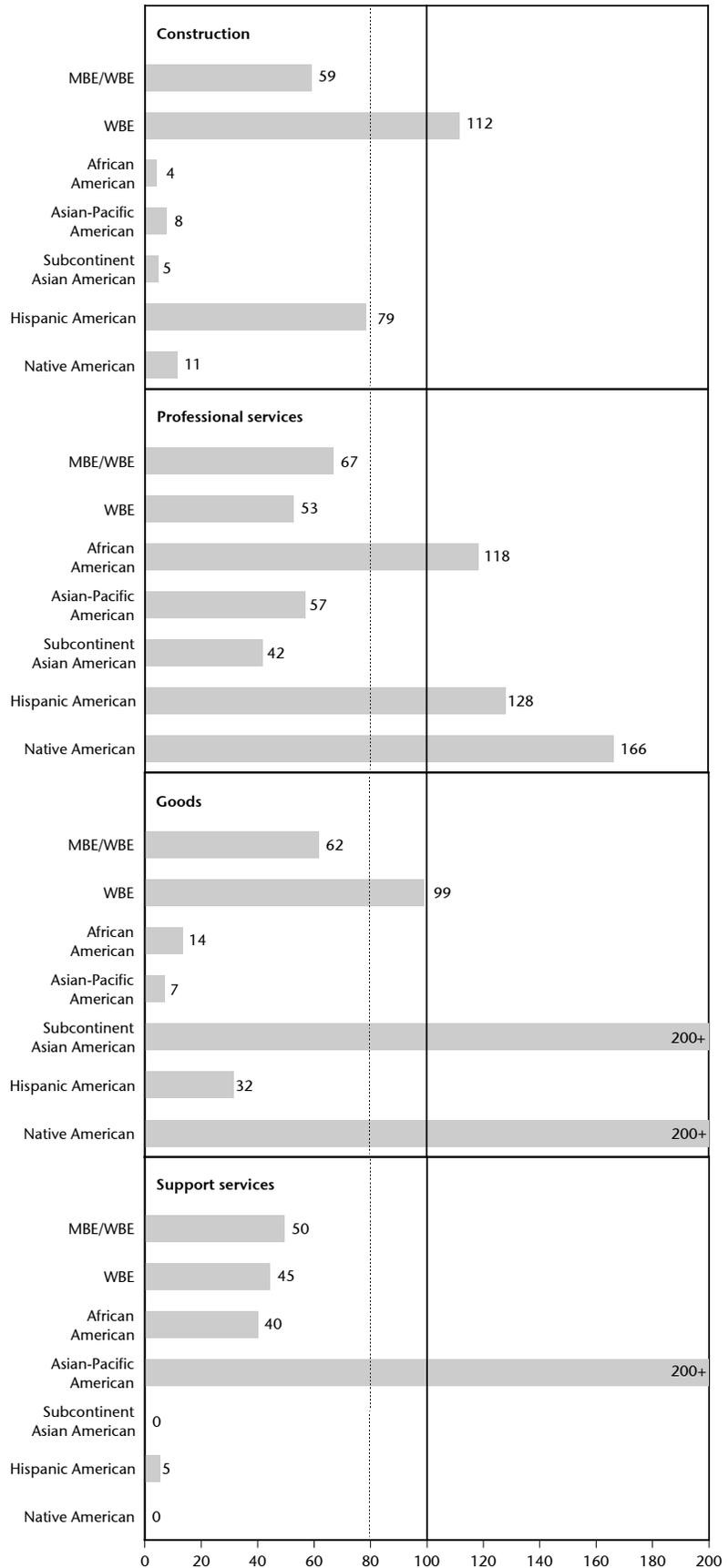
Note:

Number of contracts/subcontracts analyzed is 2,408 for construction, 2,644 for professional services, 3,568 for goods and 351 for support services.

For more detail, see Figures AA-2, AA-3, AA-4 and AA-5 in Appendix AA.

Source:

BBC Research & Consulting from data on Purdue contracts.



3. Disparity results by prime contracts and subcontracts. Figure 13-10 shows disparity results for prime contracts (darker bars) and subcontracts (lighter bars). Overall, the disparity between MBE/WBE utilization and availability was similar for Purdue prime contracts (disparity index of 62) and subcontracts (disparity index of 57).

There were two MBE/WBE groups that showed disparity indices greater than 80 for subcontracts — Subcontinent Asian American- (disparity index of 95) and Hispanic-owned firms (disparity index of 84). The only group that showed a disparity index greater than 80 for prime contracts was WBEs.

Figure 13-10.
Disparity indices for
MBE/WBE utilization on
Purdue contracts, prime
contracts and subcontracts,
July 2006–June 2009

Note:

Number of prime contracts is 8,250 and number of subcontracts is 721.

For more detail, see Figures AA-6 and AA-11 in Appendix AA.

Source:

BBC Research & Consulting from data on Purdue contracts.

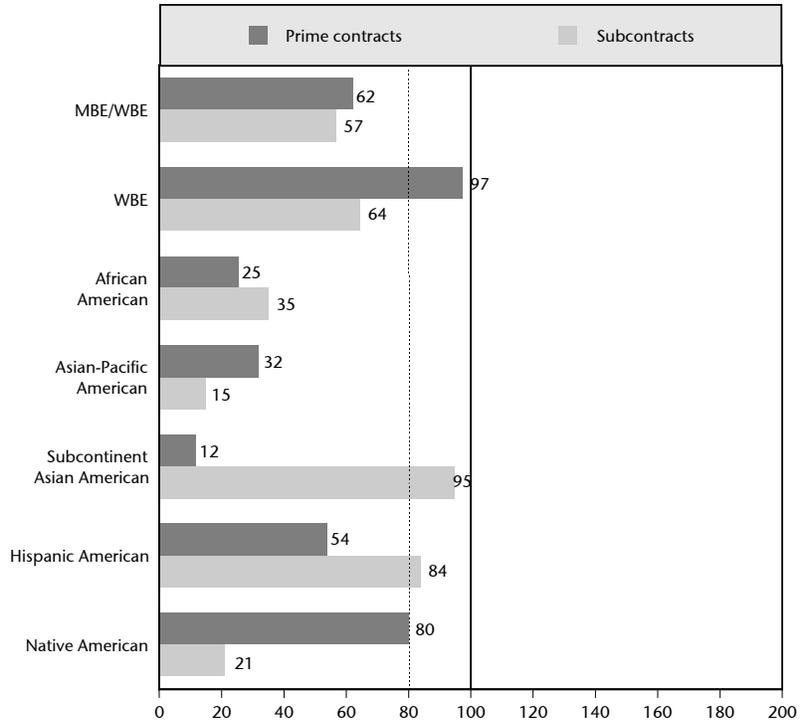


Figure 13-11 presents disparity results separately for construction and professional services prime contracts and subcontracts.

Construction. Consistent with the data shown in Figure 13-10, MBE/WBEs were substantially underutilized on construction prime contracts (disparity index of 65) and subcontracts (disparity index of 43). The only two groups to not exhibit disparities for construction prime contracts were WBEs (disparity index of 139) and Hispanic American-owned firms (disparity index of 137). All MBE/WBE groups showed substantial disparities for construction subcontracts.

Professional services. MBE/WBEs were substantially underutilized on professional services prime contracts (disparity index of 60) but were not underutilized on professional services subcontracts (disparity index greater than 200). The only groups that were substantially underutilized on professional services subcontracts were Asian-Pacific American-owned firms (disparity index of 45) and Native American-owned firms (disparity index of 0).

Figure 13-11.
Disparity indices for
MBE/WBE utilization on
Purdue construction and
professional services prime
contracts and subcontracts,
July 2006–June 2009

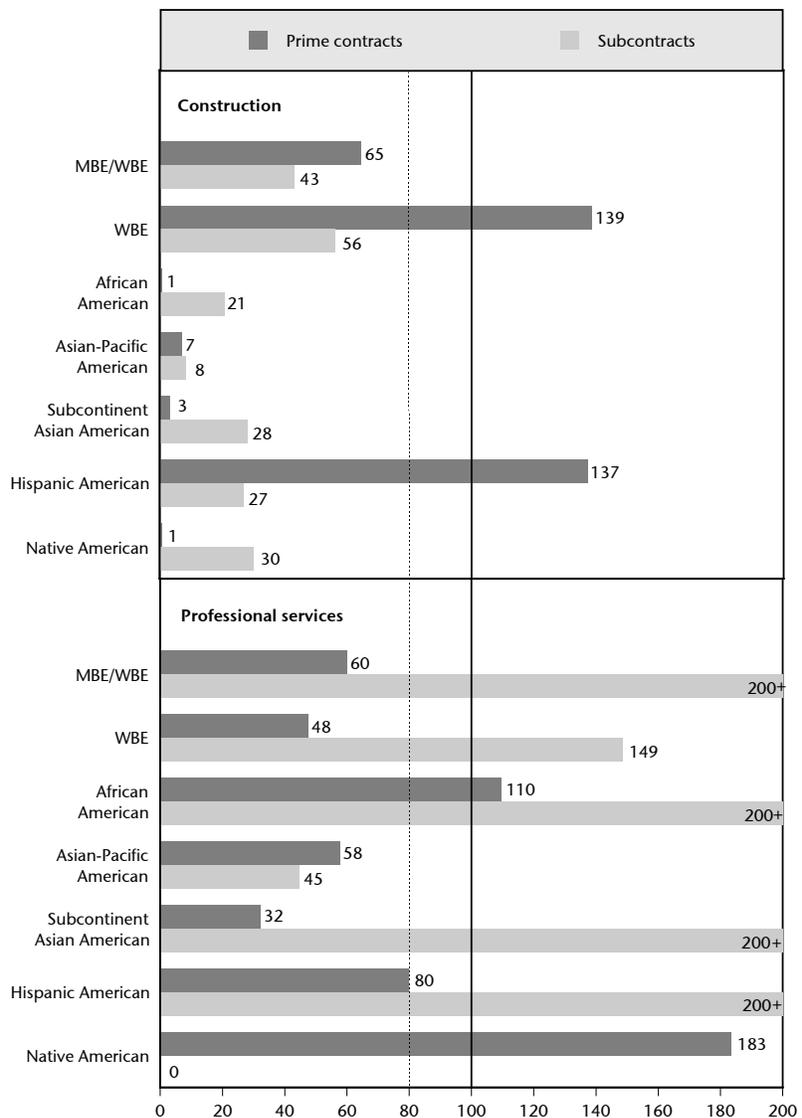
Note:

Number of prime contracts is 1,755 for construction and 2,586 for professional services. The number of subcontracts is 653 for construction and 58 for professional services.

For more detail, see Figures AA-7, AA-8, AA-12 and AA-13 in Appendix AA.

Source:

BBC Research & Consulting from data on Purdue contracts.



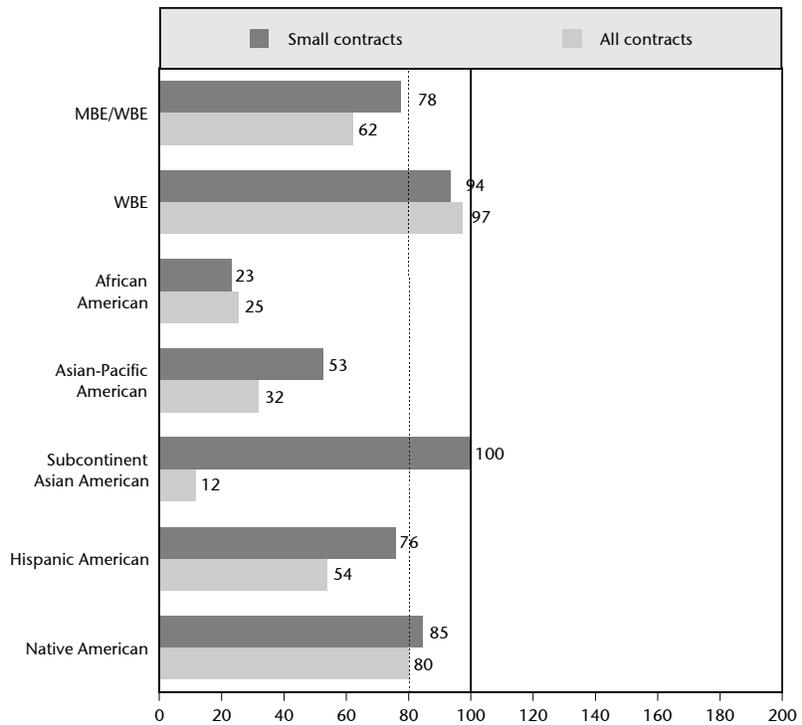
4. Disparity results by contract size. BBC also examined disparity results for small contracts (prime contractor utilization). In Figure 13-12, the darker bars represent disparity indices for small prime contracts and the lighter bars represent disparity indices for all prime contracts.

Overall, MBE/WBEs were underutilized as prime contractors on Purdue procurements under \$150,000. However, three groups did not show substantial disparities for those contracts — WBEs (disparity index of 94), Subcontinent Asian American-owned firms (disparity index of 100) and Native American-owned firms (disparity index of 85).

Figure 13-12.
Disparity indices for
MBE/WBE utilization as
prime contractors, Purdue
small contracts and all
contracts, July 2006–June
2009

Note:
 Number of prime contracts analyzed is 7,752 for small contracts and 8,250 for all contracts.
 For more detail, see Figures AA-16 and AA-6 in Appendix AA.

Source:
 BBC Research & Consulting from data on Purdue contracts.



5. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE groups were underutilized on Purdue contracts during the study period. Overall, across all study industries, MBE/WBEs showed large disparities for Purdue contracts — considered together, MBE/WBE groups obtained less than two-thirds of the Purdue contract dollars that they would be expected to receive based on availability. The study team observed similar results for both Purdue prime contracts and subcontracts (which were largely made up of construction and professional services procurements).

Construction. The following groups exhibited substantial disparities between utilization and availability for Purdue construction contracts:

- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and

- Native Americans.

There were no disparities for white women-owned firms on Purdue construction prime contracts.

Professional services. Firms owned by members of the following groups exhibited substantial disparities between utilization and availability for professional services prime contracts:

- White women;
- Asian-Pacific Americans; and
- Subcontinent Asian Americans.

There were no disparities for African American-, Hispanic American- or Native American-owned firms on Purdue professional services contracts.

Goods. For Purdue goods procurements, there were substantial disparities for firms owned by:

- African Americans;
- Asian-Pacific Americans; and
- Hispanic Americans.

The study team did not observe disparities for Purdue goods procurements for firms owned by white women, Subcontinent Asian Americans or Native Americans.

Support services. Firms owned by members of the following groups were underutilized on Purdue support services contracts:

- White women;
- African Americans;
- Subcontinent Asian Americans;
- Hispanic Americans; and
- Native Americans.

The only group for which the study team did not observe a disparity for Purdue support services contracts was Asian-Pacific American-owned firms.

Figure 13-13 identifies the specific sets of Purdue contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix AA. For example, for information about construction prime contracts, see Figure AA-7 in Appendix AA.

Figure 13-13.
Directory of utilization and disparity analyses provided in Appendix AA

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	13	n/a	n/a
Small contracts*	16	17	18	19	20

Note: * Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting from data on Purdue contracts.

CHAPTER 14.

University of Southern Indiana Utilization and Disparity Analysis

Chapter 14 presents utilization and disparity results for University of Southern Indiana (USI) contracts. It presents analyses for USI contracts that are similar to the combined analyses presented in Chapter 6 for state and SEI contracts.¹ Detailed utilization and disparity results are presented in Appendix CC.

Chapter 14 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 14 presents USI utilization results by:

- 1. Fiscal year;
- 2. MBE/WBE group;
- 3. Industry;
- 4. Prime contracts and subcontracts; and
- 5. Contract size.

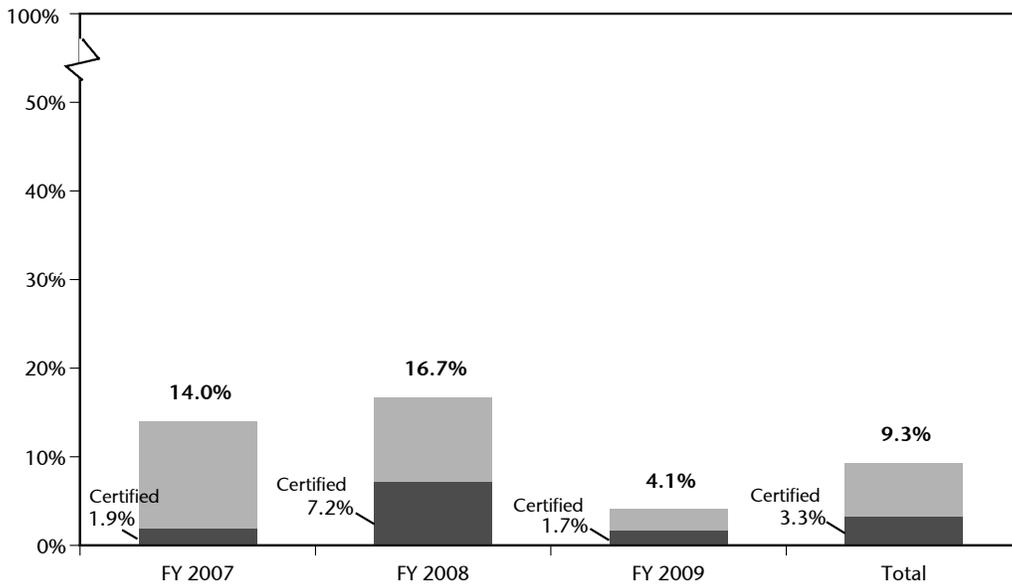
¹ It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. Figure 14-1 presents utilization of minority- and women-owned firms as a percentage of USI contract dollars by fiscal year (FY). Figure 14-1 also provides results for businesses certified with the State of Indiana as MBE/WBEs (the darker portion of each bar).

Over the three-year study period, MBE/WBEs received 9.3 percent of USI contract dollars. As shown in Figure 14-1, minority- and women-owned firms obtained 14.0 percent of USI contract dollars in FY 2007, 16.7 percent in FY 2008 and 4.1 percent in FY 2009.

A smaller portion of USI’s procurement dollars went to firms that were MBE/WBE certified with the State of Indiana. Certified MBE/WBEs obtained 1.9 percent of USI procurement dollars in FY 2007, 7.2 percent in FY 2008 and 1.7 percent in FY 2009.

Figure 14-1.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for USI contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 437 for FY 2007, 536 for FY 2008, 557 for FY 2009 and 1,530 for all years combined.

Source: BBC Research & Consulting from data on USI contracts.

2. Utilization results by MBE/WBE group. Figure 14-2 details utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group.

As shown in Figure 14-2, MBE/WBEs obtained about \$11 million of the \$117 million of USI contract dollars examined for the study period. WBEs (6.4% utilization) accounted for most of USI's overall MBE/WBE utilization. MBEs as a whole represented 2.9 percentage points of overall MBE/WBE participation. The only MBE group to obtain more than 1 percent of USI procurement dollars during the study period was Hispanic American-owned firms (1.4%).

About one-third of overall MBE/WBE participation on USI contracts was with firms certified as MBE/WBEs with the State of Indiana.

Figure 14-2.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for USI construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Total	
	\$ in thousands	Percent
MBE/WBEs		
African American-owned	\$848	0.7 %
Asian-Pacific American-owned	0	0.0
Subcontinent Asian American-owned	239	0.2
Hispanic American-owned	1,598	1.4
Native American-owned	681	0.6
Total MBE	\$3,366	2.9 %
WBE (white women-owned)	7,536	6.4
Total MBE/WBE	\$10,902	9.3 %
Majority-owned	106,096	90.7
Total	\$116,998	100.0 %
Certified		
African American-owned	\$24	0.0 %
Asian-Pacific American-owned	0	0.0
Subcontinent Asian American-owned	13	0.0
Hispanic American-owned	0	0.0
Native American-owned	0	0.0
Total MBE certified	\$36	0.0 %
WBE (white women-owned)	3,835	3.3
Total MBE/WBE certified	\$3,871	3.3 %
Non-certified	113,127	96.7
Total	\$116,998	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
Number of contracts/subcontracts analyzed is 1,530.
For more detail, see Figure CC-1 in Appendix CC.

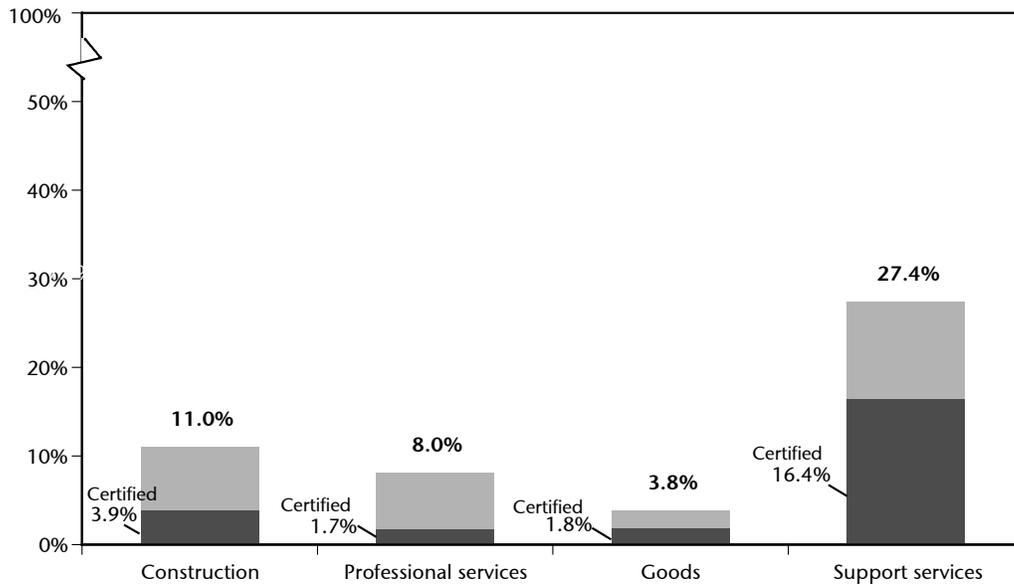
Source: BBC Research & Consulting from data on USI contracts.

