

HENNEPIN HEALTHCARE 2025 Joint Disparity Study

Prepared for:

Hennepin Healthcare
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**Draft Summary Report
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SUMMARY REPORT — Executive Summary

Hennepin Healthcare System seeks to ensure equitable opportunities for minority- and woman-owned businesses and other historically disadvantaged businesses competing for its construction, professional services, goods and other services contracts. It conducted this disparity study to examine whether disparities between the utilization and availability of minority- and woman-owned businesses are evident in its contracts.

HHS participated in this joint disparity study with 15 other state and local governments in Minnesota. Keen Independent Research LLC (Keen Independent) performed the previous joint disparity study led by the Minnesota Department of Administration in 2017. (HHS did not participate in that study). The 2025 Study also examined firms owned by veterans, service-disabled veterans and people with a disability.

Information from disparity studies helps government entities such as HHS determine if there are barriers to participation of historically underrepresented firms in their contracts, and if so, what legally defensible actions they can take to address those barriers. The U.S. Supreme Court has set a standard for legal review of race-conscious contract equity programs that allows them only if (a) there is evidence of discrimination affecting those businesses, and if (b) small business enterprise (SBE) programs or other neutral efforts alone are insufficient to address any barriers, and that programs meet other narrow tailoring requirements. These programs cannot be quotas or have unlimited duration. (The full report explains applicable legal standards.)

HHS has not operated any programs to remove barriers to small business or minority- and woman-owned business participation in its contracts or subcontracts.

Keen Independent launched the Joint Disparity Study in early 2024, with a mid-2025 completion. An External Stakeholder Group provided input throughout the study.

Utilization, Availability and Disparity Analyses

Keen Independent compared the utilization and availability of minority-owned businesses (MBEs) and white woman-owned businesses (WBEs) in HHS contracts and subcontracts from July 2016 through June 2023. Overall, less than 1 percent of HHS contract dollars went to MBE/WBEs (including firms not certified as MBE/WBEs), which was lower than any of the other 15 public entities participating in this study. Only 8 percent of HHS contract dollars examined went to small business as a group, even after excluding types of purchases typically made from national markets.

Keen Independent analyzed the availability of MBE/WBEs and other firms to perform HHS contracts and subcontracts based on a survey of companies in Minnesota. MBE/WBEs were about 35 percent of firms indicating qualifications and interest in public sector contracts and subcontracts. Through a contract-by-contract analysis of firms able to work in the Twin Cities and available to perform specific types and sizes of HHS contracts and subcontracts, Keen Independent determined that 31 percent of HHS contract dollars might go to MBE/WBEs if there were a level playing field. HHS's utilization of MBE/WBEs (less than 1%) was substantially below the 31 percent that might be expected from the availability analysis.

There were substantial disparities in the utilization of Black American-, Asian-Pacific American-, South Asian American-, Hispanic American-, American Indian- and white woman-owned firms in HHS contracts. Keen Independent also compared utilization with availability benchmarks for each MBE/WBE group for HHS construction, professional services, goods and other services contracts. There was a pattern of substantial disparities for MBE groups and WBEs across industries and contract sizes, although there were not disparities for every group for every industry.

SUMMARY REPORT — Executive Summary

The combined results for the 16 entities participating in this joint disparity study showed 9 percent of entity contract dollars going to MBE/WBEs, which was less than the 22 percent that might be expected from the combined availability analysis. There were substantial disparities for each MBE/WBE group even though many entities operate SBE and/or MBE/WBE-type programs. Combined results for entities that have not implemented or only recently implemented programs showed only 0.2 percent of contract dollars going to minority-owned firms and 1 percent of dollars going to white woman-owned firms. Disparities were substantial for those entities across study industries.

Some of the Minnesota entities with fully operational SBE and MBE/WBE programs have narrowed or eliminated any disparities in MBE/WBE participation. Hennepin County provides an example of how flexible use of SBE and MBE/WBE program elements can help to level the playing field for minority- and woman-owned businesses in public procurement.

Other Research

Keen Independent performed in-depth interviews with businesses, trade associations and others and examined other data about the Minnesota marketplace, including access to capital. In total, more than 2,200 business owners and other individuals provided input.

Both the quantitative and qualitative research showed a pattern of disparities or barriers for Black Americans, Asian-Pacific Americans, South Asian Americans, Hispanic Americans, American Indians and women and the businesses they own.