3. Utilization results by industry. Figure 14-3 presents MBE/WBE utilization by industry — construction, professional services, goods and support services. Overall MBE/WBE utilization was:

- 11.0 percent for construction;
- 8.0 percent for professional services;
- 3.8 percent for goods; and
- 27.4 percent for support services.

Much of the MBE/WBE utilization for support services occurred with firms that were MBE/WBE certified with the State of Indiana, and less of the MBE/WBE utilization for construction, professional services and goods was with certified firms.

Figure 14-3.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for USI construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 658 for construction, 448 for professional services, 350 for goods and 74 for support services. For more detail, see Figures CC-2, CC-3, CC-4 and CC-5.

Source: BBC Research & Consulting from data on USI contracts.

Industry results are presented by racial/ethnic/gender group in Figure 14-4.

Construction. BBC examined \$80 million of USI construction contracts during the study period, the largest dollar volume of any study industry. MBE/WBEs received \$9 million in construction contract dollars. WBEs (utilization of 7%) accounted for most of the overall MBE/WBE utilization for construction contracts. Firms identified as minority-owned firms received just \$3 million in USI construction prime contracts or subcontracts during the three-year study period (overall MBE utilization of 4%).

Professional services. There were more almost 450 professional services contracts and subcontracts totaling \$11 million in the USI procurement data that BBC analyzed. WBEs (7.2%) and Hispanic American-owned firms (0.8%) accounted for all of the MBE/WBE utilization on professional services contracts during the study period.

Goods. USI goods contract dollars examined for the study period totaled \$25 million (350 contracts). White women-owned firms accounted for 3.8 percentage points of the 3.8 percent overall MBE/WBE utilization. The only other MBE/WBE group to be utilized was African American-owned firms, which received only one contract and accounted for a negligible percent of the overall MBE/WBE utilization.

Support services. USI support services contracts examined in the study totaled just \$1 million. Most of the overall MBE/WBE utilization was with WBEs (21.5% utilization). The remainder of MBE/WBE utilization on support services contracts was with minority-owned firms of unknown race/ethnicity.

Figure 14-4.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for USI, by industry and race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$1,193	1.5 %	\$0	0.0 %	\$11	0.0 %	\$0	0.0 %
Asian-Pacific American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Subcontinent Asian American-owned	440	0.6	0	0.0	0	0.0	0	0.0
Hispanic American-owned	319	0.4	91	0.8	0	0.0	0	0.0
Native American-owned	1,253	1.6	0	0.0	0	0.0	0	0.0
Unknown MBE	N/A	N/A	N/A	N/A	N/A	N/A	60	5.9
Total MBE	\$3,204	4.0 %	\$91	0.8 %	\$11	0.0 %	\$60	5.9 %
WBE (white women-owned)	5,565	7.0	811	7.2	943	3.8	217	21.5
Total MBE/WBE	\$8,769	11.0 %	\$902	8.0 %	\$954	3.8 %	\$277	27.4 %
Majority-owned	71,027	89.0	10,423	92.0	23,910	96.2	737	72.6
Total	\$79,796	100.0 %	\$11,325	100.0 %	\$24,864	100.0 %	\$1,014	100.0 %
Certified								
African American-owned	\$24	0.0 %	\$0	0.0 %	\$0	0.0 %	\$0	0.0 %
Asian-Pacific American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Subcontinent Asian American-owned	13	0.0	0	0.0	0	0.0	0	0.0
Hispanic American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Native American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Total MBE certified	\$36	0.0 %	\$0	0.0 %	\$0	0.0 %	\$0	0.0 %
WBE (white women-owned)	3,041	3.8	191	1.7	437	1.8	166	16.4
Total MBE/WBE certified	\$3,077	3.9 %	\$191	1.7 %	\$437	1.8 %	\$166	16.4 %
Non-certified	76,719	96.1	11,134	98.3	24,427	98.2	848	83.6
Total	\$79,796	100.0 %	\$11,325	100.0 %	\$24,864	100.0 %	\$1,014	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
Number of contracts/subcontracts analyzed is 658 for construction, 448 for professional services, 350 for goods and 74 for support services.
For more detail, see Figures CC-2, CC-3, CC-4 and CC-5 in Appendix CC.

Source: BBC Research & Consulting from data on USI contracts.

4. Utilization results by prime contracts and subcontracts. Of the \$117 million of USI contracts examined in the study, BBC identified \$32 million in subcontracts. Figure 14-5 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts.

Results in Figure 14-5 indicate that MBE/WBEs received a smaller share of subcontract dollars than prime contract dollars during the study period — 7 percent of USI subcontract dollars went to MBE/WBEs compared to 10 percent of prime contract dollars.

This result is very different from BBC’s analysis of IDOA and INDOT contracts for which MBE/WBE and DBE contract goals are sometimes applied. As discussed in Chapter 7 for IDOA and Chapter 8 for INDOT, MBE/WBEs’ share of subcontract dollars is much higher than MBE/WBEs’ share of prime contract dollars for those agencies. The difference in results may be due in part to the absence of MBE/WBE goals on USI contracts.²

Figure 14-5.
MBE/WBE and certified MBE/WBE share
of prime contract and subcontract
dollars for USI contracts, July 2006–June
2009

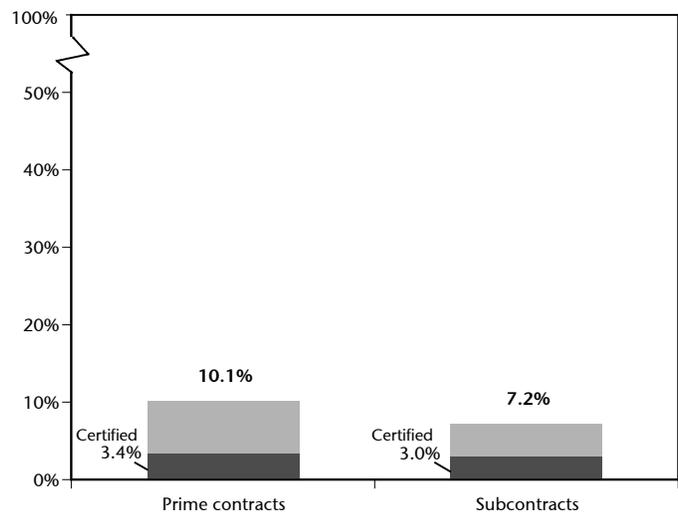
Note:

Number of prime contracts analyzed is 1,299 and number of subcontracts analyzed is 231.

For more detail and results by group, see Figures CC-6 and CC-11 in Appendix CC.

Source:

BBC Research & Consulting from data on USI contracts.



Subcontracting is industry practice for many types of construction work. Accordingly, virtually all (99%) of subcontract dollars in Figure 14-5 pertain to USI construction contracts.

² Although the University of Southern Indiana sets subcontracting goals on some of its contracts, it appears there are no consequences for prime contractors who fail to meet those goals or fail to fulfill good faith efforts.

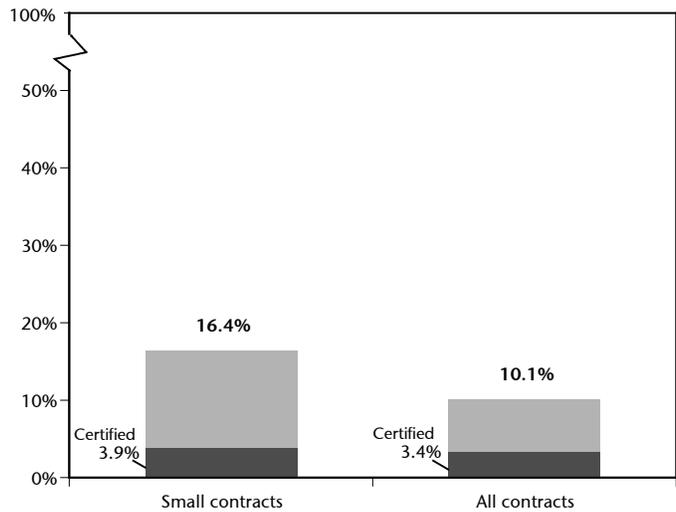
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases,” and public and competitive bidding procedures are not required for procurements of that size.^{3,4} Of the \$117 million of USI contracts included in the study, BBC identified about \$28 million in contracts worth less than \$150,000.⁵ Figure 14-6 presents the percent of dollars that MBE/WBEs received on those small procurements.

Figure 14-6 shows the utilization of MBE/WBEs as prime contractors on small contracts and as prime contractors on all contracts. MBE/WBE received a larger proportion of prime dollars on small contracts (16.4%) than of prime dollars on all contracts (10.1%). The disparity analysis later in this section examines whether this result reflects greater availability of MBE/WBEs for smaller contracts.

Figure 14-6.
MBE/WBE and certified MBE/WBE share of prime contract dollars for USI small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those worth less than \$150,000.
 Number of prime contracts analyzed is 1,299 and number of small contracts analyzed is 1,227.
 For more detail and results by group, see Figures CC-6 and CC-16 in Appendix CC.

Source:
 BBC Research & Consulting from data on USI contracts.



B. Disparity Analysis

The second half of Chapter 14 presents USI disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix CC provides detailed information concerning disparity results for USI contracts.

³ IC 5-22-8.

⁴ Because this state law does not apply to SEIs, thresholds for small purchases may vary by institution.

⁵ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

1. Overall disparity results. Figure 14-7 summarizes the overall results of the disparity analysis for USI contracts by racial/ethnic/gender groups.

Overall, MBE/WBEs were substantially underutilized on USI procurements.⁶ The disparity index of 77 indicates that MBE/WBEs received less than 80 percent of the dollars that they would be expected to receive based on their availability for USI contracts.

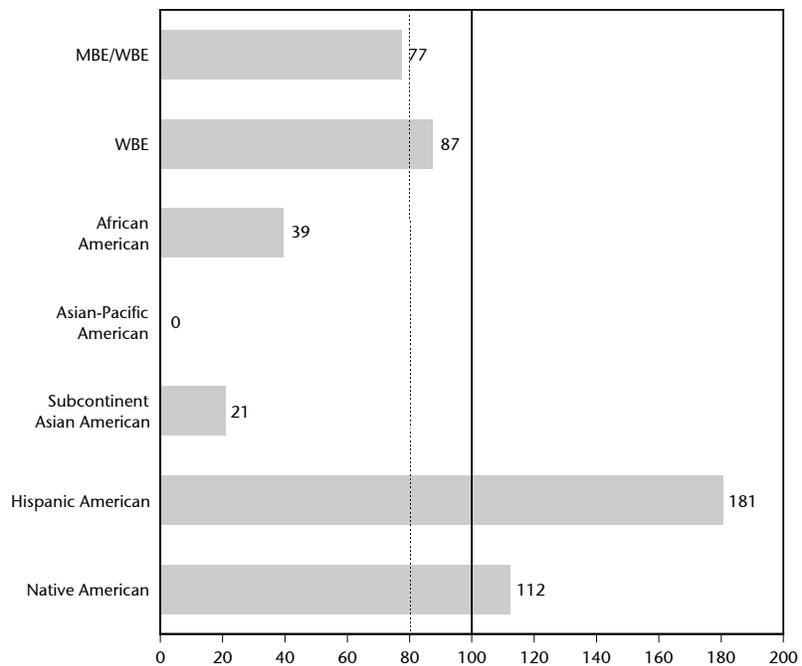
Asian-Pacific American- (disparity index of 0), Subcontinent Asian American- (disparity index of 21) and African American-owned firms (disparity index of 39) exhibited substantial disparities for USI contracts. Hispanic American- (disparity index of 181) and Native American-owned firms (disparity index of 112) did not exhibit disparities.

Utilization of WBEs was only somewhat below what would be expected based on availability (disparity index of 87).

Figure 14-7.
Disparity indices for
MBE/WBE utilization on USI
contracts, July 2006–June
2009

Note:
 Number of contracts/subcontracts analyzed
 is 1,530.
 For more detail, see Figure CC-1
 in Appendix CC.

Source:
 BBC Research & Consulting from data on
 USI contracts.



⁶ BBC’s use of the word “substantial” in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

2. Disparity results by industry. Figure 14-8 presents disparity indices for USI contracts by study industry. Overall, the study team observed substantial disparities for MBE/WBEs for each study industry except for construction.

Construction. Overall, MBE/WBEs were not underutilized on USI construction contracts (disparity index of 100). However, two MBE groups showed substantial disparities for those contracts — Asian-Pacific American- (disparity index of 0) and Subcontinent Asian American-owned firms (disparity index of 48).

Professional services. Overall, MBE/WBEs received about one-third of the dollars that would be expected based on their availability for professional services contracts (disparity index of 34). With the exception of Hispanic American-owned firms (disparity index of 106), every MBE/WBE group was substantially underutilized on USI professional services contracts. All other MBE groups showed a disparity index of 0. WBEs (disparity index of 46) obtained less than half of the dollars that they would be expected to receive based on availability.

Goods. Considered together, MBE/WBEs showed a disparity index of 41, indicating that they obtained less than half of USI goods dollars that they would be expected to receive based on availability. All MBE/WBE groups were substantially underutilized, and all MBE groups except African Americans (disparity index of 3) exhibited a disparity index of 0.

Support services. MBE/WBEs (disparity index of 74) obtained about three-quarters of the USI support services dollars that would be expected based on their availability. Both WBEs (disparity index of 79) and MBEs (disparity index of 61) were substantially underutilized on USI support services contracts.

For support services, BBC calculated a disparity index for MBEs as a whole because information on race/ethnicity was not available for the minority-owned firms that BSU utilized on those contracts.

Figure 14-8.
Disparity indices for
MBE/WBE utilization on USI
contracts, by industry, July
2006–June 2009

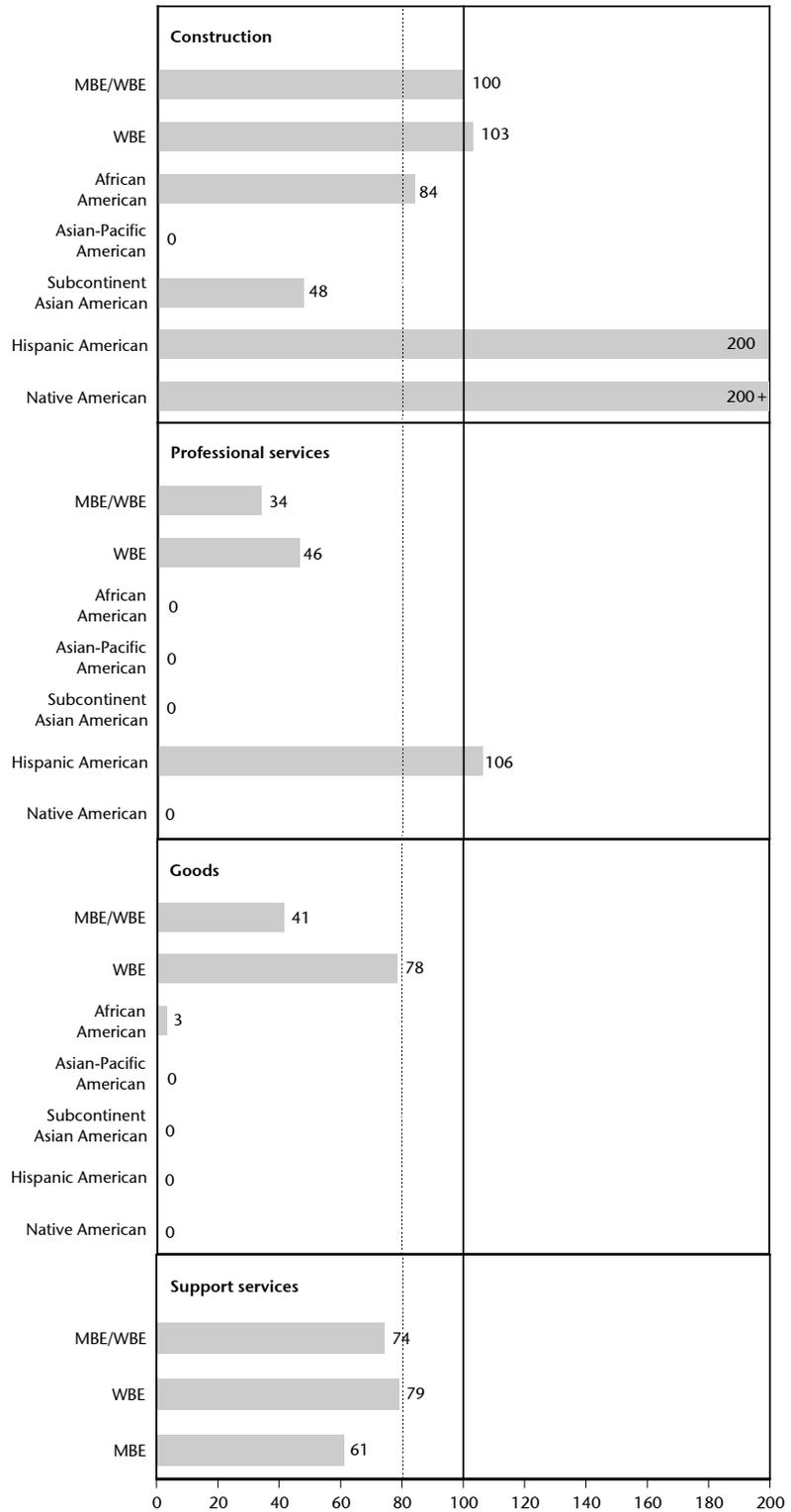
Note:

Number of contracts/subcontracts analyzed is 658 for construction, 448 for professional services, 350 for goods and 74 for support services.

For more detail, see Figures CC-2, CC-3, CC-4 and CC-5 in Appendix CC.

Source:

BBC Research & Consulting from data on USI contracts.



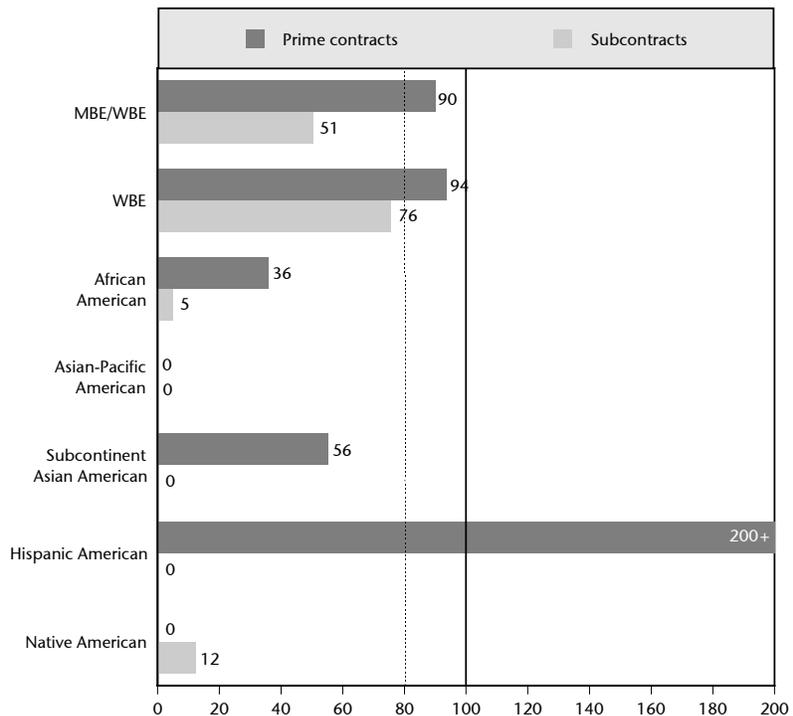
3. Disparity results by prime contracts and subcontracts. Figure 14-9 shows disparity results for prime contracts and subcontracts. The darker bars present disparity indices for prime contracts and the lighter bars present disparity indices for subcontracts. Overall, the disparity between MBE/WBE utilization and availability was much greater for USI subcontracts (disparity index of 51) than for prime contracts (disparity index of 90).

All MBE/WBE groups were substantially underutilized on USI subcontracts. The study team observed the smallest disparity (indicated by the largest disparity index) for WBEs (disparity index of 76). There were three MBE groups — Asian-Pacific American-, Subcontinent Asian American- and Hispanic American-owned firms — that exhibited disparity indices of 0 for USI subcontracts.

Figure 14-9.
Disparity indices for
MBE/WBE utilization on USI
contracts, prime contracts
and subcontracts, July
2006–June 2009

Note:
 Number of prime contracts is 1,299 and
 number of subcontracts is 231.
 For more detail, see Figures CC-6 and CC-11
 in Appendix CC.

Source:
 BBC Research & Consulting from data on
 USI contracts.