Keen Independent's marketplace research also found evidence of disadvantages for firms owned by members of the LGBTQ+ community, persons with disabilities, veterans and service-disabled veterans.

Conclusions

The quantitative and qualitative information for HHS contracts and the local marketplace indicates a need for HHS remedial actions to level the playing field for minority- and woman-owned firms and promote full opportunities for MBE/WBEs to do business with HHS.

Actions for Hennepin Healthcare Consideration

HHS should consider implementing efforts focused on small businesses, minority- and woman-owned companies, and other firms that may have been affected by discrimination based on the personal characteristics of the business owner. The final pages of this Summary Report discuss specific actions for HHS consideration. They are summarized below.

1. Establish objectives for small business measures and remedial action to address the effects of discrimination
2. Develop and monitor metrics to gauge success
3. Authorize and develop a full set of tools to address objectives
4. Identify registrations and certifications for participation
5. Flexibly operate programs to target businesses needing assistance
6. Provide adequate resources to effectively operate programs

SUMMARY REPORT — Introduction

Background

As part of efforts to ensure fairness in its contracting activities, Hennepin Healthcare System and 15 other public entities commissioned a joint disparity study to determine if there is a level playing field for minority- and woman-owned business enterprises when competing for Hennepin Healthcare and other participating entity contracts.

This research examines whether there are any barriers to minority- and woman-owned businesses seeking work with public entities and with prime contractors doing business with the entities. The study identifies how each entity can develop and implement contract equity program elements to address any observed disparities in their contracts and subcontracts.

Contract Disparity Study

Government programs that provide preferences or requirements regarding use of minority- or woman-owned businesses and certain other diverse businesses can be challenged in court. This joint disparity study provides the types of information needed by public entities to review whether race- and gender-based programs are needed and might be legally supported. The study methodology is based on court decisions that have ruled on the constitutionality of minority- and woman business enterprise (MBE/WBE) programs, especially those within the jurisdiction of the United States Court of Appeals for the Eighth Circuit, which includes Minnesota. The methodology Keen Independent employed in this study has been reviewed and approved by courts.

Figure 1 lists the public entities participating in the 2025 Minnesota Joint Disparity Study. The Minnesota Department of Administration led this effort, as it did for the 2017 Minnesota Joint Disparity Study (2017 Study).

1. Entities participating in 2025 Minnesota Joint Disparity Study

City of Bloomington
City of Brooklyn Park
City of Minneapolis
City of Rochester
City of Saint Paul
Hennepin County
Hennepin Healthcare System
Metropolitan Airports Commission
Metropolitan Council
Metropolitan Mosquito Control District
Minnesota Department of Administration
Minnesota Department of Transportation
Minnesota State Colleges and Universities
Ramsey County
Saint Paul Public Schools
University of Minnesota

Research methods. The study included:

- Identification of the ownership of prime contractors, subcontractors and other vendors on past entity contracts;
- A survey of firms in Minnesota available to perform public sector work related to construction, professional services, goods and other services (referred to as “study industries”);
- Disparity analyses that compare participation of minority- and woman-owned firms on participating entity contracts with what would be expected from the availability analysis;
- Interviews with business owners and representatives; and
- Other research about the local marketplace.

Appendix A provides definitions of terms used in this study.

SUMMARY REPORT — Introduction

Groups of business owners examined in the study. The original scope of work for the 2025 Joint Disparity Study identified the groups to be examined in the study, which were largely the same as the 2017 Study. At the outset of the 2025 Study, Keen Independent reexamined the rationale for the racial, gender and other groups included and how each group was defined.

Keen Independent reviewed the literature, analyzed Census data, interviewed local experts and obtained public input. Keen Independent assessed (a) whether there was evidence of discrimination against groups of individuals based on their immutable personal characteristics as it pertains to business creation and success in Minnesota, (b) existing data sources for businesses for each group, and (c) how groups might be defined.

Keen Independent submitted the Task 2.7 Group Definitions Report to the participating entities that included the following recommendations:

- All groups in the 2017 Study be included in the 2025 Study;
- Definitions and names for certain racial groups be refined;
- Analysis of persons with substantial disabilities be expanded to persons with disabilities in general;
- Analysis of veterans be expanded to include a sub-analysis for service-disabled veterans (based on USDOD certification);
- LGBTQ-owned businesses be added to the study; and
- Analysis of people from the Middle East and North Africa be added to a future study once there are sufficient data.