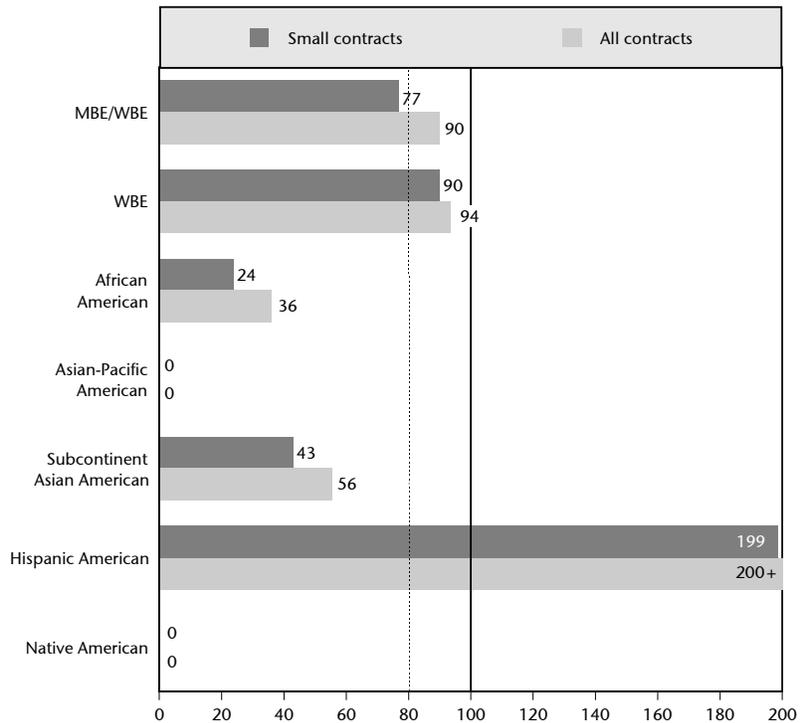
4. Disparity results by contract size. BBC also examined disparity results for small USI contracts (prime contractor utilization). In Figure 14-10, the darker bars present disparity indices for small prime contracts and the lighter bars present disparity indices for all prime contracts.

Overall, MBE/WBEs were underutilized as prime contractors on USI procurements worth less than \$150,000 (disparity index of 77). However, two groups did not show substantial disparities for those contracts — WBEs (disparity index of 90) and Hispanic American-owned firms (index of 199).

Figure 14-10.
Disparity indices for
MBE/WBE utilization as
prime contractors, USI
small contracts and all
contracts, July 2006–June
2009

Note:
 Number of contracts analyzed is 1,227 for small contracts and 1,299 for all contracts.
 For more detail, see Figures CC-16 and CC-6 in Appendix CC.

Source:
 BBC Research & Consulting from data on USI contracts.



5. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE groups were underutilized on USI contracts during the study period. Overall, across all study industries, MBE/WBEs showed large disparities for USI contracts — considered together, MBE/WBE groups obtained less than 80 percent of the USI contract dollars that they would be expected to receive based on availability. Those results were driven — at least in part — by relatively large disparities for USI subcontracts (which were largely made up of construction procurements).

Construction. Businesses owned by the following groups exhibited substantial disparities between utilization and availability for construction contracts:

- Asian-Pacific Americans; and
- Subcontinent Asian Americans.

There were no disparities, overall, for white women-, African American-, Hispanic American- or Native American-owned firms on USI construction contracts. However, there were disparities for each MBE/WBE group for subcontracts on USI construction contracts.

Professional services. Firms owned by members of the following groups exhibited substantial disparities between utilization and availability for professional services contracts:

- White women;
- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Native Americans.

There were no disparities for Hispanic American-owned firms on USI professional services contracts.

Goods. For USI goods procurements, there were substantial disparities for all MBE/WBE groups.

Support services. The study team observed substantial disparities for both minority- and women-owned firms on USI support services contracts.

Figure 14-11 identifies the specific sets of USI contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix CC. For example, for information about construction prime contracts, see Figure CC-7 in Appendix CC.

Figure 14-11.
Directory of utilization and disparity analyses provided in Appendix CC

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	13	n/a	n/a
Small contracts*	16	17	18	19	20

Note: * Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting from data on USI contracts.

CHAPTER 15.

Vincennes University Utilization and Disparity Analysis

Chapter 15 presents utilization and disparity results for Vincennes University (VU) contracts. It presents analyses for VU contracts that are similar to the combined analyses presented in Chapter 6 for state and SEI contracts.¹ Detailed utilization and disparity results are presented in Appendix EE.

Chapter 15 is organized in two parts:

- A. Utilization results; and
- B. Disparity analysis.

A. Utilization Results

The first half of Chapter 15 presents VU utilization results by:

1. Fiscal year;
2. MBE/WBE group;
3. Industry;
4. Prime contracts and subcontracts; and
5. Contract size.

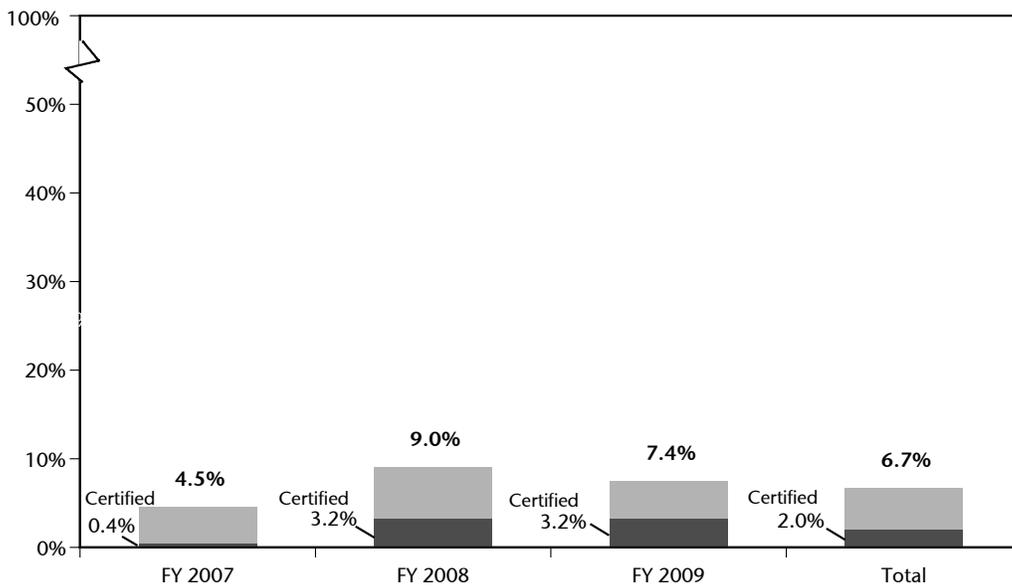
¹ It is recommended that the reader review the detailed introduction to BBC's utilization and disparity analyses presented in Chapter 6 before turning to any subsequent chapters discussing utilization and disparity analyses for individual agencies and SEIs.

1. Utilization results by fiscal year. Figure 15-1 presents utilization of minority- and women-owned firms as a percentage of VU contract dollars by fiscal year (FY). Figure 15-1 also provides results for businesses certified with the State of Indiana as MBE/WBEs (the darker portion of each bar).

Over the three-year study period, MBE/WBEs received 6.7 percent of VU contract dollars. As shown in Figure 15-1, minority- and women-owned firms obtained 4.5 percent of VU contract dollars in FY 2007, 9.0 percent in FY 2008 and 7.4 percent in FY 2009.

A smaller portion of VU’s procurement dollars went to firms that were MBE/WBE certified with the State of Indiana. Certified MBE/WBEs obtained only 0.4 percent of VU procurement dollars in FY 2007, 3.2 percent in FY 2008 and 3.2 percent in FY 2009.

Figure 15-1.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for VU contracts, by fiscal year, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 369 for FY 2007, 377 for FY 2008, 429 for FY 2009 and 1,175 for all years combined.

Source: BBC Research & Consulting from data on VU contracts.

2. Utilization results by MBE/WBE group. Figure 15-2 details utilization of minority- and women-owned firms (top half of the figure) and utilization of just those firms certified as MBE/WBEs (bottom half of the figure) by racial/ethnic/gender group across the three-year study period. As shown, MBE/WBEs received \$3.4 million out of the \$50 million in VU contracts examined in the disparity study.

WBEs (6.2%) accounted for nearly all of VU's overall MBE/WBE utilization. MBEs as a whole represented 0.6 percentage points of the overall MBE/WBE participation. No individual MBE group obtained more than 0.3 percent of VU procurement dollars during the study period.

Less than one-third of overall MBE/WBE participation on VU contracts was with firms certified as MBE/WBEs with the State of Indiana.

Figure 15-2.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for VU construction, professional services, goods and support services contracts, by race/ethnicity/gender, July 2006–June 2009 (thousands)

	Total	
	\$ in thousands	Percent
MBE/WBEs		
African American-owned	\$171	0.3 %
Asian-Pacific American-owned	19	0.0
Subcontinent Asian American-owned	6	0.0
Hispanic American-owned	12	0.0
Native American-owned	71	0.1
Total MBE	\$280	0.6 %
WBE (white women-owned)	3,109	6.2
Total MBE/WBE	\$3,389	6.7 %
Majority-owned	47,000	93.3
Total	\$50,389	100.0 %
Certified		
African American-owned	\$158	0.3 %
Asian-Pacific American-owned	19	0.0
Subcontinent Asian American-owned	6	0.0
Hispanic American-owned	0	0.0
Native American-owned	0	0.0
Total MBE certified	\$183	0.4 %
WBE (white women-owned)	824	1.6
Total MBE/WBE certified	\$1,007	2.0 %
Non-certified	49,224	98.0
Total	\$50,231	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
 Number of contracts/subcontracts analyzed is 1,175.
 For more detail, see Figure EE-1 in Appendix EE.

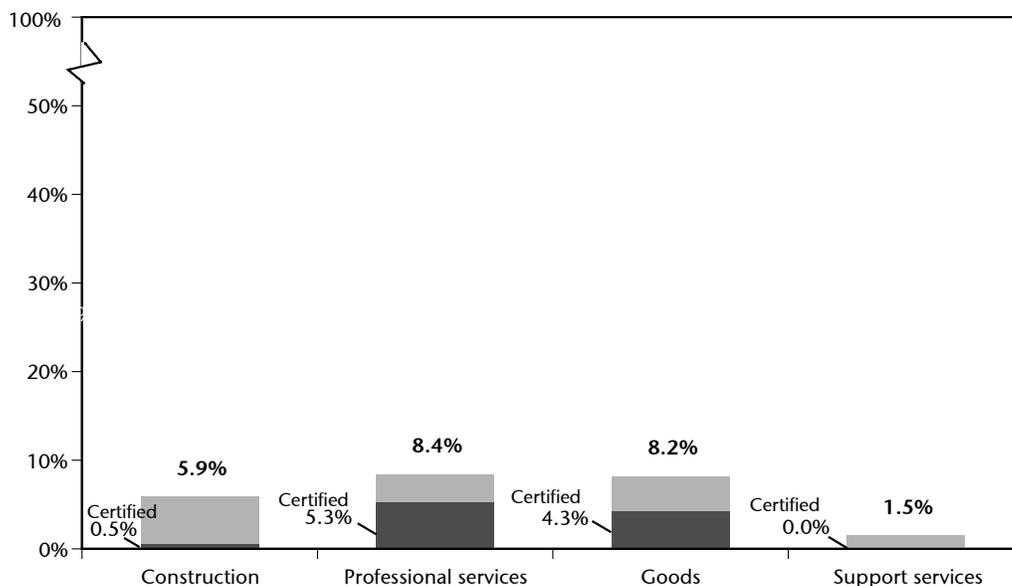
Source: BBC Research & Consulting from data on VU contracts.

3. Utilization results by industry. Figure 15-3 presents MBE/WBE utilization by industry — construction, professional services, goods and support services. Overall MBE/WBE utilization was:

- 5.9 percent for construction;
- 8.4 percent for professional services;
- 8.2 percent for goods; and
- 1.5 percent for support services.

Much of the MBE/WBE utilization for professional services and goods occurred with firms that were MBE/WBE certified with the State of Indiana. Very little of MBE/WBE utilization for construction was with certified firms. None of the MBE/WBE utilization for support services was with certified firms.

Figure 15-3.
MBE/WBE and certified MBE/WBE share of prime contract/subcontract dollars for VU construction, professional services, goods and support services contracts, July 2006–June 2009



Note: Number of contracts/subcontracts analyzed is 434 for construction, 248 for professional services, 457 for goods and 36 for support services.

Source: BBC Research & Consulting from data on VU contracts.

Industry results are presented by racial/ethnic/gender group in Figure 15-4.

Construction. BBC examined \$32 million of VU construction contracts during the study period, the largest dollar volume of any study industry. MBE/WBEs received almost \$2 million in contract dollars. WBEs (utilization of 5.8%) accounted for nearly all of the overall MBE/WBE utilization for construction contracts. The only other groups that were utilized for VU construction contracts were African American- and Hispanic American-owned firms.

Professional services. There were approximately 250 professional services contracts and subcontracts totaling \$7 million in the VU procurement data that BBC analyzed. WBEs (7.9%) and African American- (0.3%) and Asian-Pacific American-owned firms (0.3%) accounted for all of the MBE/WBE utilization on professional services contracts.

Goods. The study team examined \$11 million of VU goods contracts (more than 450 contracts) for the study period. White women-owned firms accounted for 6.5 percentage points of the 8.2 percent overall MBE/WBE utilization. The only other group to exceed 1 percent utilization was African American-owned firms (1.1%).

Support services. The study team examined \$609,000 of VU support services contracts (36 contracts) for the study period. All of the overall MBE/WBE utilization for those contracts was with WBEs (1.5% utilization).

Figure 15-4.
MBE/WBE and certified MBE/WBE share of prime/subcontract dollars for VU, by industry and race/ethnicity/gender, July 2006–June 2009 (thousands)

	Construction		Professional services		Goods		Support services	
	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent	\$ in thousands	Percent
MBE/WBEs								
African American-owned	\$27	0.1 %	\$19	0.3 %	\$126	1.1 %	\$0	0.0 %
Asian-Pacific American-owned	0	0.0	19	0.3	0	0.0	0	0.0
Subcontinent Asian American-owned	0	0.0	0	0.0	6	0.1	0	0.0
Hispanic American-owned	12	0.0	0	0.0	0	0.0	0	0.0
Native American-owned	0	0.0	0	0.0	71	0.6	0	0.0
Total MBE	\$39	0.1 %	\$38	0.6 %	\$203	1.8 %	\$0	0.0 %
WBE (white women-owned)	1,831	5.8	532	7.9	737	6.5	9	1.5
Total MBE/WBE	\$1,871	5.9 %	\$569	8.4 %	\$941	8.2 %	\$9	1.5 %
Majority-owned	29,749	94.1	6,189	91.6	10,462	91.8	600	98.5
Total	\$31,620	100.0 %	\$6,758	100.0 %	\$11,403	100.0 %	\$609	100.0 %
Certified								
African American-owned	\$27	0.1 %	\$19	0.3 %	\$112	1.0 %	\$0	0.0 %
Asian-Pacific American-owned	0	0.0	19	0.3	0	0.0	0	0.0
Subcontinent Asian American-owned	0	0.0	0	0.0	6	0.1	0	0.0
Hispanic American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Native American-owned	0	0.0	0	0.0	0	0.0	0	0.0
Total MBE certified	\$27	0.1 %	\$38	0.6 %	\$118	1.0 %	\$0	0.0 %
WBE (white women-owned)	127	0.4	319	4.7	377	3.3	0	0.0
Total MBE/WBE certified	\$155	0.5 %	\$357	5.3 %	\$496	4.3 %	\$0	0.0 %
Non-certified	31,465	99.5	6,401	94.7	10,907	95.7	609	100.0
Total	\$31,620	100.0 %	\$6,758	100.0 %	\$11,403	100.0 %	\$609	100.0 %

Note: Numbers rounded to nearest tenth of 1 percent. Numbers may not add to totals due to rounding.
 Number of contracts/subcontracts analyzed is 434 for construction, 248 for professional services, 457 for goods and 36 for support services.
 For more detail, see Figures EE-2, EE-3, EE-4 and EE-5 in Appendix EE.

Source: BBC Research & Consulting from data on VU contracts.

4. Utilization results by prime contracts and subcontracts. Of the approximately \$50 million of VU contracts examined in the study, BBC identified more than \$3 million in subcontracts.² Figure 15-5 presents the percent of dollars that MBE/WBEs received on prime contracts and on subcontracts.

Results in Figure 9-5 indicate that MBE/WBEs received a substantially larger share of subcontract dollars than prime contract dollars during the study period — 33.6 percent of VU subcontract dollars went to MBE/WBEs compared to just 4.8 percent of prime contract dollars.

Figure 15-5.
MBE/WBE and certified MBE/WBE share
of prime contract and subcontract
dollars for VU contracts, July 2006–June
2009

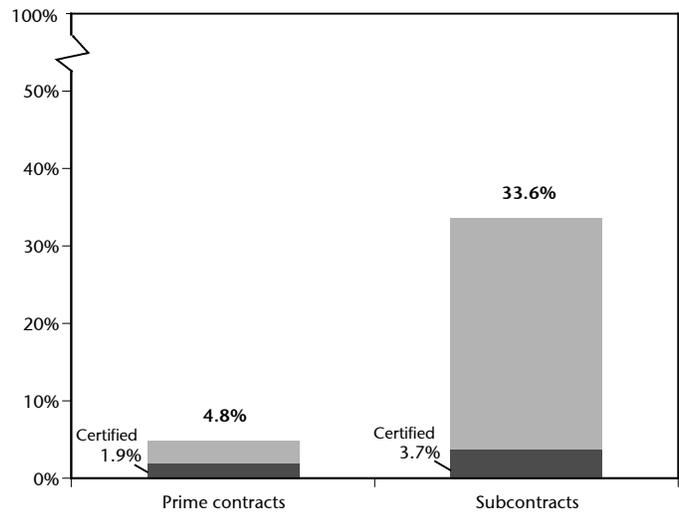
Note:

Number of prime contracts analyzed is 1,136 and number of subcontracts analyzed is 39.

For more detail and results by group, see Figures EE-6 and EE-11 in Appendix EE.

Source:

BBC Research & Consulting from data on VU contracts.



Subcontracting is industry practice for many types of construction work. Accordingly, virtually all (99%) of the subcontract dollars in Figure 9-5 pertain to VU construction contracts.

² Because VU did not have complete information on subcontracts, BBC contacted prime contractors directly to collect that information.

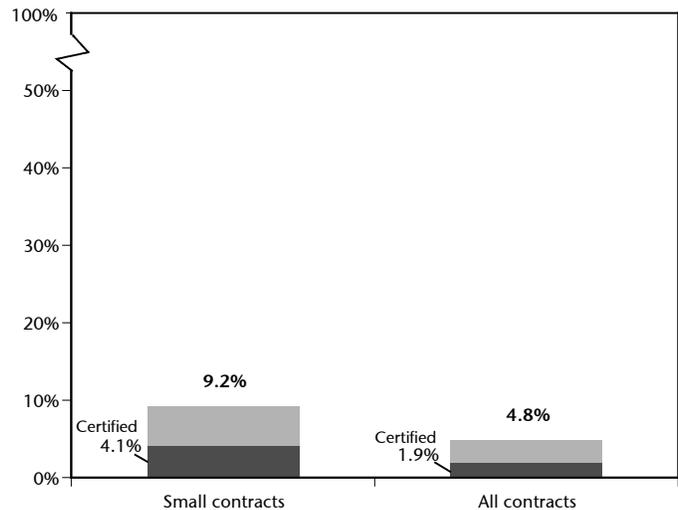
5. Utilization results by contract size. BBC also examined MBE/WBE utilization as prime contractors on small contracts. Indiana state law considers procurements worth less than \$150,000 to be “small purchases,” and public and competitive bidding procedures are not required for procurements of that size.^{3,4} Of the \$50 million of VU contracts included in the study, BBC identified about \$21 million in contracts worth less than \$150,000.⁵ Figure 15-6 presents the percent of dollars that MBE/WBEs received on those small procurements.

Figure 15-6 shows the utilization of MBE/WBEs as prime contractors on small contracts and as prime contractors on all contracts. MBE/WBE received a larger proportion of prime dollars on small contracts (9.2%) than of prime dollars on all contracts (4.8%). The disparity analysis later in this section examines whether this result reflects greater availability of MBE/WBEs for smaller contracts.

Figure 15-6.
MBE/WBE and certified MBE/WBE share of prime contract dollars for VU small contracts and all contracts, July 2006–June 2009

Note:
 Small contracts are those worth less than \$150,000.
 Number of prime contracts analyzed is 1,136 and number of small contracts analyzed is 1,106.
 For more detail and results by group, see Figures EE-6 and EE-11 in Appendix EE.

Source:
 BBC Research & Consulting from data on VU contracts.



B. Disparity Analysis

The second half of Chapter 15 presents VU disparity results in five parts:

1. Overall disparity results;
2. Disparity results by industry;
3. Disparity results by prime contracts and subcontracts;
4. Disparity results by contract size; and
5. Summary of disparity results.

Appendix EE provides detailed information concerning disparity results for VU contracts.

³ IC 5-22-8.

⁴ Because this state law does not apply to SEIs, thresholds for small purchases may vary by institution.

⁵ BBC collected and analyzed utilization data for contracts and subcontracts worth at least \$5,000. Thus, the analysis of small contracts pertains to procurements valued between \$5,000 and \$150,000.

1. Overall disparity results. Figure 15-7 summarizes the overall results of the disparity analysis for VU contracts by racial/ethnic/gender groups.