Keen Independent also recommended the study include any additional information for subgroups such as firms owned by Somali Americans, Hmong Americans and limited English-speaking immigrants. These recommendations were accepted and Keen Independent proceeded with study analyses for the groups identified in Figure 2.

2. Groups of business owners examined in the 2017 and 2025 Minnesota Joint Disparity Studies

Groups in 2017 Study	Support for continued inclusion	Groups in 2025 Study
Racial groups		
African Americans	Yes	Black Americans
Asian Americans	Yes	Asian-Pacific American* South Asian Americans
Hispanic Americans	Yes	Hispanic Americans
Native Americans	Yes	American Indians
	New	Middle Easterners and North Africans (not 2025 but in future study)
Gender group		
Women	Yes	Women
Other groups (not included in full disparity analyses)		
Persons with a substantial physical disability	Yes	Persons with a disability
Veterans	Some New New	Veterans Service-disabled veterans Members of LGBTQ+ community

* Includes Central, East and Southeast Asian Americans and Native Hawaiians and Pacific Islanders.

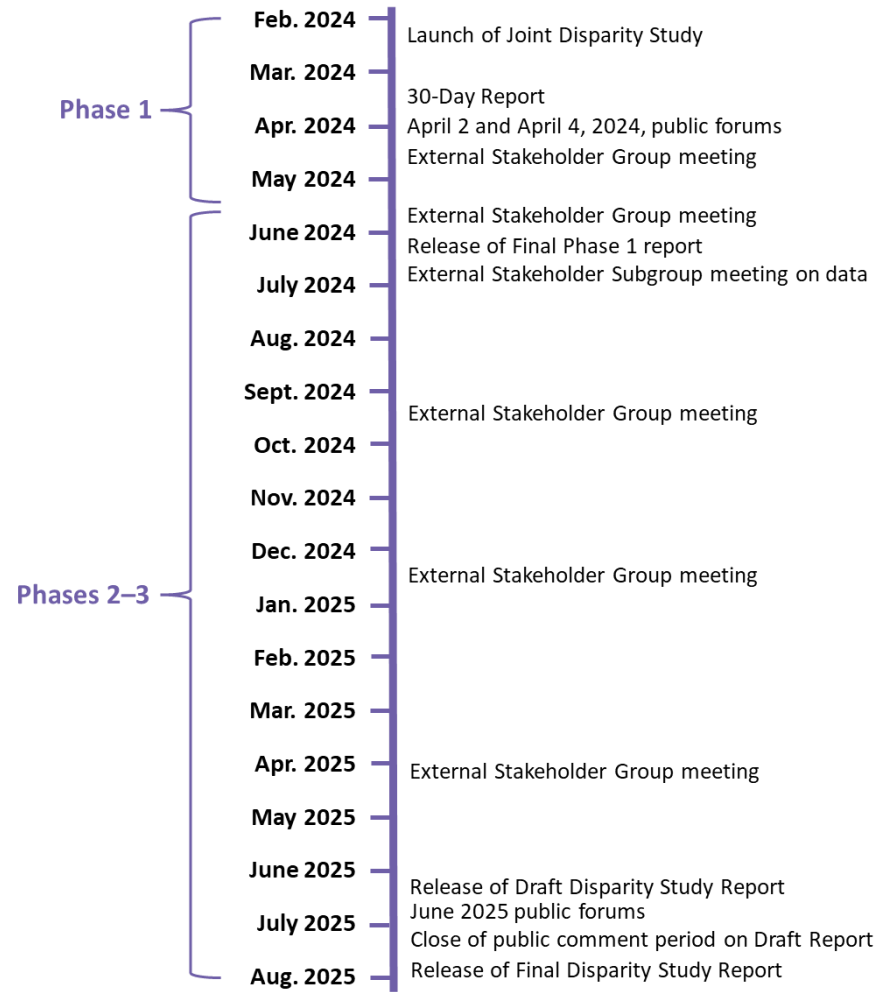
SUMMARY REPORT — Introduction

Study team. Keen Independent is a national economic consulting firm headquartered in Denver. The study team included the national law firm Holland & Knight and survey firm Customer Research International (CRI). Both firms were part of the 2017 Study. Also participating in the 2025 Study were Donaldson Consulting, Market Solutions, etc. and DEBLAR and Associates, qualitative research firms that have worked on past Keen Independent disparity studies. The study team has performed more than 200 similar disparity studies for public entities, including original disparity studies in the 1990s for some of the Minnesota entities participating in the 2025 Study.