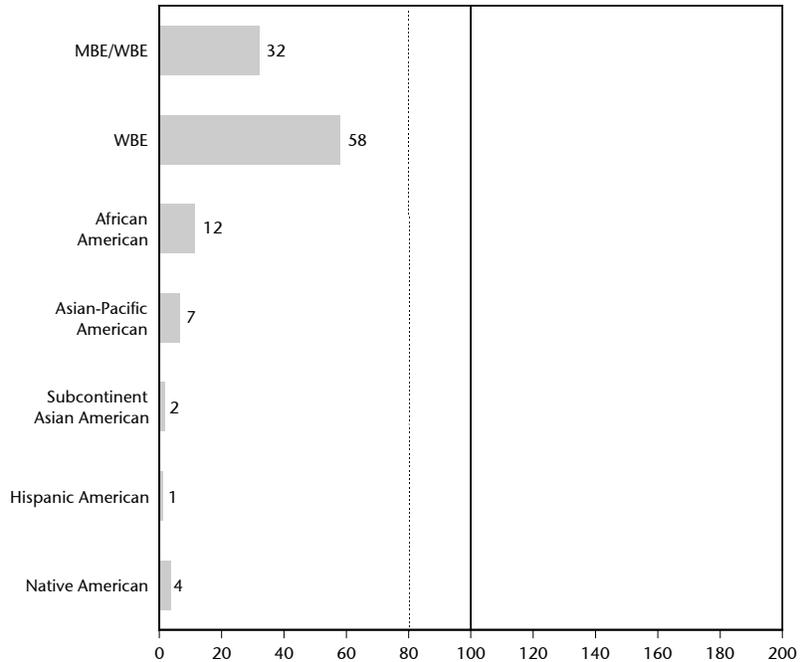
Overall, MBE/WBEs were substantially underutilized on VU procurements.⁶ The disparity index of 32 indicates that MBE/WBEs received less than one-third of the dollars that they would be expected to receive based on their availability for VU contracts.

Every MBE/WBE group showed a substantial disparity for VU contracts. The groups that exhibited the greatest disparities were Hispanic American- (disparity index of 1) and Subcontinent Asian American-owned firms (disparity index of 2).

Figure 15-8.
Disparity indices for
MBE/WBE utilization on VU
contracts, July 2006–June
2009

Note:
Number of contracts/subcontracts analyzed
is 1,175.
For more detail, see Figure EE-1
in Appendix EE.

Source:
BBC Research & Consulting from data on VU
contracts.



⁶ BBC's use of the word "substantial" in describing certain disparity indices reflects the opinion of some courts that a disparity index of less than 80 reflects a substantial disparity.

2. Disparity results by industry. Figure 15-8 presents disparity indices for VU contracts by study industry. Overall, the study team observed substantial MBE/WBE disparities for each study industry.

Construction. Considered together, MBE/WBE firms obtained one-third of the VU construction dollars that they would be expected to receive based on availability (disparity index of 33). All MBE/WBE groups exhibited disparity indices of less than 80. Three groups — Asian-Pacific American-, Subcontinent Asian American- and Native American-owned firms — exhibited disparity indices of 0.

Professional services. Similar to construction, overall, MBE/WBEs received approximately one-third of the dollars that they would be expected to receive based on their availability for professional services contracts (disparity index of 36). Three groups showed disparity indices of 0 — Subcontinent Asian American-, Hispanic American- and Native American-owned firms.

Goods. Considered together, MBE/WBEs showed a disparity index of 31, indicating that they obtained less than one-third of VU goods dollars that they would be expected to receive based on availability. Asian-Pacific American- and Hispanic American-owned firms showed disparity indices of 0. Native American-owned firms were the only group to not exhibit a disparity (disparity index greater than 200).

Support services. MBE/WBEs obtained less than 5 percent of the VU support services dollars that they would be expected to receive based on availability (disparity index of 4). Most of the MBE/WBE groups exhibited disparity indices of 0 — African American-, Asian-Pacific-American-, Hispanic American- and Native American-owned firms. Subcontinent Asian American-owned firms were the only group that was not underutilized on VU support services contracts.

Figure 15-8.
Disparity indices for
MBE/WBE utilization on VU
contracts, by industry, July
2006–June 2009

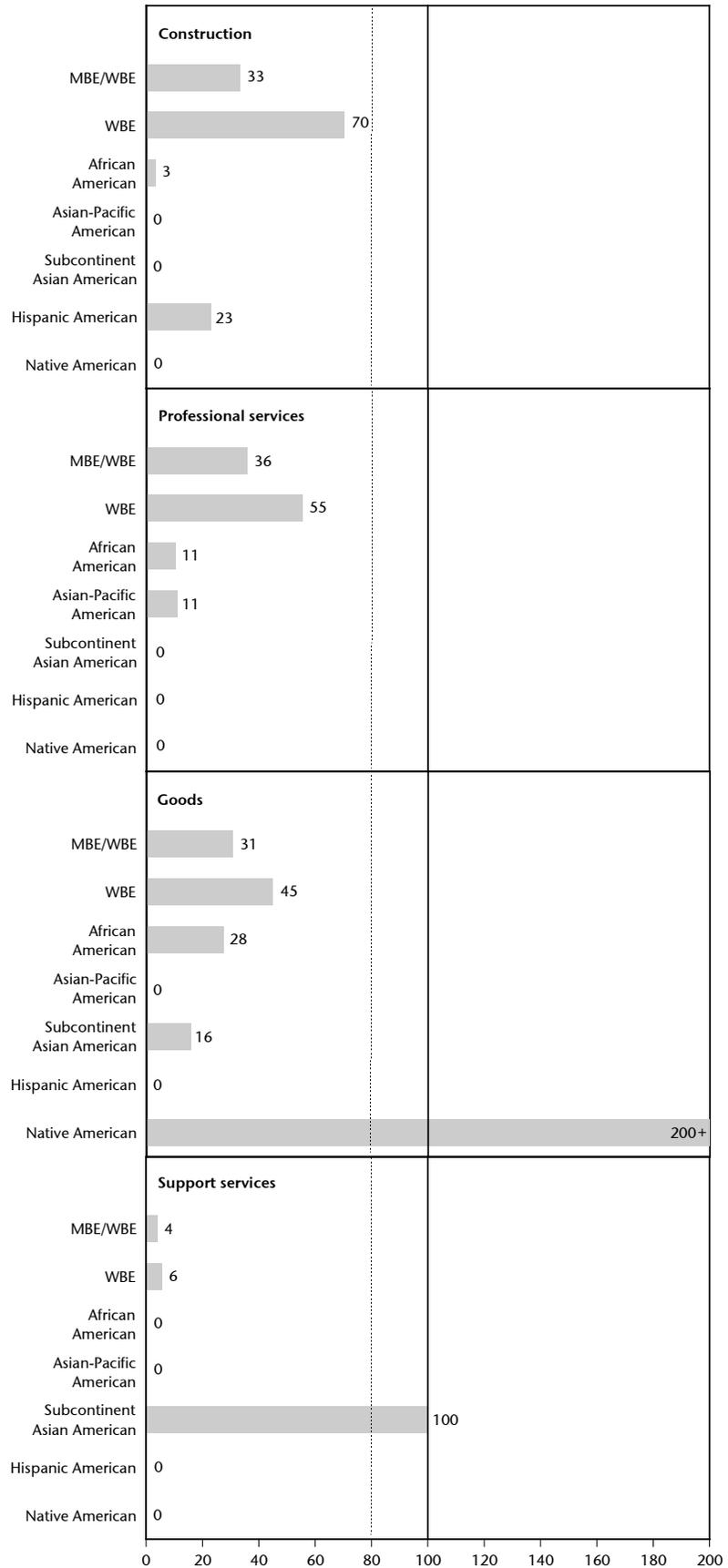
Note:

Number of contracts/subcontracts analyzed is 434 for construction, 248 for professional services, 457 for goods and 36 for support services.

For more detail, see Figures EE-2, EE-3, EE-4 and EE-5 in Appendix EE.

Source:

BBC Research & Consulting from data on VU contracts.



3. Disparity results by prime contracts and subcontracts. Figure 15-9 shows disparity results for prime contracts and subcontracts. The darker bars present disparity indices for prime contracts and the lighter bars present disparity indices for subcontracts. Overall, there was a large disparity between MBE/WBE utilization and availability for VU prime contracts (disparity index of 23) but not for subcontracts (disparity index of 195).

However, the disparity index for VU subcontracts was driven entirely by utilization of WBEs (disparity index greater than 200). Every MBE group exhibited disparity indices of 0 for VU subcontracts.

Figure 15-9.
Disparity indices for
MBE/WBE utilization on VU
contracts, prime contracts
and subcontracts, July
2006–June 2009

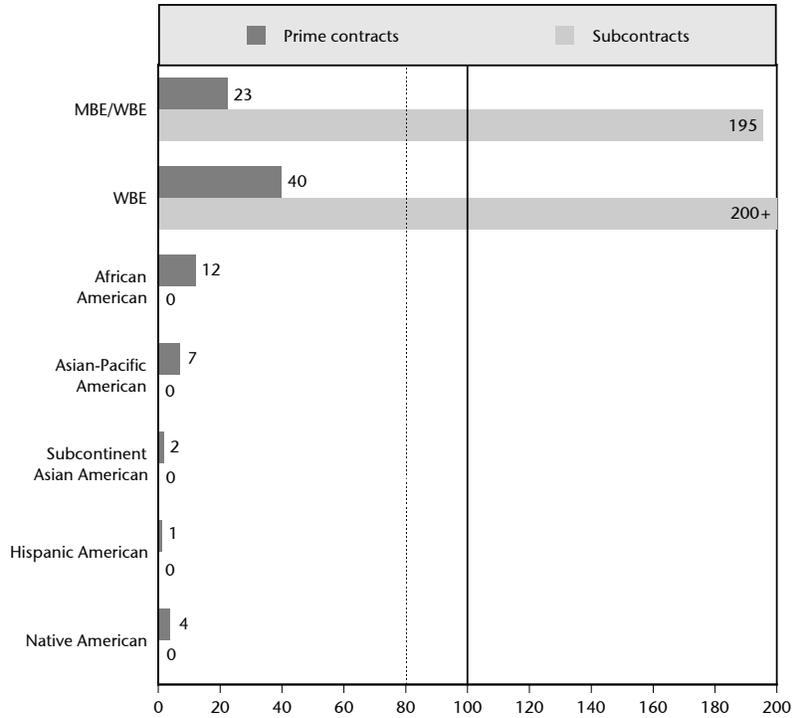
Note:

Number of prime contracts analyzed is 1,136 and number of subcontracts analyzed is 39.

For more detail, see Figures EE-6 and EE-11 in Appendix EE.

Source:

BBC Research & Consulting from data on VU contracts.



4. Disparity results by contract size. BBC also examined disparity results for small VU contracts (prime contractor utilization). In Figure 15-10, the darker bars present disparity indices for small prime contracts and the lighter bars present disparity indices for all prime contracts.

Overall, MBE/WBEs were underutilized as prime contractors on VU procurements worth less than \$150,000 (disparity index of 39). Every MBE/WBE group was underutilized on those contracts. Hispanic American- (disparity index of 3) and Subcontinent Asian American-owned firms (disparity index of 4) exhibited the largest disparities.

Figure 15-10.
Disparity indices for
MBE/WBE utilization as
prime contractors, VU small
contracts and all contracts,
July 2006–June 2009

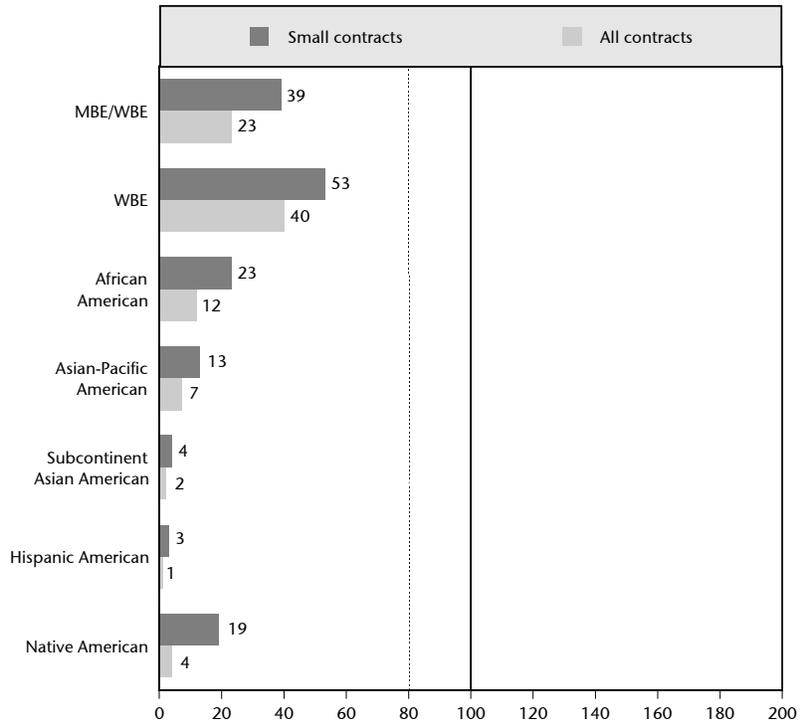
Note:

Number of contracts analyzed is 1,106 for small prime contracts and 1,136 for all contracts.

For more detail, see Figures EE-16 and EE-6 in Appendix EE.

Source:

BBC Research & Consulting from data on VU contracts.



5. Summary of disparity results. The disparity analyses indicate that, in general, MBE/WBE groups were substantially underutilized on VU contracts during the study period. Overall, across all study industries, MBE/WBEs showed large disparities for VU contracts — considered together, MBE/WBE groups obtained less than one-third of the VU contract dollars that they would be expected to receive based on availability. The study team observed similar results for VU prime contracts. For subcontracts, which were largely made up of construction procurements, MBE/WBEs were overutilized, but that overutilization was driven entirely by WBEs.

Construction. The study team observed substantial disparities for all MBE/WBE groups on VU construction contracts.

Professional services. The study team observed substantial disparities for all MBE/WBE groups on VU professional services contracts.

Goods. For VU goods procurements, there were substantial disparities for firms owned by:

- White women;
- African Americans;
- Asian-Pacific Americans;
- Subcontinent Asian Americans; and
- Hispanic Americans.

The study team did not observe a disparity for Native American-owned firms on VU goods procurements

Support services. Firms owned by members of the following groups were underutilized on VU support services contracts:

- White women;
- African Americans;
- Asian-Pacific American;
- Hispanic Americans; and
- Native Americans.

The only group for which the study team did not observe a disparity on VU support services contracts was Subcontinent Asian American-owned firms.

Figure 15-11 identifies the specific sets of VU contracts and subcontracts examined as part of the disparity analysis as well as their corresponding figure numbers in Appendix EE. For example, for information about construction prime contracts, see Figure EE-7 in Appendix EE.

Figure 15-11.
Directory of utilization and disparity analyses provided in Appendix EE

	Total	Construction	Professional services	Goods	Support services
All funding sources					
Prime/subcontracts	1	2	3	4	5
Prime contracts	6	7	8	9	10
Subcontracts	11	12	13	n/a	n/a
Small contracts*	16	17	18	19	20

Note: * Prime contract utilization on contracts of \$150,000 or less.

Source: BBC Research & Consulting from data on VU contracts.

CHAPTER 16.

Contracting Practices and Business Assistance Programs

Chapter 16 examines contracting practices that the Indiana Department of Administration (IDOA), the Indiana Department of Transportation (INDOT) and state educational institutions (SEIs) use to award contracts in study industries.¹ In addition, Chapter 16 explores the MBE/WBE/DBE programs that each entity implements as well as the race-and gender-neutral measures that organizations throughout the state use to encourage participation of all small businesses, including minority- and women-owned firms.

Chapter 16 is organized in five parts:

- A. Current State of Indiana contracting practices;
- B. State of Indiana MBE/WBE program;
- C. Business assistance and neutral programs that IDOA, INDOT and SEIs use;
- D. Additional business assistance and neutral programs for potential consideration; and
- E. Summary.

A. Current State of Indiana Contracting Practices

Indiana state code specifies different contracting practices depending on the type of procurement, the industry of the work and the anticipated procurement amount. In general, Indiana state code applies to state agencies. Although Indiana state code specifically excludes SEIs from the definition of “state agency,” many examples of Indiana administrative code and state contracting documents either explicitly define SEIs as state agencies (e.g., 25 IAC 5) or are ambiguous as to their status (e.g., State of Indiana Vendor handbook).

As a result, there are some contracting practices that state agencies use that SEIs do not. For example, firms bidding on state agency goods and support services contracts are required to be registered with IDOA. However, SEIs do not require bidders to be registered with IDOA, nor do they always maintain bidders lists on their websites.

1. Goods and support services. Goods purchases are procurements that state agencies make with firms that provide various materials, supplies and equipment, such as furniture, cleaning and janitorial supplies and office equipment. Support services purchases include services such as printing and copying; security services; and agricultural services. State agencies typically award goods and support services procurements to the lowest responsive bidder.

¹ IDOA and INDOT are referred together as the “state.”

Bidders list. Firms bidding on state agency goods and support services contracts are required to register with IDOA prior to submitting their bids. Firms can register online by submitting business information such as firm name and contact information; tax ID number; work specializations; and information about the firm owner’s gender and ethnicity. In addition to allowing firms to submit bids with state agencies, bidder registration enables firms to receive project notifications and allows them to be listed in IDOA’s “Buy Indiana” directory.

In general, SEIs do not require bidders to register with IDOA prior to submitting bids on goods and support services contracts, and as a result, do not maintain bidders lists. However, many SEIs require new vendors to register with their institutions to receive bid solicitations and information about bid opportunities (e.g., Ball State University, Purdue University and Vincennes University). Those SEIs maintain updated vendor lists, either internally or on their websites.

Contracting practices by size. State agencies use different contracting practices depending on the sizes and types of goods or support services being purchased.

Streamlined purchasing. State agencies have the authority to purchase goods and support services worth less than \$75,000 without having to report them to IDOA’s Procurement Division. However, in those circumstances, agencies must still follow the procurement policies specified in Indiana state code IC 5-22.

Procurements worth less than \$75,000. For goods and support services purchases worth less than \$75,000, state agencies use a Request for Quotation process to solicit bids and award procurements. Agencies must solicit quotes from at least three vendors known to work in the relevant industry. When possible, the solicitations should be open for at least seven days.

Procurements worth \$75,000 or more. For goods and support services purchases worth \$75,000 or more, state agencies use an Invitation for Bid (IFB) process to solicit bids and award procurements. Procurements awarded through an IFB process must be advertised in at least one newspaper published in the geographic area of the work for two consecutive weeks. In addition, the agency must provide electronic access to a public notice for the IFB through a computer gateway that the State of Indiana administers. Bids that a state agency receives as the result of an IFB process must be opened and read publicly at the time of bid closing.²

For some goods and support services procurements worth \$75,000 or more, agencies may use a Request for Proposal (RFP) process. The RFP process provides formal procedures for the procurement of goods and support services for which price should not be the sole factor in selecting a vendor. Instead, the procurement is awarded to the vendor whose proposal represents the “best value” for the agency. An agency would use an RFP process for goods and support services procurements if the purchasing agent makes a written determination that using an IFB process would be impracticable or disadvantageous to the State of Indiana. Public notice requirements for RFPs are identical to those of IFBs.

² Indiana state code IC 5-22-8 indicates that goods and support services purchases worth less than \$150,000 can be awarded through a “small purchases” process that is similar to the Request for Quotations process. However, the State of Indiana Vendor Handbook states that procurements worth \$75,000 or more must be awarded through an IFB process.

Other considerations. State agencies must make several other considerations when making goods and support services purchases.

- **“Buy Indiana” initiative.** The Governor’s Office established the “Buy Indiana” initiative in 2005, which encourages purchasing agents to give special consideration to vendors with locations in Indiana when making procurement decisions related to goods and support services.
- **Quantity Purchase Agreement (QPA).** Agencies can enter into agreements with selected vendors to provide an estimated quantity of goods or services at a guaranteed unit price for some specific time frame (usually two years). Products or services that are available through an existing QPA must be purchased from those contracts, unless a substantial cost savings is otherwise available or certain contract specifications cannot be met.
- **Small business set-asides and preferences.** Indiana state code IC 5-22-14 established the Small Business Set-Aside Program that allows state agencies (but not SEIs) to solicit quotes only from qualified small businesses (for the definition of “small business,” see IC 5-22-15). The program applies to goods and support services purchases worth between \$5,000 and \$25,000 in select industries (for a list of qualifying industries, see IC 5-22-14). IDOA staff reported that many state agencies use small business set-asides. However, because of the relatively small size of the procurements to which those set-asides apply, agencies use them as part of streamlined purchasing procedures. IDOA’s Procurement Division neither administers nor tracks the use of small business set-asides.

Indiana state code IC 5-22-15-23 allows state agencies to use a 15 percent price preference for qualified small businesses. The program applies to certain goods and support services purchases. As with small business set-asides, small business price preferences apply to relatively small procurements (less than \$75,000), so IDOA’s Procurement Division neither administers nor tracks state agencies’ use of small business price preferences.

- **Special/emergency purchases.** In certain circumstances, agencies do not need to follow standard procurement procedures when there is a need for special or emergency goods and support services purchases. Such purchases must be accompanied by written justification. The conditions in which agencies can make those purchases are defined in IC 5-22-10.

2. Professional services. Professional services procurements involve contracts that state agencies award for various professional and consulting services, such as architecture and engineering, business consulting and IT and data services. Indiana state code IC 5-22-6 states that agencies may purchase professional services using “any procedure the ... agency considers appropriate.”

The 2008 IDOA Professional Services Contract Manual indicates that IDOA considers “appropriate” procedures to mean a Request for Quotations process, an RFP process or a special/emergency purchase. However, agencies are strongly encouraged to use an RFP process for professional services contracts, meaning that price should not be the sole factor in selecting a vendor. If an agency does not

use an RFP process, IDOA requires a written justification that explains how the contract was competitively procured. If the agency does not provide sufficient justification, then IDOA may terminate the contract.

Insurance. According to the 2008 IDOA Professional Services Manual, insurance clauses are not mandatory in professional services contracts. Individual agencies are instructed to “make a business decision that requires insurance provisions.” If a professional services contract is to include insurance provisions, the manual suggests minimum general and automobile liability limits of \$700,000 per person and \$5 million per occurrence. In addition, firms would have to submit proof of workers compensation coverage.

In other respects, the contracting practices for professional services contracts are similar to those for goods and support services contracts.

3. Construction (public works). Public works procurements include contracts that state agencies award to vendors to provide various construction services, such as building construction, concrete work, electrical work and plumbing and HVAC. As with goods and support services procurements, Indiana state agencies typically award construction procurements to the lowest responsive bidder.

Prequalification. State agencies require all firms to apply for prequalification for construction work worth \$150,000 or more.³ Prime contractors must apply for prequalification 30 days prior to bid opening, and subcontractors must apply for prequalification prior to beginning work on the contract. IDOA requires prequalification only for firms performing construction work on site — construction equipment and goods suppliers are not required to apply for prequalification.

Prequalification applications are available online and require firms to submit business information such as firm name and contact information, tax ID number, work specializations and MBE/WBE status. In addition, the application asks firms to submit information about previous construction projects worth \$150,000 or more, either in the public or private sector. The Public Works Certification board reviews each application for approval. Once approved, firms are listed on IDOA’s website in the Prequalified Contractor List, according to work specializations.

If a subcontractor does not receive prequalification approval from the Public Works Certification Board, then the prime contractor must sign a letter acknowledging that it understands that the subcontractor is not prequalified but would nonetheless like to utilize the firm. This waiver is only granted once for a particular firm.

Note that Indiana state code IC 4-13.6-4-2, which describes the State of Indiana’s prequalification practices, does not apply to SEIs (see IC 4-13.6-2-3(b)). As a result, SEIs do not require firms to be formally prequalified for construction work.

³ IC 4-13.6-4-2

Insurance. Based on a review of public works contracts posted on IDOA’s website, firms must carry \$5 million combined single limit bodily injury and property damage liability, each occurrence and \$1 million combined single limit automobile liability, each occurrence. The firm must also carry umbrella excess liability insurance of \$1 million, including employer’s liability and must submit proof of workers compensation coverage.

Although SEIs typically require firms to carry insurance for construction contracts, insurance requirements vary by institution and by contract and do not necessarily follow IDOA’s recommendations.

Contracting practices by size. State agencies use different contracting practices depending on the sizes and types of the construction services being purchased.

Procurements worth less than \$50,000. State agencies may award a contract for any construction or repair work worth less than \$50,000 without advertising for bids or meeting other public works contracting requirements. However, agencies must solicit bids from at least three firms known to work in the relevant industry and must also give public notice of the project in at least one newspaper published in the geographical area of the work.⁴ For procurements worth more than \$25,000, agencies must also file plans and specifications for the project in their offices.

Procurements worth \$75,000 or more. State agencies must use a competitive bidding process to award construction contracts worth \$75,000 or more. The agency must solicit sealed bids via public notice in at least one newspaper published in the geographic area of the work for at least two successive weeks prior to the bid closing date. Public works bid opportunities are also advertised on IDOA’s website and may also be advertised by third-party information sources such as Dodge Reports. For construction projects worth \$75,000 or more, bids must be opened and read publicly on the bid closing date.

Other considerations. State agencies must make several other considerations when awarding construction contracts.

- **Performance of own work.** According to Indiana state code IC 5-16, for construction projects worth less than \$25,000, state agencies are authorized to employ their own workers and purchase their own materials without awarding a construction contract to a third-party vendor. SEIs are authorized to complete their own construction work for construction projects worth less than \$50,000.
- **Prime contractor minimum.** Indiana state law requires prime contractors to complete at least 20 percent of public works contracts and to utilize subcontractors for the remaining portion.
- **Performance bonds.** State agencies require all contractors to obtain 100 percent performance bonds prior to submitting bids on projects worth \$200,000 or more.⁵

⁴ Public works contracts are also advertised in the Court and Commercial Record.

⁵ IC 4-13.6-7-7.

- **Preferences for Indiana contractors.** Similar to the “Buy Indiana” initiative for goods and support services procurements, an agency may give preference to a construction firm located in Indiana, per Indiana state code IC 4-22-2.
- **Emergency contracts.** In emergencies, an agency may award a construction contract without advertising for bids. However, the entity must solicit bids from at least three firms known to work in the relevant industry. The agency’s board or commission must declare the nature of the emergency in meeting minutes.

Potential considerations of changes. The State of Indiana might consider a number of changes to its current contracting practices in order to further encourage participation of small businesses, including minority- and women-owned firms. The potential considerations discussed below may require changes to existing state and administrative code.

Clarify definition of “state agency.” Indiana state code applies to state agencies. However, based on definitions presented in administrative code and contracting documents, it is unclear whether SEIs should be considered state agencies and should thus be required to follow state code when making procurement and contracting decisions. Clarifying whether SEIs are state agencies could help vendors understand the contracting practices that IDOA, INDOT and SEIs use, and could also help SEIs understand their responsibilities regarding public contracting and procurement.

Broaden the use of small business set-asides and preferences. Indiana state code allows state agencies to solicit bids or quotes only from businesses that qualify as small businesses for certain goods and support services contracts. In addition, state code allows state agencies to use small business price preferences for those procurements. The State of Indiana might consider broadening the use of small business set-asides and price preferences to include certain construction and professional services contracts as well. Doing so may require changes to state code.

Increase competitive opportunities for small contracts. The State of Indiana might consider changing contracting practices to increase the number of small contracts that are awarded through a competitive bidding process. One way of increasing the number of small contracts would be to make efforts to segment large contracts into multiple, smaller contract elements. Encouraging bidding opportunities on small contracts might increase the likelihood of small businesses — including MBE/WBEs — to compete for them. BBC’s analyses showed that IDOA, INDOT and every SEI (except Indiana State University) showed higher MBE/WBE utilization on small contracts than on all contracts (see Chapters 6 - 15).

Prequalification. Indiana state code requires all prime contractors and subcontractors to apply for prequalification prior to submitting bids on construction projects worth \$150,000 or more. The State of Indiana might consider reviewing its prequalification procedures to ensure that they do not act as barriers to smaller or newer firms or to firms that have less past success in receiving public contracts. There are aspects of the prequalification process that may perpetuate disparities for MBE/WBE groups, which have been relatively unsuccessful in obtaining IDOA, INDOT and SEI construction prime contracts (see Chapter 6).

Insurance and bonding requirements. The State of Indiana might consider reviewing its insurance and bonding requirements to ensure that they do not act as barriers to smaller and newer firms. BBC’s analyses of the Indiana marketplace indicated that certain MBE/WBE groups may face barriers in obtaining insurance and bonding and that those barriers may lead to reduced participation in public contracting (see Chapter 4).

B. State of Indiana MBE/WBE Program

The State of Indiana currently implements the MBE/WBE Program as described in administrative code 25 IAC 5. The MBE/WBE Program applies to Indiana state agencies, which, according to 25 IAC 5, include SEIs.⁶ IDOA’s Minority and Women’s Business Enterprise Division (MBE/WBE Division) is responsible for administering the State of Indiana MBE/WBE program and for monitoring state agencies’ compliance with it.⁷

MBE/WBE definitions. According to 25 IAC 5, an “MBE” is defined as a business that is owned and controlled by U.S. citizens who are from one of the following minority groups: African American, Native American, Hispanic American, Asian American or other minority group. A “WBE” is a business that is owned and controlled by U.S. citizens who are women. Firms that meet those requirements are eligible to become MBE or WBE certified with the State of Indiana.⁸

Certification requirements. Firms seeking MBE/WBE certification with the State of Indiana are required to submit an application to the MBE/WBE Division. The application is available online and requires the firm to submit various business information including firm name and contact information; tax information; work specializations and information about the firm owner’s gender and ethnicity. The MBE/WBE Division reviews each application for approval. The review process may involve on-site meetings and additional documentation to confirm required firm information. For more detail about the State of Indiana’s requirements for MBE/WBE certification, see 25 IAC 5.

Reciprocity. The MBE/WBE Division has reciprocity agreements with other MBE/WBE certifying organizations in the State of Indiana. If an MBE/WBE firm is certified through one of those other agencies and has submitted the requisite reciprocity forms, the MBE/WBE Division will recognize the firm as MBE/WBE certified with the State of Indiana. Organizations with which the MBE/WBE Division has reciprocity agreements include:

- **INDOT**, which is the only DBE-certifying organization in the State of Indiana;
- **City of Indianapolis**, which certifies both MBEs and WBEs; and
- **Indiana Minority Supplier Diversity Development Council**, which certifies only MBEs.

⁶ 25 IAC 5-2-1.

⁷ In addition, INDOT implements the Federal DBE Program for its Federal Highway Administration (FHWA)-funded contracts, as described in 49 CFR Part 26. For details about INDOT’s implementation of the Federal DBE Program, see Chapter 17.

⁸ In contrast to the Federal DBE Program, the State of Indiana’s MBE/WBE Program does not use revenue and personal net-worth limits in determining eligibility for MBE/WBE certification.

Measures to achieve MBE/WBE participation. As part of the State of Indiana’s MBE/WBE Program, state agencies and SEIs are required to implement measures to encourage the participation of MBE/WBE-certified firms in state contracting and procurement. Those measures include:

- Outreach, promotion and assessment;
- Monitoring and reporting participation of MBE/WBE-certified firms; and
- MBE/WBE goals on certain contracts.

Outreach, promotion and assessment. Administrative code requires state agencies and SEIs to engage in outreach activities with MBE/WBEs and also assess where and when those programs would be most useful to certified firms. In addition, they are expected to provide and promote opportunities for certified MBE/WBEs to participate in contracting opportunities as prime contractors and as subcontractors.⁹ Part C of Chapter 16 describes the measures that IDOA, INDOT and SEIs currently have in place with regard to outreach, promotion and assessment.

Monitoring and reporting participation of MBE/WBE-certified firms. State agencies and SEIs are required to monitor and report MBE/WBE participation as prime contractors and subcontractors.

Monitoring. Monitoring MBE/WBE participation requires state agencies and SEIs to engage in various activities, such as:

- Keeping track of certified MBE/WBE firms that bid on agency/SEI projects as prime contractors to develop strategies to increase the number of MBE/WBE-certified bidders;
- Developing a standardized method of debriefing bidders who do not win agency/SEI contracts and counsel firms on how to make future proposals more competitive; and
- Hosting pre-project meetings with prime contractors and subcontractors in which subcontractors can learn when their services are likely to be needed and understand state law in connection with the prime contractor-subcontractor relationship.

Reporting. State agencies and SEIs are required to submit quarterly reports to the MBE/WBE Division regarding the participation of MBE/WBE-certified firms as prime contractors and subcontractors in state and SEI contracting. In addition to total prime contract and subcontract dollars, state agencies and SEIs are required to report contact information for MBE/WBE-certified subcontractors.

MBE/WBE goals on certain contracts. Each year, the Governor’s Commission on Minority and Women’s Business Enterprises (the “Commission”) establishes goals for the participation of MBE/WBE-certified firms in state and SEI contracts. The Commission sets separate goals for construction, professional services and goods and support services based on appropriate research.¹⁰ For

⁹ 25 IAC 5-5-3; 25 IAC 5-5-4; and 25 IAC 5-6-1.

¹⁰ 25 IAC 5-7-3.

example, the goals that the Commission set for fiscal year 2009 (and fiscal year 2010) are shown in Figure 16-1.

Upon approval from the Commission, state agencies and SEIs may use the goals to encourage participation of MBE/WBE-certified firms. The goals are stated in contract documents for each contract to which they apply. Goals may vary from contract to contract, but, in aggregate, are expected to represent efforts to meet overall goals that the Commission sets in each industry.

Figure 16-1.
Contracting Goals that the Governor’s Commission on Minority and Women’s Business Enterprises set for fiscal year 2009 (and 2010)

Firm type	Construction	Professional services	Goods	Support services
MBE	7%	8%	4%	4%
WBE	5%	8%	9%	9%

Source: Indiana Department of Administration

Meeting the goals. Prime contractors can meet goals on a contract by either: (a) making subcontracting commitments to MBE/WBE-certified subcontractors at the time of bid; or (b) filling out a MBE/WBE program waiver showing that they made all reasonable good faith efforts to fulfill goals but could not do so. Good faith efforts may include:

- Direct contact or negotiations with MBE/WBE-certified subcontractors;
- Advertising for MBE/WBE-certified subcontractors; and
- Sending notifications and solicitations to MBE/WBE-certified subcontractors regarding the contract.

If prime contractors fail to meet MBE/WBE goals and fail to fulfill good faith efforts, their bids may be deemed unresponsive and be rejected.

Agencies and SEIs that use goals. Currently, IDOA and INDOT apply the State of Indiana’s MBE/WBE goals to their state-funded construction, professional services and goods and support services contracts. Both agencies apply the same goals to each of their contracts in a particular industry. For example, in fiscal year 2009, IDOA and INDOT applied an MBE goal of 5 percent to each one of their state-funded construction contracts. INDOT applies Federal DBE goals to its FHWA-funded contracts (for more detail, see Chapter 17).

In general, SEIs do not apply the State of Indiana’s MBE/WBE goals to their contracts. Some SEIs — for example, Purdue University and the University of Southern Indiana — nominally apply those goals to certain contracts, but there are no consequences for prime contractors who fail to meet them or fail to fulfill good faith efforts.

Potential considerations of changes. The State of Indiana will need to regularly review the need for continued race- and gender-conscious programs in state and SEI contracting based on results of this disparity study and other available information. If the State of Indiana continues race- and gender-conscious programs, it will also need to consider the specific race/ethnic/gender groups included in those programs, and the industries to which programs apply.

In addition, the State of Indiana will need to ensure that any race- or gender-conscious program is narrowly tailored, including considerations of:

- The necessity for the relief and to which groups it should apply;
- The flexibility and duration of the relief, including the availability of waiver provisions;
- The relationship of numerical goals to the relevant labor market;
- The impact of race- and gender-conscious remedies on the rights of third parties; and
- The efficacy of alternative race- and gender-neutral remedies.

Appendix B provides more information on the requirements for race- and gender-conscious programs.

In addition to these considerations, the State of Indiana's implementation of the MBE/WBE Program might be improved through the following changes. The potential considerations discussed below may require changes to existing state and administrative code.

Report outreach, advocacy and monitoring efforts. Currently, administrative code requires state agencies and SEIs to report participation of MBE/WBE-certified firms as prime contractors and subcontractors. The State of Indiana might consider also tracking the degree to which each state agency and SEI engages in outreach, advocacy and monitoring efforts with MBE/WBE-certified firms. Reporting that information could help state agencies and SEIs be more aware of outreach, advocacy and monitoring opportunities, which in turn may encourage MBE/WBE participation in their contracting and procurement processes.

Track subcontractor data for both MBE/WBE and non-MBE/WBE firms. State agencies and SEIs are required to report the dollars that MBE/WBE-certified firms received on their contracts, both as prime contractors and subcontractors. The State of Indiana might consider requiring agencies and SEIs to track and report participation of all subcontractors, not just MBE/WBE-certified firms. Doing so might result in a more accurate representation of MBE/WBE utilization. Currently, if an MBE/WBE-certified prime contractor used majority-owned subcontractors on a state agency contract, the dollars going to the majority-owned subcontractors would be attributed to the MBE/WBE prime contractor when calculating MBE/WBE utilization for an annual report. Requiring agencies and SEIs to track and report participation of all subcontractors might help avoid such issues. The State of Indiana could require agencies and SEIs to track and report subcontractor commitments at the time of award as well as paid-to-date amounts.

Expand MBE/WBE outreach and assistance measures, and data collection, to include uncertified firms. Indiana state code 25 IAC 5 requires state agencies and SEIs to use measures to encourage the participation of MBE/WBE-certified firms in state contracting and procurement. The State of Indiana might consider expanding those requirements to minority- and women-owned firms that are not currently certified. BBC's analyses indicate that a large portion of IDOA's, INDOT's and SEIs' MBE/WBE utilization occurred with firms that were not certified. Further cultivating relationships with those firms — and encouraging them to become certified — could help encourage MBE/WBE participation in state contracting.

In addition, state agencies and SEIs should consider monitoring utilization of all minority- and women-owned firms as prime contractors and subcontractors, not just certified MBE/WBEs.

Clarify definitions of “state agency.” As discussed above, based on definitions presented in state code, administrative code and contracting documents, it is unclear whether SEIs should be considered state agencies and should thus be required to follow administrative codes such as 25 IAC 5. Clarifying whether SEIs are state agencies could help SEIs better understand their responsibilities with regard to the State of Indiana MBE/WBE Program.

C. Business Assistance and Neutral Programs that IDOA, INDOT and SEIs Use

The study team reviewed race- and gender-neutral efforts that Indiana state agencies and SEIs currently have in place or are in the process of initiating. Those entities have implemented several race- and gender-neutral measures to improve the success of small firms seeking work with IDOA, INDOT and SEIs. Through interviews with agency and SEI representatives and other independent research, the study team collected information about the following types of race- and gender-neutral measures:

1. Mentor-protégé programs;
2. Technical assistance, including bidding and procurement assistance;
3. Capital and bonding assistance;
4. Advocacy and outreach;
5. Business development;
6. Prompt payment; and
7. Other programs available in the Indiana marketplace.

1. Mentor-protégé programs. None of the entities involved with the Indiana disparity study have established formal mentor-protégé programs to encourage relationships between small businesses and larger prime contractors. However, IDOA coordinates a matchmaking process during its research fairs in which minority- and women-owned firms are provided the opportunity to meet with more than 60 prime contractors looking to do business with MBE/WBE firms.

2. Technical assistance. Several entities reported that they provide some form of technical assistance to small businesses, ranging from how to obtain financing to how to do business in the public sector.

IDOA. IDOA's Minority and Women's Business Enterprise Division offers technical assistance to all interested firms, including small businesses and minority- and women-owned firms. IDOA's technical assistance addresses many aspects of doing business in Indiana such as managing financial resources, contracting basics and legal guidance. IDOA offers technical assistance at various forums, including resource fairs and town hall meetings. It also partners with other organizations to provide information and assistance to small businesses.

IDOA resource fairs. IDOA hosts resource fairs at the Indiana State Government Center that take place in February and July of each year. The fairs are one-day events and are open to all businesses. However, IDOA specifically targets its fairs at small businesses and minority- and women-owned firms. The fairs include workshops, networking opportunities and public discussions designed around different technical assistance topics, such as:

- Contracting basics and legal assistance;
- How to obtain bonding;
- Building credit and securing and managing financial resources; and
- Developing a business plan.

IDOA resource fairs and workshops are heavily promoted through various means, including email invitations to more than 4,000 local firms and organizations. IDOA also promotes its resource fairs through radio talk shows, press releases, television commercials, billboards, print materials and its website.

Partnerships and referrals. IDOA partners with the Minority Business Enterprise Center (MBEC), a federally funded resource center, to provide companies with various technical assistance services throughout the year including strategic process and planning, product management and development and assistance with bank loans. In addition, IDOA refers businesses and individuals to other partner organizations offering technical assistance, including the Indiana Small Business Development Center, Partners in Contracting Corporation, SCORE and local banks.

IDOA also partners with organizations such as the Indiana Black Expo and the Indiana Minority Supplier Diversity Council to promote business opportunity fairs and networking events.

INDOT. INDOT provides technical assistance for certified DBE firms through its Supportive Services Division. INDOT sponsors two annual events to facilitate DBE assistance including the Indiana Entrepreneurial Development Institute (EDI) and the Southern Indiana DBE Initiative (SINDI). Both programs offer similar types of courses and cover a broad range of topics, including business development, bidding strategies and bonding and finance assistance.

Entrepreneurial Development Institute (EDI). EDI is an INDOT-sponsored annual multi-day event for DBE firms. EDI involves a series of workshops related to different business topics such as marketing and advertising, networking, and doing business with INDOT. The workshops are led by INDOT staff, local community partners and professional outreach consultant. INDOT estimates that approximately 20 to 30 DBEs participate in EDI annually. Because of increased demand for EDI, INDOT invites only recently-certified DBEs (certified within the previous two years) and DBEs who have never or have rarely done work for the agency.

Prior to 2008, EDI focused primarily on the construction industry. In 2008, EDI began to also focus on the professional services industry. EDI curriculum is based substantially on feedback collected from previous programs and from communication with past participants and the DBE community. Moving forward, INDOT will host two EDI events each year — one for construction and one for professional services.

Southern Indiana DBE Initiative (SINDI). INDOT initially developed SINDI to increase business development efforts for current and potential DBE firms located in the southern Indiana. The program has since expanded to include minority- and women-owned firms across the entire state. The primary goal of SINDI is to encourage minority- and women-owned firms in the highway construction industry to consider pursuing work with INDOT. It is a multi-event program that includes approximately six events that take place throughout the year. The events range from one-day roundtable discussions to three-day workshops. The events cover myriad technical assistance topics, including: risk management, INDOT supply chain, prequalification processes, technology training and business development.

INDOT hires an independent consultant to lead all SINDI events. The consultant is also responsible for outreach and marketing the events. Marketing efforts include phone calls, emails and mailings to encourage small businesses and minority- and women-owned firms to participate. Typically, SINDI programs have anywhere from five to twelve businesses participating in each program.