Public input and overall project timeline. The disparity study started in February 2024 with a June 2025 release of the draft report to the public. The first phase of the study refined the groups to be examined in the study as well as study methodology. Input from the public through two public forums, as well as contributions from External Stakeholder Group members, was considered in the refined study approach.

There were additional opportunities for public input through 2024 and into 2025. Keen Independent reached out to thousands of businesses, trade association representatives and others through surveys, in-depth interviews and other research. More than 2,200 businesses, trade association representatives and other interested individuals provided input through these methods.

3. Project timeline



SUMMARY REPORT — Legal framework

Across the country, state and local governments have enacted efforts such as MBE/WBE programs to ensure there is equitable treatment of minority- and woman-owned firms and the public entity is not a participant in race or gender discrimination against those firms, including as a passive participant in private marketplace discrimination.

Overall Legal Framework

Holland & Knight prepared Appendix N of this report, which provides the legal framework for the study and guides study methodology.

Appendix N identifies the standards of legal review that apply when a public entity must defend a program that includes components for MBEs, WBEs and types of businesses such as small businesses, veteran-owned businesses or businesses owned by persons with disabilities. The different standards of legal review are:

- **Strict scrutiny** (for MBE programs).
- **Intermediate scrutiny** (for WBE programs and LGBTQ+ business programs).
- **Rational basis** (for programs for businesses that are small, veteran-owned or owned by persons with a disability, for example). This is the most easily met standard of legal review, as a government entity need only show that it had a rational basis for enacting a law (see Appendix N).

These are the same legal standards that applied when conducting the 2017 Study. They have not changed with recent court cases.

¹ 488 U.S. 469 (1989).

Strict Scrutiny

In 1989, the U.S. Supreme Court in *City of Richmond v. J.A. Croson Company* established “strict scrutiny” as the standard of legal review for race-conscious programs adopted by state and local governments.¹ Strict scrutiny requires that:

- A governmental entity has a “compelling governmental interest” in remedying past identified discrimination or its present effects; and
- The program adopted be “narrowly tailored” to achieve the goal of remedying the identified discrimination.

Intermediate Scrutiny

Certain courts, including in the Eighth Circuit Court of Appeals and the state of Minnesota, apply intermediate scrutiny when reviewing gender-conscious programs.² Courts have required they be:

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

As discussed in Appendix N, a program providing preferences for firms owned by members of the LGBTQ+ community would likely be subject to intermediate scrutiny.

² See, *Geyer Signal, Inc.*, 2014 WL 1309092; see, *In re Guardianship, Conservatorship of Durand*, 859 N.W.2d 789 (Minn. 2013); *State ex rel. Forslund v. Bronson*, 305 N.W.2d 748, 750 (Minn.1981).

SUMMARY REPORT — Procurement policies and equity programs

Procurement Policies

Hennepin Healthcare procurement policies are reviewed below.

Bidding thresholds and requirements. Hennepin Healthcare System solicits bids in accordance with Minn. Stat. section 383B.921 (2024), which does not require public advertising at a specific dollar threshold. HHS does need to use a competitive bidding process to ensure fairness and transparency.

In general, HHS procures goods, professional and technical services, general services and construction valued at more than \$50,000 through a competitive bidding process. Purchases below that amount are typically made through informal solicitation. Public advertisement includes posting on Hennepin Healthcare Systems website.

Contract award. Contract awards are typically determined based on low bid or best value. Certain types of professional and technical services contracts must be awarded based on qualifications.

Bonding. At award, bidders on HHS public works construction projects must supply a payment and performance bond.

Prompt payment. State law requires state agencies to pay a valid vendor invoice within 30 days of receiving that invoice and its prime contractors pay subcontractors within 10 days of when the prime receives payment.

Procurement Equity Programs

Hennepin Healthcare does not operate a contract equity program. However, Hennepin Healthcare has started including assessment of staff diversity in its evaluation criteria for RFP/RFQs.

SUMMARY REPORT — Hennepin Healthcare System procurements examined

Contracts Examined

Keen Independent began the process of performing utilization, availability and disparity analyses by collecting and analyzing data on Hennepin Healthcare contracts and subcontracts. Keen Independent examined Hennepin Healthcare data concerning payments to vendors for non-federally funded construction, professional services, goods and other services contracts.

Contract and Subcontract Data

Hennepin Healthcare provided payment data for contracts awarded during the study period (July 1, 2016, through June 30, 2023).