SEIs. Several Indiana SEIs — such as Indiana State University (ISU) and Purdue University (Purdue) — provide one-on-one counseling to assist small businesses, including minority- and women-owned businesses in doing business with their entities. The counseling that SEIs provide covers various business topics such as MBE/WBE certification processes and understanding and navigating the procurement process. Some SEIs — such as Indiana University (IU) and the University of Southern Indiana (USI) — also partner with other technical assistance providers such as IDOA, INDOT and the Indiana Minority Supplier Diversity council to provide small businesses with additional resources.

3. Financing and bonding assistance. IDOA and INDOT host workshops to educate firms on what to expect when trying to obtain financing and bonding.

IDOA. Per Indiana state law, Indiana state agencies are required to provide at least two bonding workshops per year. IDOA's Minority and Women's Business Enterprises Division hosts bonding workshops in February and July, one at each of IDOA's resource fairs. IDOA partners with the Indiana Surety Association to facilitate those workshops. IDOA reported that approximately 40 firms typically participate in the agency's bonding workshops.

IDOA also partners with banking institutions and insurance companies to facilitate other financing and bonding workshops for small businesses, including minority- and women-owned firms. For example, IDOA partners with Key Bank to offer a women-owned business program in which the bank mentors business owners through loan application and approval processes.

INDOT. The two primary INDOT DBE assistance programs —EDI and SINDI —include training workshops on what firms can expect when seeking financing, insurance and bonding. INDOT did not report any partnerships or referral resources related to financing and bonding assistance.

SEIs. None of the SEIs participating in the Indiana disparity study provide formal financing or bonding assistance programs. However, a number of the SEIs do remain flexible with their bonding requirements. For example, ISU's Purchasing Department works with small vendors on small projects to reduce the bonding requirement from 100 percent to 10 percent or to accept alternative forms of collateral, if necessary. Similarly, Ball State University (BSU) works with small and emerging businesses to reduce insurance requirements when requested to do so.

In addition, firms that do business with SEIs are invited to participate in IDOA-, INDOT- and other agency-sponsored workshops, seminars and conferences related to financing and bonding.

4. Advocacy and outreach. Indiana state agencies and SEIs use a comprehensive and collaborative approach to advocacy and outreach. IDOA, INDOT and SEIs report using strong outreach campaigns that consist of marketing efforts, certification workshops and community partnerships to increase awareness of business and technical assistance opportunities.

IDOA. IDOA's outreach and advocacy efforts incorporate a combination of regular communication; promotion of MBE/WBE/DBE certification opportunities; and outreach partnerships with other organizations.

Newsletter. IDOA prepares and distributes a monthly newsletter to its database of over 3,500 business contacts. IDOA sends the newsletter to all businesses registered to receive IDOA communication, including small businesses and minority- and women-owned firms. The newsletter is distributed via email and includes articles related to work opportunities, resource fairs and other outreach events. IDOA also posts the newsletter on its website.

Certification assistance. IDOA's Minority and Women's Business Enterprises Division offers many types of MBE/WBE certification assistance, including monthly certification workshops in which potential certification applicants can review the certification application and ask questions to IDOA staff. IDOA also conducts approximately two additional certification workshops each year in different parts of the state with partner organizations. Partner organizations include the Indiana Small Business Development Center, SEIs and local trade associations. IDOA's certification staff typically facilitate the workshops, which are attended by anywhere from 15 to 40 participants.

In addition to partnering with agencies to host certification workshops, IDOA maintains a memorandum of understanding (MOU) with other organizations — including the City of Indianapolis and the Indiana Minority Supplier Diversity Development Council — to establish reciprocal MBE/WBE certification processes. Reciprocal certification allows businesses to certify with one organization and be recognized as being certified by other organizations participating in the MOU.

Indiana Supplier Insight Program. The Indiana Supplier Insight Program is an IDOA-sponsored resource that provides a free business-to-business web portal for public and private businesses to post company profiles. Companies from across the world can search the database for firms with which to partner or utilize as subcontractors. The Indiana Supplier Insight Program currently has over 5,300 users.

INDOT. INDOT’s outreach efforts primarily focus on its two signature events — EDI and SINDI. In addition to those events, INDOT hosts DBE orientation workshops for newly-certified DBEs and partners with other organizations to provide additional resources related to advocacy and outreach.

Communication with DBEs. INDOT communicates with its DBEs through email and through its website, on which contracting opportunities, special events and DBE program measures are announced. INDOT also contracts with an independent consultant who conducts additional outreach and targeted communication through mailings, phone calls and emails.

DBE orientation workshop. INDOT works to identify existing minority- and women-owned businesses that are not currently DBE-certified. Firms that are not certified are encouraged to complete the DBE certification process through EDI or SINDI.

In addition, INDOT implemented a DBE orientation workshop in May 2010. The workshop offers recently-certified DBEs the opportunity to learn about INDOT bid practices and to participate in a general discussion on what it means to be a DBE-certified firm. The orientation is a one time, three-hour orientation that INDOT provides as necessary.

Community presence. In addition to the events and workshops that INDOT hosts, the agency participates in many business opportunity fairs and seminars across the state. Most recently, INDOT participated in a vendor fair as part of the Indiana Black Expo. Upon request, INDOT staff members also regularly give presentations about DBE certification procedures and doing business with INDOT.

“Focus groups.” INDOT is working to create a new program that would initiate “focus groups” that would serve to advise INDOT on DBE-related issues. The groups would be comprised of DBE-certified firms — one group would be for firms working in construction and one group would be for firms working in professional services. The groups would meet quarterly with INDOT staff to discuss the needs of DBEs and perceived barriers to success. Information collected from the focus groups would help INDOT better serve DBE firms.

SEIs. Most SEIs are active in advocacy and outreach to small businesses — including minority- and women-owned firms — through their own programs or through collaborations with state agencies, non-profit organizations or other colleges and universities. Additionally, SEIs are responsible for annually reporting their advocacy and outreach efforts and their MBE/WBE utilization to the State of Indiana.

Indiana University. IU works closely with IDOA and other community organizations to conduct workshops, networking sessions and educational courses to provide information to firms interested in doing work with the university and to firms interested in becoming MBE/WBE certified with the State of Indiana.

- **Community partnerships.** In addition to facilitating its own outreach efforts, IU provides monetary and in-kind support to organizations such as the National Minority Business Development Council, the Indiana Minority Development Council and the National Association of Women Business Owners. IU's support includes sponsoring major advocacy and outreach events, speaking at or moderating seminars and attending trade fairs to counsel small businesses.
- **Communication.** IU emails information about business and training opportunities to businesses on its bidders list, the Central Contractor Registration database and other small business and minority associations and chamber of commerce networks.

Indiana State University. ISU's outreach efforts include partnerships with other SEIs, local and state government agencies and community organizations. ISU also makes staff available for one-on-one meetings with small businesses — including minority- and women-owned firms — needing assistance with the bid process or with the State of Indiana's MBE/WBE certification process.

- **Community partnerships.** Each year, ISU's Purchasing Department participates in advocacy and outreach efforts in the local community such as hosting information booths at local events or hosting informational workshops and inviting business contacts. Some of ISU's community partners include IDOA, the Indiana Minority Supplier Development Council, the National Association of Educational Procurement and the Indiana Black Expo.

ISU is also the founding member of the Southwestern Indiana Higher Education Minority Procurement Cooperative (SIHEMPC), which works to identify qualified MBE/WBEs working in various industries and helps to inform them of work opportunities and provide them with assistance in the bid process.

- **Communication.** ISU distributes information to MBE/WBEs about work opportunities through emails, community partner networks and through its website. ISU collects contact information from potential vendors at various conferences and enters that information into a database for future communications about bid opportunities.

Purdue University. Purdue initiates business advocacy and outreach efforts through events, community partnerships and electronic communication.

- **Advocacy and outreach events.** Purdue hosts two outreach events each year — one in the summer and one in the fall. Its summer event includes a meet-and-greet in which small MBE/WBE construction firms are given the opportunity to meet and build relationships with large prime contractors working with Purdue. The event provides firm with the opportunity to network and to discuss upcoming Purdue projects. Purdue’s summer event typically attracts more than 100 MBE/WBE firms and a number of large prime contractors.

Purdue’s fall event is for businesses working in various industries including construction, professional services, goods and support services. The event includes workshops related to business development and doing business with Purdue as well as a presentation of upcoming business opportunities. In the past few years, large buyers and vendors have also begun participating in the event, including the City of Lafayette, the City of West Lafayette, State Farm and Caterpillar.

- **Advocacy council.** Purdue participates in an advocacy council that meets twice a year to discuss the university’s current MBE/WBE efforts and future goals. The advocacy council includes approximately 25 people representing different industries and work sectors, including government, non-profit and private sector organizations.
- **Community partnerships.** Purdue collaborates with many community organizations, local government agencies and other colleges and universities to engage in advocacy and outreach efforts. Purdue also regularly participates in various local events including the Indiana Black Expo, IDOA’s vendor fair and the Indiana Minority Supplier Diversity Council’s vendor fair.
- **Newsletter.** Purdue’s Office of Supplier Diversity Development publishes a quarterly newsletter that is distributed to approximately 200 businesses and campus offices. Purdue distributes the newsletter in both electronic and hard copy format. The newsletter highlights resources and outreach opportunities for MBE/WBEs and lists minority- and women-owned businesses currently doing work for Purdue.

Ball State University. BSU participates in various advocacy and outreach efforts, including hosting an annual event related to doing business with the university.

- **Doing Business with Ball State.** BSU hosts a “Doing Business with Ball State” event each fall to provide firms with information related to business development and participation in BSU’s procurement and contracting process. The event is open to all businesses but includes targeted communication with MBE/WBE firms. The event provides firms the opportunity to network and to discuss upcoming BSU projects with purchasing agents.

- **Electronic communications.** BSU distributes information about bid opportunities to interested firms through emails and through its website. In addition, BSU collects information from potential MBE/WBE firms at various conferences and enters that information into its vendor database for future communications about bid opportunities.
- **One-on-one support.** BSU's Purchasing Services Office meets with representatives of minority- and women-owned businesses to discuss product and service offerings. BSU offers those businesses one-on-one support to help secure BSU contracts.

Vincennes University, University of Southern Indiana and Ivy Tech. Vincennes University, USI and Ivy Tech Community College all make efforts to identify minority- and women-owned vendors. These SEIs reach out to vendors through their participation as members of the Southwestern Indiana Higher Education Minority Procurement Cooperative (SIHEMPC). SIHEMPC works to identify qualified MBE/WBEs, help inform them of opportunities and to assist those businesses with the purchasing process. These universities are also available for one-on-one counseling to guide minority- and women-owned businesses through the purchasing process. Additionally, these SEIs participate in outreach efforts including business opportunity fairs, seminars and workshops across the state that are hosted by other SEI's, IDOA and local community organizations.

5. Business development. IDOA, INDOT and SEIs provide business development opportunities at annual events in addition to one-on-one support and referrals to partnering organizations.

IDOA. IDOA sponsors two resource fairs each year. Those events provide information and offer courses on business plan development, marketing strategies and winning work with public agencies. IDOA partners with SCORE to offer those courses as part of IDOA's resource fairs. IDOA also encourages participants to network and build relationships with other businesses. IDOA hosts additional workshops and match-making events throughout the year to facilitate business development efforts.

INDOT. INDOT conducts two major technical assistance and outreach programs each year — EDI and SINDI. During those events, INDOT provides information and offers courses related to business plan development, marketing strategies, technical assistance and doing business with the agency. INDOT provides the opportunity for participants to network with other businesses through various events and roundtable discussions.

SEIs. Each of the SEIs participating in the study provide business development opportunities ranging from networking events and referrals to external resources to maintaining databases of information about local small businesses, including minority- and women-owned firms. For example, IU regularly invites MBE/WBE subcontractors to participate in one-on-one meetings with architects, engineers and construction prime contractors to review plans and learn about bid opportunities. In addition, ISU and other SEIs maintain databases of information about MBE/WBE-certified firms that they share with prime contractors seeking to utilize those firms.

All SEIs provide their MBE/WBEs with referrals and invitations to partnering organizations' networking events, business planning courses and other business development programs.

6. Prompt Payment. IDOA, INDOT and SEIs have policies in place to help ensure prompt payment to prime contractors and subcontracts. Indiana state law requires state agencies to pay prime contractor invoice within 30 days of receipt. In addition, IDOA and INDOT both enforce state-mandated prompt payment processes that require prime contractors to pay their subcontractors within 10 days of receiving payment from a state agency.

7. Other programs available in the Indiana marketplace. In addition to the race- and gender-neutral measures currently in place at IDOA, INDOT and the SEIs, there are a number of neutral programs that other public, private and non-profit organizations administer in Indiana. Figure 16-1 on the following page provides examples of those programs. Figure 16-2 highlights small business assistance and other neutral programs offered by specific organizations in the Indiana marketplace.

Figure 16-1.
Examples of small business assistance and other neutral programs in Indiana

Neutral remedies	Examples in the local marketplace
Mentor protégé programs	<p>The Indiana Construction Roundtable (ICR) launched its mentor protégé program to increase the number of M/W/DBE companies in the construction industry and to help increase their capacity. ICR has been the model mentor-protégé program in which other organizations in Indiana, including the American Council of Engineering Companies (ACEC) and the National Association of Women Business Owners, have modeled their future programs. The City of Indianapolis has been supportive in helping these mentor-protégé programs.</p> <p>The SBA 8(a) Business Development Mentor-Protégé Program is an example of a mentor-protégé program that pairs subcontractors with prime contractors to assist small firms with management, financial and technical issues. The program also helps firms explore joint ventures and subcontracting opportunities for federally-funded contracts.</p> <p>Eli Lilly & Company and the Indiana Minority Supplier Development Council both offer a mentor-protégé program to help develop minority- and women-owned firms in the private industry. These programs support emerging suppliers to increase their capacity and competitiveness by providing business mentoring, partnering, technical assistance and by marketing them to internal clients and corporate partners.</p>
Technical assistance	<p>Technical Assistance programs are readily available throughout Indiana. Programs primarily provide general information and assistance for business start ups and growing businesses. Examples range from Small Business Development Centers that serve all groups to more targeted programs for minorities and women provided by local government agencies, private sector business, minority chambers of commerce and other trade associations. Targeted programs focus on business planning, marketing, training workshops, technology, financial management and understanding the procurement process. Other technical assistance providers focus on business advice and mentoring like those services offered by the Service Corps of Retired Executives (SCORE), the Small Business Association (SBA) and the National Association of Women Business Owners (NAWBO).</p>
Small business financing assistance	<p>Small business financing is available through several local agencies within Indiana. For example, the Flagship Enterprise Center, an SBA Microloan Intermediary that supports small businesses to grow with loans ranging from \$5,000 to \$35,000. The Business Ownership Initiative (BOI) of Indiana’s Indianapolis Microloan Fund also offers loans to microenterprises whose owners cannot obtain regular commercial credit due to size or lack of a proven track record of the company. These loans range in size from \$500 to \$10,000.</p> <p>The City of Kokomo's Reach Higher Initiative works to help small businesses through the current economic conditions by offering finance assistance programs ranging from zero-interest working capital loans, forgivable marketing loans to funds for green energy and downtown facade work.</p> <p>Other agencies in Indiana provide training on how to obtain financing including the Minority Business Enterprise Center (MBEC), The City of Gary, The City of Indianapolis, SBDC and Partners in Contracting Corp. (PICC).</p>

Source: BBC Research & Consulting.

Figure 16-1. (continued)
Examples of small business assistance and other neutral programs in Indiana

Neutral remedies	Examples in the local marketplace
<p>Bonding</p>	<p>Programs such as the SBA Bond Guarantee Program provide bid, performance and payment bond guarantees for individual contracts. There are two programs that offer bonding assistance. The USDOT Bonding Assistance Program also provides bonding assistance for DBEs performing transportation work in the form of bonding fee cost reimbursements.</p> <p>Several organizations in Indiana provide training on how to obtain a bond, including the City of Indianapolis, Partners in Contracting Corp. (PICC) and the Small Business Development Corporation (SBDC).</p> <p>Some private firms including Hunt Construction and Gaylor have worked to provide "dual bonding" or to limit bonding requirements for small majority firms and MBE/WBEs they work with.</p>
<p>Networking, outreach & advocacy</p>	<p>A number of Indiana agencies serve as advocates for small businesses working to sponsor focus sessions, roundtable discussions, seminars and networking events to highlight small businesses and encourage their use in government and private sector work. Some local organizations facilitating the outreach and networking include the City of Gary, the Indiana Public Schools, the Indiana Minority Supplier Diversity Council, Hunt Construction and the Minority Chambers of Commerce and other community trade associations in the state.</p>

Source: BBC Research & Consulting.

Figure 16-2.
Small business assistance and other neutral programs offered by Indiana organizations

Organization name	Advocacy and outreach	Bonding assistance	Financial and capital assistance	Bid assistance	Business plan development	Marketing and business strategy	Mentor/protégé programs	Business incubator
Indiana Dept of Administration	■			■	■	■		
Indiana Dept of Transportation	■			■	■	■		
Indiana University	■			■	■		■	
Indiana State University	■	■		■	■			
Purdue University	■				■			
City of Kokomo	■		■	■		■		
City of Evansville	■			■				
City of Gary	■		■	■		■		
City of Indianapolis	■			■	■	■		
Indianapolis Public Schools	■							
Indianapolis Airport Authority	■							
Indiana Minority Supplier Diversity Council*	■		■	■		■	■	■
Clarian Health**	■							
Cummins	■							
Gaylor	■	■		■			■	
Hunt Construction	■	■		■		■	■	
Roche Diagnostic	■							
Rolls Royce	■		■			■	■	
Eli Lilly & Company	■					■	■	
National Association of Women Business Owners*	■					■		
The Indianapolis Black Chamber of Commerce*	■				■	■	■	
Hispanic Business Council*	■				■	■	■	
Minority Business Enterprise Center**	■		■	■	■	■		
National Association of Women In Construction*	■			■		■		
Partners in Contracting Corp*	■			■				
Small Business Administration	■	■	■	■	■	■		
Service Corps of Retired Executives (SCORE)	■				■	■		
Women's Enterprise	■				■	■		
Small Business Development Corporation	■		■	■	■	■		
Women and Hi Tech*	■							
Minority Business Development Agency	■		■	■	■	■		
The Surety Association of Indiana*	■	■						
Flagship Enterprise Center	■		■		■	■		■
Network of Women in Business*	■					■		
Business Ownership Initiative of Indiana**	■		■		■	■		■
Indianapolis Public Transportation Corporation	■							
South Bend Public Transportation Corp	■							
City of Gary Public Transportation Corp	■							
Ft. Wayne Public Transportation Corporation	■							
Evansville Public Transportation	■							
City of Anderson Public Transportation Corp	■							
American Council of Engineering Companies of	■						■	
Indiana Construction Roundtable***	■						■	
Indiana Construction Association***	■			■		■		

Note: * Membership required/fee for some workshops and events.
 ** Fee for service/Workshop cost.
 *** Membership fee but also has services offered to M/W/VBES at no cost.
 Source: BBC Research & Consulting.

D. Additional Business Assistance and Neutral Programs for Potential Consideration

There are several additional business assistance and other neutral programs that IDOA, INDOT and SEIs might consider implementing. This section describes types of measures that could help encourage small business participation — including MBE/WBE participation — in state and SEI contracting. Implementing some of those measures may require changes to existing state and administrative code.

Small business contracting programs. IDOA, INDOT and SEIs might consider using small business contracting programs that would limit competition to only certified small businesses, give those businesses a competitive advantage or that would establish contracting goals for those firms. Indiana state code already allows state agencies (but not SEIs) to set aside certain goods and support services for small businesses, and allows state agencies to use small business price preferences for those procurements. The State of Indiana could consider legislation to expand those programs to certain small construction and professional services contracts as well. Doing so may help encourage all small businesses — including minority- and women-owned firms — to compete for smaller state contracts by limiting competition to similarly-sized firms or by giving small businesses a competitive advantage over larger firms.

IDOA, INDOT and SEIs could also consider implementing a program to include subcontracting goals for certified small businesses. The State of Indiana could set goals and evaluate contractor compliance using the same processes provided in the State of Indiana MBE/WBE Program, except that the race/ethnicity/gender of a firm's owner would not be considered.

To implement small business contracting programs, the State of Indiana would need to develop a small business certification program. It might use the same economic eligibility criteria that already exist in Indiana state code.¹¹

Finance, bonding and insurance assistance. BBC's marketplace analyses identified disparities in access to capital, bonding and insurance for certain MBE/WBE groups (see Chapter 4 for a summary). IDOA, INDOT and SEIs offer some technical assistance related to obtaining finance, but the state and SEIs might also consider exploring ways to better connect its contractors and consultants with available programs through public and private organizations, such as: the Small Business Administration, Small Business Development Corporation, the Flagship Enterprise Center and Rolls Royce. For example, the Flagship Enterprise Center, a Small Business Association Microloan Intermediary, supports small business growth by offering loans ranging from \$5,000 to \$35,000.

The state and SEIs might further consider relaxing bonding and insurance requirements for small businesses or implementing programs that would more directly help small businesses obtain bonding and insurance. For example, some transportation agencies such as the San Diego County Regional Airport Authority have created programs to directly provide bonding to small companies bidding on its contracts.

¹¹ IC 5-22-15.

Technical assistance and mentoring. The state and SEIs — particularly IDOA and INDOT — offer a number of technical assistance programs in various business areas, such as managing financial resources, developing a business plan and doing business with state agencies and SEIs. IDOA, INDOT and SEIs might consider partnering with local organizations to offer further technical assistance and training. For example, some agencies in other states host a construction management school that utilizes staff from a local construction firm as teachers. The State of Indiana might consider partnering with a large construction firm or other organizations to host similar construction management or general business management courses. Multi-week courses could be designed to improve the technical, administrative and managerial skills of small businesses.

IDOA, INDOT and SEIs might also consider establishing mentor-protégé programs or partnering with local organizations — such as Hunt Construction, Eli Lilly and the Indiana Construction Roundtable — that have already established mentor-protégé programs. Doing so could help encourage relationships between small businesses and larger prime contractors, which in turn may increase business acumen and work opportunities for small firms. For example, as part of its “Associate Partners” program, Hunt Construction works with small businesses — including MBE/WBEs — on construction projects worth \$10 million or more. The program works to help smaller firms better understand the construction industry and how to effectively manage and execute construction projects.

Outreach and advocacy, including notification of bid opportunities. IDOA, INDOT and SEIs host and participate in many outreach and advocacy events that include information about marketing, the MBE/WBE certification process, doing business with the State of Indiana and available bid opportunities. Many firms that the study team interviewed as part of the disparity study complimented IDOA, INDOT and SEIs on their outreach and advocacy efforts in the Indiana marketplace (see Appendix J for specific comments).

The state and SEIs might also consider broadening efforts to include more partnerships with local trade organizations and other public agencies such as the Indianapolis Black Chamber of Commerce, Hispanic Business Council, National Association of Women Business Owners and various cities and townships. IDOA, INDOT and SEIs might also consider initiating a consortium of local organizations and public agencies that would jointly host quarterly outreach and networking events and training sessions for businesses seeking public sector contracts.

Continue the use of MBE/WBE contracting goals. Results from the disparity and marketplace analyses suggest that certain MBE/WBE groups face barriers in obtaining work with IDOA, INDOT and SEIs. The State of Indiana might consider continuing to use MBE/WBE goals if race- and gender-neutral measures do not address the observed disparities for minority- and women-owned firms. The State of Indiana will need to ensure that the use of any race- or gender-conscious programs is narrowly tailored.

E. Summary

Many aspects of Indiana state code allow state agencies and SEIs to tailor parts of their contracting practices to encourage small firms — including minority- and women-owned firms — to participate in state and SEI contracting. Those measures — along with business assistance and race- and gender-

neutral programs that agencies and SEIs currently use — provide a foundation for the State of Indiana to encourage future participation of local, small businesses, including MBE and WBEs.

In addition, the State of Indiana has implemented an MBE/WBE Program that uses subcontracting goals and other measures to specifically target the participation of MBE/WBE-certified firms. The State of Indiana should use the results of this disparity study and other information it has to evaluate whether the Program should be continued in its current form or modified to reflect any changes in the marketplace or in contracting and procurement practices.

BBC reviewed contracting practices, the State of Indiana MBE/WBE Program and business assistance programs and suggested several future considerations that IDOA, INDOT and SEIs might make when improving existing contracting practices and programs or developing new ones. Potential considerations include:

- Clarifying state and administrative code regarding whether SEIs should be considered state agencies and should thus be required to follow state law when making procurement and contracting decisions, particularly as those decisions relate to small businesses and minority- and women-owned firms.
- Increasing the number of contracts for which small businesses can compete — for example by lowering dollar thresholds for using formal bidding procedures on smaller contracts or by segmenting large contracts into multiple, smaller pieces.
- Reviewing prequalification, bonding and insurance requirements to ensure that they do not act as barriers to smaller and newer firms and considering ways to relax those requirements to promote small business and MBE/WBE participation.
- Requiring state agencies and SEIs to track subcontracting data of all firms, regardless of ownership or MBE/WBE certification status. State agencies and SEIs could track and subcontractor commitments at the time of award as well as paid-to-date amounts.
- Expanding MBE/WBE measures to include minority- and women-owned firms that are not currently certified. Cultivating relationships with those firms — and encouraging them to become certified with the State of Indiana — could help encourage MBE/WBE participation in state contracting.
- Establishing additional business assistance and race- and gender-neutral measures to encourage the participation of all small businesses in state and SEI contracting. Some of those measures might include small business contracting programs, financing and bonding assistance and partnerships with local organizations to facilitate mentor-protégé programs and outreach and advocacy.
- Continuing to use MBE/WBE goals if race- and gender-neutral measures will not be sufficient to address the observed disparities for minority- and women-owned firms. The State of Indiana will need to ensure that the use of any race- or gender-conscious programs is narrowly tailored.

CHAPTER 17.

INDOT's Future Implementation of the Federal DBE Program

Chapter 17 provides information that may help the Indiana Department of Transportation (INDOT) implement the Federal DBE Program. Chapter 17 is organized in three parts:

- A. Setting INDOT's overall annual DBE goal;
- B. Projecting the portion of the DBE goal to be met through neutral means; and
- C. Federal requirements of implementing the Federal DBE Program.

A. Setting INDOT's Overall Annual DBE Goal

As part of implementing the Federal DBE Program, INDOT must set an overall annual DBE goal. Federal regulations in 49 CFR Part 26.45 outline a two step process for setting the overall goal:

- Step 1: Establishing a base figure; and
- Step 2: Making any needed adjustments to the base figure.

Step 1: Establishing a base figure. As presented in Chapter 5, minority- and women-owned firms currently or potentially certified as DBEs would be expected to receive 10.2 percent of prime contract and subcontract dollars for INDOT's Federal Highway Administration (FHWA)-funded contracts, based on their availability for that work.

- INDOT may consider 10.2 percent as the base figure for its overall annual aspirational goal for DBE participation if the types of FHWA-funded contracts for the time periods covered by its future annual goals will be similar to the types of FHWA-funded contracts from July 2006 through June 2009. If the types of contracts, distribution of work in each study industry or location of work will substantially differ in the future, INDOT will need to develop a new base figure.
- In accordance with federal regulations, INDOT must develop an overall annual goal for DBE participation that includes all DBE groups and that does not subdivide the goal by DBE group.¹ The information in Chapter 5 that shows the components of the base figure by DBE group is presented only to document how the overall annual DBE goal might be calculated.

¹ See 49 CFR Section 26.45 (h).

- The 10.2 percent base figure is similar to the overall annual DBE goal that INDOT established each year during the study period. INDOT only included certified DBEs in its base figure calculations. BBC also counted minority- and women-owned firms that could potentially be certified as DBEs but are not currently certified.² BBC also had more detailed information concerning available firms and performed more complex analyses of relative availability for individual MBE/WBE groups.

Figure 17-1 summarizes base figure information (also presented in Chapter 5).

Figure 17-1.
Calculation of the base figure for INDOT’s overall annual DBE goal

Race, ethnicity and gender	Components of base figure				Total
	Construction	Professional services	Goods	Support services	
African American-owned	0.6 %	2.3 %	0.7 %	3.9 %	0.8 %
Asian-Pacific American-owned	0.1	2.0	0.0	0.0	0.4
Subcontinent Asian American-owned	0.2	3.8	0.1	0.0	0.7
Hispanic American-owned	0.1	0.8	1.5	0.0	0.2
Native American-owned	0.1	0.0	0.1	0.1	0.1
Total MBE/WBE	1.1 %	9.0 %	2.4 %	4.1 %	2.2 %
WBE (white women-owned)	<u>7.9</u>	<u>8.5</u>	<u>32.0</u>	<u>6.0</u>	<u>8.0</u>
Total MBE/WBE	9.0 %	17.5 %	34.5 %	10.2 %	10.2 %
Sector weight	85.5 %	13.5 %	0.2 %	0.8 %	

Note: Includes certified DBEs and minority- and women-owned firms potentially certified as DBEs.

Source: BBC Research & Consulting from 2009/2010 Availability Survey.

Step 2: Making any needed adjustment to the base figure. INDOT can make upward, downward or no adjustments to the base figure as it determines its overall annual DBE goal. INDOT must explain its decision based on its consideration of factors that the Federal DBE Program outlines:³

1. Current capacity of DBEs to perform INDOT work, as measured by the volume of INDOT work DBEs have performed in recent years;
2. Information related to employment, self-employment, education, training and unions;
3. Any disparities in the ability of DBEs to get financing, bonding and insurance; and
4. Other relevant data.

BBC completed an analysis of each of the above factors and was able to quantify the effect of certain factors on the base figure. The effect of other information that BBC examined was not as easily quantifiable, but is still relevant as INDOT assesses whether to make any “step 2” adjustments.

² BBC’s method is consistent with USDOT guidance, as discussed in Chapter 5.

³ 49 CFR Section 26.45.

1. Current capacity of DBEs to perform INDOT work, as measured by the volume of INDOT work DBEs have performed in recent years. BBC's independent analyses indicate DBE participation of 2.5 percent in FHWA-funded contracts, based on aggregate utilization over the entire study period.

2. Information related to employment, self-employment, education, training and unions.

Chapter 4 of this report summarizes information concerning local marketplace conditions for minorities and women. Detailed analyses of the Indiana marketplace are presented in Appendices E, F, G, H and J. BBC's analyses suggest that there are certain barriers affecting entry, advancement and business ownership for minorities and women in the Indiana construction, professional services, goods and support services industries:

- Taken together, that information suggests that barriers associated with employment, self-employment and education exist for certain minority groups and for women working in Indiana. Such barriers may have affected the availability of minority- and women-owned firms for INDOT work.
- It may not be possible to properly quantify the extent to which barriers to employment, education and training may have depressed the number of minority- and women-owned firms in Indiana. However, the effect of disparities in self-employment on DBE availability can be quantified, as discussed below.

Quantitative information on self-employment. Through regression models, BBC investigated whether race/ethnicity or gender influences business ownership rates among Indiana workers, after accounting for the effects of several neutral factors.⁴ Chapter 4 of the report summarizes BBC's analyses and Appendix F provides detailed results of the regression models.

BBC identified statistically significant disparities in business ownership rates for several minority groups and for women working in construction, professional services, goods and support services. BBC estimated the impact on the base figure if certain minority groups and women owned businesses at the same rates as similarly situated non-minorities and men. Those estimates are presented in Figure 17-2. BBC's estimates include the same types of contracts that the study team used when determining the base figure (i.e., construction, professional services, goods and support services).

BBC made the calculations in the following way:

- BBC made separate calculations for construction, professional services, goods and support services, and then weighted them based on the distribution of INDOT's FHWA-funded procurement dollars in each of those industries. Because most dollars of INDOT's FHWA-funded contracts are for construction and professional services, results for these two industries receive greater weight.
- Within each industry, BBC calculated potential base figure adjustments only for those DBE groups for which regression analyses showed statistically significant disparities in business ownership.

⁴ BBC examined U.S. Census data on business ownership rates using methods similar to analyses examined in the court cases involving state departments of transportation in Illinois and Minnesota. At the time of this report, the most extensive data on business ownership come from the 2000 Census. The analyses of those data provide the highest level of accuracy and detail that were available and are the focus of this summary.

- For construction, BBC estimated potential availability adjustments for African American-owned firms, Hispanic American-owned firms and WBEs.
- For engineering, BBC estimated potential adjustments for Asian American-owned firms and WBEs.⁵
- For goods, BBC estimated potential adjustments for WBEs.
- For support services, BBC estimated potential adjustments for African American-owned firms and WBEs.

The columns of Figure 17-2 represent the following:

- a. **Current availability.** Column (a) shows the availability of current and potential DBEs for FHWA-funded contracts, as presented in Figure 17-1.
- b. **Disparity indices for business ownership.** Column (b) presents disparity indices in business ownership for the different racial/ethnic/gender groups. See Chapter 4 and Appendix F for an explanation of the regression models on which BBC based its calculations of those disparities.
- c. **Availability after initial adjustment.** Column (c) presents availability estimates after initial adjustments for statistically significant disparities in business ownership rates. BBC calculated those estimates by dividing the current availability in column (a) by the disparity index for business ownership in column (b) and then multiplying by 100.
- d. **Availability after scaling to 100 percent.** Column (d) shows adjusted availability estimates that were re-scaled so that the sum of the estimates equal 100 percent. BBC re-scaled the adjusted availability estimates by taking each group’s adjusted availability estimate in column (c) and dividing it by the sum of availability estimates shown under “Total firms” in column (c) and multiplying by 100. (e.g., for WBE construction firms: $[10.0\% \div 102.3\%] \times 100 = 9.8\%$).
- e. **Components of goal.** Column (e) shows the component of the total goal attributed to the adjusted MBE/WBE availability in each industry. BBC calculated each component by taking the availability estimate for each study industry shown under “Total current and potential DBEs” in column (d) and multiplying it by the corresponding proportion of total FHWA-funded contract dollars for that industry — construction (85.5%), professional services (13.5%), goods (0.2%) and support services (0.8%). The values in column (e) were then summed to equal the total adjusted DBE availability, presented in the last row of Figure 17-2.

In sum, the potential step 2 adjustments indicate that INDOT may consider an adjusted overall annual DBE goal of 13.4 percent.

⁵ The data on which the study team based the business ownership regression models did not disaggregate race/ethnicity information for Asian American-owned firms.

Figure 17-2.
Potential adjustment to base figure for overall annual DBE goal

Business ownership	a. Current availability	b. Disparity index for business ownership	c. Availability after initial adjustment*	d. Availability after scaling to 100%	e. Components of goal**
Construction					
African American	0.6 %	76	0.8 %	0.8 %	
Hispanic American	0.1	66	0.2	0.1	
Native American	0.1	no adjustment	0.1	0.1	
Asian American	0.3	no adjustment	0.3	0.3	
White women	<u>7.9</u>	79	<u>10.0</u>	<u>9.8</u>	
Total current and potential DBEs	9.0 %		11.3 %	11.1 %	9.5 %
Majority and large MBE/WBE	<u>91.0</u>		<u>91.0</u>	<u>88.9</u>	
Total firms	100.0 %		102.3 %	100.0 %	
Professional services					
African American	2.3 %	no adjustment	2.3 %	2.0 %	
Hispanic American	0.8	no adjustment	0.8	0.7	
Native American	0.0	no adjustment	0.0	0.0	
Asian American	5.8	35	16.6	14.5	
White women	<u>8.5</u>	72	<u>11.8</u>	<u>10.4</u>	
Total current and potential DBEs	17.5 %		31.5 %	27.6 %	3.7 %
Majority and large MBE/WBE	<u>82.5</u>		<u>82.5</u>	<u>72.4</u>	
Total firms	100.0 %		114.0 %	100.0 %	
Goods					
African American	0.7 %	no adjustment	0.7 %	0.6 %	
Hispanic American	1.5	no adjustment	1.5	1.2	
Native American	0.1	no adjustment	0.1	0.1	
Asian American	0.2	no adjustment	0.2	0.2	
White women	<u>32.0</u>	61	<u>52.5</u>	<u>43.5</u>	
Total current and potential DBEs	34.5 %		55.0 %	45.6 %	0.1 %
Majority and large MBE/WBE	<u>65.5</u>		<u>65.5</u>	<u>54.4</u>	
Total firms	100.0 %		120.5 %	100.0 %	
Support services					
African American	3.9 %	52	7.5 %	7.2 %	
Hispanic American	0.0	no adjustment	0.0	0.0	
Native American	0.1	no adjustment	0.1	0.1	
Asian American	0.1	no adjustment	0.1	0.1	
White women	<u>6.0</u>	90	<u>6.7</u>	<u>6.4</u>	
Total current and potential DBEs	10.2 %		14.4 %	13.8 %	0.1 %
Majority and large MBE/WBE	<u>89.8</u>		<u>89.8</u>	<u>86.2</u>	
Total firms	100.0 %		104.2 %	100.0 %	
Total current and potential DBEs after adjustments and weighting ***					13.4 %

Note: * The study team calculated the Initial adjustment as current availability divided by the disparity index.
 ** The study team calculated components of goal as availability after adjustment and scaling to 100 percent multiplied by percentage of total FWHA-funded contract dollars in that industry. The weights were 85.5 percent for construction, 13.5 percent for professional services, 0.2 percent for goods and 0.8 percent for support services.
 *** Current and potential DBEs include minority- and white women-owned firms that BBC surveyed and that reported annual revenues below the Federal DBE revenue caps. MBE/WBE firms reporting annual revenues over DBE limits were not included in this total.

Source: BBC Research & Consulting.

3. Statistical disparities in the ability of DBEs to get financing, bonding and insurance.

BBC collected and analyzed information concerning access to financing, bonding and insurance. There is evidence that minority- and women-owned firms do not have the same access to capital as majority-owned firms.

Any barriers in access to capital, bonding and insurance would affect the opportunities for minorities and women to establish and successfully operate firms in the study industries.

- As discussed in Chapter 4, because firms typically must have working capital, bonding and insurance to be awarded and perform INDOT construction prime contracts, any barriers to obtaining those business inputs for minorities and women would place those firms at a disadvantage in obtaining INDOT construction work.
- Similarly, if minority- and women-owned professional services, goods and support services firms face barriers in obtaining financing and insurance, they may have difficulty obtaining INDOT work in those industries. Insurance is a requirement for obtaining INDOT work and sufficient working capital is a practical necessity to perform that work.

There is evidence of barriers associated with financing, bonding and insurance that may adversely affect the current availability of minority- and women-owned firms to perform INDOT work. This adds to the evidence for an upward step 2 adjustment, however, the impact that such factors have on the base figure could not be explicitly quantified. Chapter 4 summarizes information related to those barriers, Appendix G presents detailed quantitative analyses and Appendix J reviews relevant qualitative information.

4. Other relevant data. The Federal DBE Program suggests that federal aid recipients also examine “other factors” when determining whether to make a step 2 adjustment to the base figure.⁶ One factor BBC examined was the relative success of minority- and women-owned firms in the local transportation contracting industry. There is evidence of disparities for certain groups of minority- and women-owned firms. Chapter 4 summarizes that information, Appendix H presents detailed quantitative analyses and Appendix J provides a review of qualitative information collected as part of the study.

As with access to financing, bonding and insurance, quantification of how those factors affect the base figure was not possible in this study.

⁶ 49 CFR Section 26.45.

Summary of information for step 2 analysis. BBC’s in-depth analysis of each factor outlined in the Federal DBE Program pertaining to making step 2 adjustments suggests that INDOT may consider one of the following options.

Option 1 – making an upward adjustment. Over the long-term, there are reasons that INDOT might consider a higher overall aspirational goal than the 10.2 percent base figure.

- If INDOT were to make an upward adjustment, it might consider the 13.4 percent figure for DBE participation after adjusting for disparities in business ownership rates (shown in Figure 17-2).
- Analyses of access to capital and other factors summarized above also suggest consideration of an overall annual aspirational goal higher than 10.2 percent.

Option 2 – making a downward adjustment. BBC’s independent analyses of DBE utilization indicate that the performance of DBEs on INDOT contracts in recent years is below the 10.2 percent base figure. In accordance with 49 CFR Section 26.45, INDOT might consider an overall annual DBE goal of less than 10.2 percent.

Option 3 – making no step 2 adjustment. USDOT regulations clearly state that an agency such as INDOT is required to review a broad range of information when considering whether a step 2 adjustment is necessary. INDOT, however, is not required to make such an adjustment as long as it can explain what factors were considered and why no adjustment is warranted. As emphasized in the USDOT Tips for Goal Setting, “If the evidence suggests that an adjustment is warranted, it is critically important to ensure that there is a rational relationship between the data you are using to make the adjustment and the actual numerical adjustment made.”⁷

After considering marketplace conditions and past DBE participation, INDOT might adopt the 10.2 percent base figure for its overall annual aspirational goal for DBE participation without making a step 2 adjustment.

INDOT’s decision concerning a step 2 adjustment must explain each of the factors that it considered.

B. Projecting the Portion of the DBE Goal to be Met Through Neutral Means

The Federal DBE Program requires state and local transportation agencies to determine whether overall annual DBE goals can be met solely through neutral measures, or whether race- and gender-conscious program elements such as DBE contract goals are also necessary. Race- and gender-neutral program elements are initiatives that help all businesses or small businesses in general, including but not limited to DBEs. Agencies must meet the maximum feasible portion of the overall annual DBE goal using neutral means.⁸

⁷ USDOT. Tips for Goal-Setting in the Federal Disadvantaged Enterprise (DBE) Program. <http://www.osdbu.dot.gov/DBEProgram/tips.cfm>.

⁸ 49 CFR Section 26.51.

An agency's consideration of neutral measures includes projecting the portion of its overall annual DBE goal that can be met through neutral programs. USDOT guidance concerning how transportation agencies should project the neutral/race- and gender-conscious division of their overall annual DBE goal includes the following:

- USDOT Questions and Answers about 49 CRF Part 26 addresses factors for federal aid recipients to consider when projecting the portion of their overall annual goal they will meet through neutral means.⁹
- USDOT "Tips for Goal-Setting" also suggests factors to consider when making such projections.¹⁰
- FHWA's template for how it considers approving agencies' DBE goals and methodology submissions includes a section on projecting the percentage of the overall annual DBE goal to be met through race- and gender-neutral and conscious means. An excerpt from this template is provided in Figure 17-3.

An agency can project that all or just part of its DBE goal will be met through race- and gender-neutral means:

- If it determines that it can achieve its annual DBE goal by race- and gender-neutral means and that no race- or gender-conscious elements are appropriate or required, an agency would submit its program to USDOT including only neutral means. It would project that 100 percent of its overall annual DBE goal could be met through neutral means and that 0 percent would be met through race- and gender-conscious means.
- If it determines that a combination of neutral and race-conscious measures is necessary to meet its overall annual DBE goal, the agency would project the relative portion of the overall annual DBE goal to be met through neutral and race-and gender-conscious means.

In narrowly tailoring its implementation of the Federal DBE Program to reflect local marketplace conditions, an agency that determines that race-and gender-conscious measures — such as DBE contract goals — are necessary must consider whether the use of those measures should be restricted to certain DBE groups. If the agency determines that certain

Figure 17-3.
Excerpt from Explanation of Approval of [State] DBE Goal Setting Process for FY [Year]

You must also explain the basis for the State's race-neutral/race-conscious division and why it is the State's best estimate of the maximum amount of participation that can be achieved through race-neutral means. There are a variety of types of information that can be relied upon when determining a recipient's race-neutral/race-conscious division. Appropriate information should give a sound analysis of the recipient's market, the race-neutral measures it employs and information on contracting in the recipient's contracting area. Information that could be relied on includes: the extent of participation of DBEs in the recipient's contracts that do not have contract goals; past prime contractors' achievements; excess DBE achievements over past goals; how many DBE primes have participated in the state's programs in the past; or information about state, local or private contracting in similar areas that do not use contracting goals and how many minority and women's businesses participate in programs without goals.

Source: FHWA, Explanation for Approval of [State] DBE Program Goal Setting Process for FY [Year].

http://www.fhwa.dot.gov/civilrights/dbe_memo_a4.htm

⁹ See <http://www.dotcr.ost.dot.gov/Documents/Dbc/49CFRPART26.doc>.

¹⁰ <http://www.osdbu.dot.gov/DBEProgram/tips.cfm>.

racial/ethnic/gender groups presumed to be socially disadvantaged under the Federal DBE Program suffer from discrimination in the local marketplace, it should include only those groups as eligible for the race-conscious measures that it may implement.

In order to limit any race and gender-conscious measures to certain DBE groups, an agency must apply for a waiver from USDOT. At the time of this study, several state DOTs such as Colorado, California and Oregon have received waivers from USDOT to limit race- and gender-conscious measures to a subset of the DBE groups eligible for certification under the Federal DBE Program.

Based on 49 CFR Part 26 and the above sources, general areas of questions that transportation agencies might ask in projecting the portion of their DBE goals that can be met through neutral means include:

1. What has been the past experience of the agency in meeting its overall annual DBE goal? Does the agency have a history of not meeting or exceeding its overall annual DBE goal?
2. What has DBE participation been when the agency did not apply contract goals (or other race- or gender-conscious measures)?
3. What is the extent and effectiveness of race-neutral efforts that the agency could have in place for the next fiscal year? What new neutral efforts are ready for immediate implementation?

1. What has been the past experience of the agency in meeting its overall annual DBE goal?

BBC examined INDOT's past experience in meeting its overall annual DBE goal, including whether INDOT has had a history of not meeting or exceeding its overall annual DBE goal. BBC independently measured DBE utilization based on more complete information than what was contained in past INDOT DBE utilization reports (see Chapter 8 of this report). According to BBC's analyses, DBEs obtained 2.5 percent of the FHWA-funded contract dollars that INDOT awarded between July 2006 and June 2009. Based on this information, it appears that INDOT fell substantially short of its overall annual DBE goals during the study period.

2. What has DBE participation been when INDOT has not applied contract goals (or other race- or gender-conscious measures)? Federal regulations require INDOT to meet the maximum feasible portion of its overall annual DBE goal through race- and gender-neutral measures. One recommended way to project the portion of INDOT's overall DBE goal that might be met through neutral means is to examine MBE/WBE participation on prime contracts and subcontracts that were awarded without the use of race- and gender-conscious measures.^{11, 12} BBC examined results of INDOT's utilization and disparity analyses and other research to determine the level of MBE/WBE participation when race- or gender-conscious measures did not apply.

¹¹ Another way to make such projections is to examine MBE/WBE participation that resulted from neutral means such as through the State of Indiana's small business set-aside program.

¹² 49 CFR Section 26.51(a).

Construction and professional services.

During the study period, INDOT used DBE goals on its FHWA-funded construction and professional services contracts, and used state MBE/WBE goals on its state-funded contracts for construction and professional services. However, those goals may have primarily influenced utilization of minority- and women-owned firms as subcontractors and may have had little or no effect on MBE/WBE utilization as prime contractors.

INDOT might choose to use the disparity analyses related to construction and professional services prime contracts to project the portion of the corresponding components of the overall annual DBE goal that could be met through neutral means. Figure 17-4 provides an example of how INDOT might use that information to make its projections for FHWA-funded construction contracts, which would then be combined with results for other FHWA-funded contracts.¹³

Goods and support services. INDOT did not apply DBE or MBE/WBE goals to any of its goods or support services contracts during the study period. It appears that no race- or gender-conscious measures applied to these contracts. INDOT might consider using the overall disparity results for goods and support services prime and subcontracts — not just prime contracts — to project the portion of the corresponding components of the overall annual DBE goal that could be met through neutral means. INDOT might use a method similar to the one described in Figure 17-4.

Figure 17-4.

Example of one way to project the portion of an annual DBE goal that might be met through neutral means

One approach to projecting the portion of the annual DBE goal to be met through neutral means might be to examine the disparity index for each MBE/WBE group for FHWA-funded prime contracts on which no DBE contract goals applied. Using construction as an example, if a particular MBE/WBE group showed a disparity index of 100 or greater for FHWA-funded construction prime contracts, then INDOT might consider choosing to project that all of that group's availability on FHWA-funded construction contracts could be met through neutral means. For example, Native American-owned firms showed a disparity index of greater than 200 on construction prime contracts, so INDOT might project that all of their 0.1 percent availability on FHWA-funded construction contracts would be met through neutral means.

In contrast, the disparity index for WBEs on FHWA-funded construction prime contracts indicated that WBEs received 50 percent of the dollars they would be expected to receive based on their availability (see Figure Q-107 in Appendix Q). INDOT might determine that approximately one-half of the portion of the base figure related to WBE construction firms might be achieved through neutral means.

INDOT would need to sum its projections for each MBE/WBE group to determine the total portion of the overall annual goal for construction that could be met through neutral means. Calculations for construction would be combined with other industries by weighting the results by the dollars of FHWA-funded contracts in each industry.

¹³ INDOT might also consider examining overall disparity results for SEI construction and SEI professional services contracts (combined results for prime and subcontracts), to which race- and gender-conscious measures largely did not apply.

Projection across all study industries. INDOT must make projections of the neutral portion of its overall annual DBE goal across all types of FHWA-funded contracts. Thus, after making its projections separately for each study industry — construction, professional services, goods and support services, INDOT will need to combine those projections to project the total portion of its overall annual DBE goal that might be met through neutral means.

One way INDOT might consider doing so is to weight its projection for each study industry by the percentage of FHWA-funded procurement dollars that it spent with each industry, and then sum the resulting values.¹⁴ The sum of the weighted projections may represent the portion of INDOT's overall annual DBE goal that might be met through race- and gender-neutral means.

Step 2 adjustment. As described in Part A of this chapter, INDOT must assess whether to make a step 2 adjustment when establishing an overall annual DBE goal. If INDOT were to make a step 2 adjustment, it might still use a method similar to the one described above to project the portion of its overall annual DBE goal that might be met through neutral means. However, INDOT would adjust the base figure values based on its step 2 adjustment when making these calculations.

3. What is the extent and effectiveness of race- and gender-neutral means that the agency could have in place for the next fiscal year?

BBC reviewed a broad range of potential neutral measures that INDOT might consider for future implementation (see Chapter 16). There may be a number of reasons why certain measures are not practicable, and there could be neutral remedies in addition to those discussed here that INDOT might consider. INDOT should consider the potential neutral measures that BBC reviewed and assess which measures — if any — could be implemented immediately.

Figure 17-5 lists examples of neutral measures that are provided in 49 CFR Section 26.51(b). INDOT already implements most of those types of measures. In addition to the measures presented in Figure 17-5, Chapter 16 of this report summarizes other race- and gender-neutral means that INDOT may consider using.

¹⁴ For example, construction comprised 85.5 percent of INDOT's FHWA-funded dollars, professional services comprised 13.5 percent, goods comprised 0.2 percent and support services comprised 0.8 percent. If using the projection method described here, INDOT would multiply each study industry's neutral means projection by its corresponding percentage of dollars and then sum the resulting values to project the portion of the overall annual DBE goal that might be met through neutral means.

Figure 17-5.
Examples of neutral measures listed in federal regulations

Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways that facilitate DBE, and other small businesses, participation (e.g., unbundling large contracts to make them more accessible to small businesses, requiring or encouraging prime contractors to subcontract portions of work that they might otherwise perform with their own forces).

Providing assistance in overcoming limitations such as inability to obtain bonding or financing (e.g., by such means as simplifying the bonding process, reducing bonding requirements, eliminating the impact of surety costs from bids, and providing services to help DBEs, and other small businesses, obtain bonding and financing).

Providing technical assistance and other services.

Carrying out information and communications programs on contracting procedures and specific contract opportunities (e.g., ensuring the inclusion of DBEs, and other small businesses, on recipient mailing lists for bidders; ensuring the dissemination to bidders on prime contracts of lists of potential subcontractors; provision of information in languages other than English, where appropriate).

Implementing a supportive services program to develop and improve immediate and long-term business management, record keeping, and financial and accounting capability for DBEs and other small businesses.

Providing services to help DBEs, and other small businesses, improve long-term development, increase opportunities to participate in a variety of kinds of work, handle increasingly significant projects, and achieve eventual self-sufficiency.

Establishing a program to assist new, start-up firms, particularly in fields in which DBE participation has historically been low.

Ensuring distribution of the DBE directory, through print and electronic means, to the widest feasible universe of potential prime contractors.

Assisting DBEs, and other small businesses, to develop their capability to utilize emerging technology and conduct business through electronic media.

Source: 49 CFR Section 26.51(b)

C. Federal Requirements in Implementing the Federal DBE Program

Regulations in 49 CFR Part 26 and associated guidance — including a sample plan that USDOT created — provide direction on implementing the Federal DBE Program. INDOT can base its implementation of the Federal DBE Program on those documents and on its current plan.

Elements of the Federal DBE Program are discussed below in the order identified in 49 CFR Part 26. Because Chapter 17 reviews only certain portions of the Federal DBE Program, INDOT should refer to the complete federal regulations when considering its implementation of the program.

Reporting to DOT — 49 CFR 26.11 (b). INDOT must periodically report its DBE participation to the FHWA. BBC's review of INDOT's procurements indicates that the agency maintains complete information about DBE subcontractor participation in its FHWA-funded construction and professional services contracts and should continue doing so. However, INDOT should make more effort to capture complete information about DBE subcontractor participation on its FHWA-funded goods and support services contracts.

Bidders list — 49 CFR Section 26.11 (c). As part of its implementation of the Federal DBE Program, INDOT must develop a bidders list of firms that are available for its contracts. The bidders list must include the following information about each available firm:

- Name;
- Address;
- DBE status;
- Age; and
- Annual gross receipts.

One option for developing the bidders list is to conduct a survey of firms. BBC's availability interviews collected all of the above information for local firms that are available for INDOT construction, professional services, goods and support services contracts. BBC recommends that INDOT consider using the availability database for its bidders list.

Maintaining a mailing/contact list of firms interested in INDOT work. INDOT maintains email listservs for construction and professional services so that firms interested in doing business with the agency can electronically receive procurement information and make their interest known to other contractors. In addition, INDOT lists current professional services, goods and support services contracting opportunities on its website. INDOT should consider developing email listservs for goods and support services firms and should also consider listing current construction contracting opportunities on its website.

INDOT currently makes prequalification lists for construction and professional services contracts available on its website, which may be helpful for subcontractors seeking out prime contractors that work in particular industries or vice versa. INDOT should continue that practice and explore ways to provide analogous information for goods and support services contracts. In addition, INDOT should provide information about plan holders lists (for construction) or letters of interest (for professional services) on its website, which may be helpful for subcontractors seeking out prime contractors that are bidding on particular projects.

Maintaining comprehensive vendor data. In order to effectively track future utilization of minority- and women-owned firms as prime contractors and subcontractors, INDOT will need to improve the information it collects on the ownership status of firms with which it does business (and not just on those firms that are DBE certified). Firm information that BBC collected as part of the disparity study can be a start toward improving INDOT's vendor data.

Publishing information on bidders/proposers. INDOT's website includes bid tabulations and evaluation summaries for current and past construction, professional services, goods and support services contracts and should continue to do so. INDOT should also consider posting summary results of each stage of its consultant evaluations.

Currently, INDOT posts bid tabulations and evaluation summaries in different locations on its website, depending on industry. It would be helpful to users if INDOT could post that information in one, easy-to-find location on its website.

DBE financial institutions — 49 CFR Section 26.27. According to the U.S. Treasury Department, there are financial institutions in the Indiana marketplace that are owned and controlled by socially or economically disadvantaged individuals. INDOT should thoroughly investigate the full extent of services that those financial institutions offer and make reasonable efforts to use them and encourage prime contractors to use them.

Prompt payment mechanisms — 49 CFR Section 26.29. INDOT currently has a policy that requires prime contractors to pay subcontractors within 10 days of receiving each progressive payment from INDOT, unless for good cause. FHWA has accepted that provision as part of INDOT's implementation of the Federal DBE Program.

DBE Directory — 49 CFR Section 26.31. INDOT maintains a DBE Directory and search tool on its website and should continue to do so.

Overconcentration — 49 CFR Section 26.33. Agencies implementing the Federal DBE Program are required to report and take corrective measures if it finds that DBEs are so over-concentrated in certain types of work as to unduly burden non-DBEs in that type of work. In conducting the disparity analysis, BBC did not identify instances of overconcentration.

Business development program — 49 CFR Section 26.35. Business development programs (BDPs) are efforts to assist DBE-certified firms to develop the capabilities to compete outside of the DBE Program. Per federal regulations, INDOT may want to develop a BDP for DBE-certified firms. Specialized assistance would be tailored to developing firms and assisting firms in transitional stages of development. A BDP may be especially necessary if INDOT chooses to use race- and gender-conscious measures and only includes certain DBE groups.

Each firm participating in a BDP would develop a business plan in conjunction with INDOT. The assistance that INDOT would provide to the firm would be specific to that business plan.

Elements of the business plan might include:

1. An analysis of the firm's market potential, competitive environment and other factors related to its prospects of profitable operation;
2. An analysis of the firm's strengths and weaknesses, with particular attention to means of correcting any financial, managerial, technical or labor conditions that could impede the firm from receiving contracts outside of the DBE program;
3. Specific targets, objectives and goals for the firm's business development during the course of the BDP (approximately two years), using results from the above analyses;
4. Estimates of contract awards from the DBE program and from other sources that would be necessary to meet the specified targets, objectives and goals for the firm's business development; and
5. Other information that the participant may require.¹⁵

¹⁵ See Appendix C to 49 CFR Part 26.

Firms could participate in a BDP for multiple years, but each firm's business plan should be updated at least once a year. A firm would no longer need assistance through a BDP if it could meet its objectives related to profitability, sales, net worth, access to bonding and business credit and other capabilities. Firms meeting those objectives would then graduate from the program. INDOT may also discontinue a firm's participation in the BDP due to a failure of the firm to engage in business practices that would promote its competitiveness within a reasonable period of time.

INDOT currently implements BDPs in the form of workshops that it hosts as part of the Entrepreneurial Development Institute (EDI). EDI is an INDOT-sponsored annual multi-day event for DBE firms. EDI involves a series of workshops related to different business topics such as developing business plans, marketing and advertising and networking. For more information about EDI, see Chapter 16.

Mentor-protégé program – Appendix D to 49 CFR Part 26. As part of the BDP or as a separate component of its implementation of the DBE Program, INDOT might consider developing a mentor-protégé program. A mentor-protégé relationship matches a larger, more experienced mentor with a smaller, less experienced DBE firm that could benefit from training, technical assistance and other services that the mentor would provide. A mentor-protégé program could be one component of the BDP discussed above.

To operate a mentor-protégé program, INDOT would need to design general program guidelines and submit them for FHWA approval. If the program is approved, INDOT could then develop individual development plans for specific mentor-protégé pairs. INDOT might consider working with the local chapter of the Association of General Contractors of America or other organizations to implement the program.

For each mentor-protégé relationship, INDOT could require:

- A written development plan that sets forth the objectives of both firms and their respective roles in the mentor-protégé relationship, the duration of the arrangement and the services and resources that the mentor would provide to the protégé.
- Fees to cover the direct and indirect costs of training and assistance services that the mentor would provide, which may be reimbursable by FHWA.
- A review to ensure that the mentor and protégé are independent business entities according to federal regulations.

Monitoring the performance of other program participants – 49 CFR Section 26.27. INDOT has implemented mechanisms to ensure that all DBE program participants comply with necessary provisions and regulations. For example, INDOT uses the Subcontract Payment Tracking (SPT) system that allows prime contractors to report online payments that they have made to assigned subcontractors. INDOT uses that information to ensure that DBE subcontractors receive the contract dollars that are committed to them at the time of contract award. In addition, prime contractors and subcontractors must sign a DBE-3 Form at contract closeout verifying that subcontractors received all contract dollars that were due to them.

INDOT maintains progress reports on actual DBE utilization (i.e., payments made to DBE firms), and compares that utilization to award commitments. The reports include data for both commitments and payments, and INDOT sends those reports to FHWA.

Small business programs — 49 CFR Section 26.43. Although DBE quotas are prohibited and DBE set-asides are only to be used in extreme circumstances (49 CFR Section 26.43), the Federal DBE Program does allow for implementation of a small business program for firms bidding or proposing as prime contractors. INDOT would need to determine if any small business programs are allowable under Indiana state law. INDOT’s implementation of small business programs would be consistent with the Federal DBE Program.

Setting overall annual DBE goals — 49 CFR Section 26.45. Part A of this chapter uses data and analytical techniques from the disparity study to develop INDOT’s overall annual DBE goals. INDOT should consider adopting that approach as it develops its overall annual DBE goals in the future.¹⁶

Means used to meet overall DBE goal — 49 CFR Section 26.51. Part B of this chapter focuses on information and methods INDOT might use to project the portion of its overall annual DBE goal that could be met through neutral means. INDOT must meet the maximum feasible portion of its overall goal through race-neutral means of facilitating DBE participation. The Federal DBE Program requires INDOT to establish contract goals to meet any portion of its overall DBE goal that it does not project being able to meet using race-neutral means, as noted in 49 CFR 26.51(d).

Based on this report and all other information available, and in accordance with federal regulations, INDOT should consider whether contract goals are necessary to meet any portion of its overall annual DBE goal that it projects cannot be met through race-neutral means. If INDOT determines that it needs to establish contract goals, then it should also evaluate the types of contracts and the DBE groups that would be eligible for those goals, per federal regulations. USDOT guidelines on the use of DBE contract goals, provided in 49 CFR 26.51(e), include the following:

- Contract goals may only be used on contracts that have subcontracting possibilities.
- Agencies are not required to set a contract goal on every FHWA-funded contract.
- Over the period covered by the overall DBE goal, an agency must set contract goals so that they will cumulatively result in meeting any portion of the overall goal the agency projects being unable to meet through neutral means.
- An agency’s contract goals must provide for participation by all certified DBEs that the agency determines are eligible for race- and gender-conscious measures and must not be subdivided into group-specific goals. This point is important as INDOT considers which DBE groups, if any, it determines should be eligible for contract goals. If it determines that specific DBE groups — and not others — are eligible for contract goals, it must submit a waiver request to FHWA. FHWA has approved other agencies’

¹⁶ On February 3, 2010, USDOT posted a final rule concerning how often agencies that implement the Federal DBE Program are required to submit overall annual DBE goals. Transportation agencies such as INDOT now only need to develop and submit overall annual DBE goals every three years. That change was effective as of March 5, 2010.

implementations of programs that limit the use of contract goals to certain, underutilized DBE groups.

- INDOT must maintain and report data on DBE utilization separately for contracts that include and do not include DBE goals.

Good faith effort procedures — 49 CFR Section 26.53. Under the Federal DBE Program, bidders do not have to meet the DBE goal to be awarded a contract — agencies must also consider bidders that make good faith efforts to meet the contract goal. USDOT has provided guidance for agencies to review good faith efforts, including materials in Appendix A of 49 CFR Part 26.

It appears that INDOT implements good faith effort procedures in compliance with federal regulations. INDOT reported that, in instances in which bidders do not meet contract goals on projects, their good faith efforts are typically deemed valid and approved.

Counting DBE participation toward goals — 49 CFR Section 26.55. USDOT outlines how agencies implementing the Federal DBE Program should count DBE participation in contracts and evaluate whether a bidder has met the DBE contract goal. USDOT also gives specific guidance for counting participation of different types of DBE suppliers and trucking companies. It appears that INDOT has developed and implemented processes to appropriately count DBE participation in its contracts.

DBE certification — 49 CFR Part 26 Subpart D. INDOT has an operating certification program that attempts to comply with Subpart D of 49 CFR Part 26. It operates the Uniform Certification Program (UCP) for the state of Indiana. As it continues to operate the UCP, INDOT should make the following considerations:

- If INDOT determines that contract goals are appropriate for specific DBE groups for certain contracts, it should nonetheless continue to certify all groups specified in the Federal DBE Program as socially and economically disadvantaged. For example, if INDOT determines that Native American-owned firms are not eligible for contract goals, INDOT should nonetheless maintain its current process for certifying Native American-owned firms as DBEs.
- Although the analyses in the disparity study focused on marketplace conditions in Indiana, and the study team collected availability information on Indiana firms, INDOT still needs to allow firms located outside of the state to be certified as DBEs.

INDOT should be aware that USDOT is considering — by pending notice of rulemaking — to increase the size ceilings and personal net worth ceilings for DBE certification. Depending on the final rule that USDOT adopts, INDOT may need to revise its certification forms and processes.