Hennepin Healthcare does not centrally track payment information for subcontractors performing work on its contracts. Keen Independent examined IC134 forms collected by the State to identify any subcontracts. There were no Hennepin Healthcare construction contracts identified in the IC134 data during the study period (see Appendix B).

In total, Keen Independent examined 3,957 contract elements (\$5.5 billion) for Hennepin Healthcare.

Keen Independent identified payments to exclude from the study, such as payments to governmental entities, employee benefits and nonprofits as well as types of purchases typically made from national markets (see Appendix B for additional detail regarding exclusions). Utilization, availability and disparity analyses use HHS payment data after removing the identified exclusions.

Types of Work in Hennepin Healthcare Contracts

A disparity study focuses on the types of work procured by the individual governmental entity.

Based on information in the contract and subcontract records, Keen Independent coded the primary type of work involved in each prime contract and subcontract using North American Industry Classification System (NAICS) and Standard Industrial Classification (SIC) codes. NAICS and SIC codes are standardized federal systems for classifying firms into a subindustry according to the type of work they perform. If a company performed more than one type of work on a contract or subcontract, the study team attempted to identify the primary type of work conducted.

Figures 4 through 7 on the following four pages show dollars of prime contracts and subcontracts by subindustry for Hennepin Healthcare purchases during the study period (beginning with construction, each page reviews types of spending within a particular industry).

Keen Independent's availability analysis and research on local marketplace conditions focused on the subindustries accounting for the most Hennepin Healthcare spending within each industry.

SUMMARY REPORT — Hennepin Healthcare System procurements examined

Construction

About \$23 million of Hennepin Healthcare contract dollars during the study period went to construction contracts and subcontracts. Figure 4 identifies the major types of construction activity, organized by work performed.

- More than one-third of HHS construction work related to public, commercial and multifamily building construction (\$9 million).
- Together, two specialty trades comprised 41 percent of construction contract dollars: electrical work (\$7 million) and concrete work (\$3 million).

In total, the eight major types of construction work listed in Figure 4 accounted for about 93 percent of Hennepin Healthcare construction dollars. Each of these types of construction (along with others) were included in the scope of the availability survey.

4. Spending by type of work on Hennepin Healthcare construction prime contracts and subcontracts, July 2016–June 2023

	Dollars (\$1,000s)	Share of industry
Public, commercial and multifamily building construction	\$ 9,007	38.9 %
Electrical work including lighting and signals	6,522	28.1
Concrete work	3,049	13.2
Plumbing and HVAC	2,709	11.7
Roofing	145	0.6
Plastering, drywall and installation	87	0.4
Road construction and paving	74	0.3
Excavation, site prep, grading and drainage	6	0.0
Subtotal	\$ 21,599	93.2 %
Other construction	\$ 1,575	6.8 %
Total	\$ 23,174	100.0 %

Source: Keen Independent analysis of Hennepin Healthcare procurement data, July 2016–June 2023.

SUMMARY REPORT — Hennepin Healthcare System procurements examined

Professional Services

About \$144 million of Hennepin Healthcare contracts went to professional services contracts during the study period. Figure 5 examines the major areas of Hennepin Healthcare spending on professional services.

- Management consulting and research (\$65 million) and IT and data services (\$45 million) accounted for about three-quarters of HHS professional services contract dollars.
- About 6 percent of professional services contract dollars went to testing laboratories (\$8 million).

The nine major types of professional services work listed in Figure 5 accounted for about 94 percent of Hennepin Healthcare professional service contract dollars. These (and other) types of professional services work were included in the availability survey.

5. Spending by type of work on Hennepin Healthcare professional services prime contracts and subcontracts, July 2016–June 2023

	Dollars (\$1,000s)	Share of industry
Management consulting and research	\$ 65,273	45.5 %
IT and data services	45,329	31.6
Testing laboratories	7,905	5.5
Certified public accountant services	6,333	4.4
Marketing, communications and outreach	4,018	2.8
Architecture and engineering	3,977	2.8
Legal services	1,298	0.9
Surveying and mapping	357	0.2
Environmental consulting	223	0.2
Subtotal	\$ 134,711	93.8 %
Other professional services	\$ 8,847	6.2 %
Total	\$ 143,559	100.0 %

Source: Keen Independent analysis of Hennepin Healthcare procurement data, July 2016–June 2023.

SUMMARY REPORT — Hennepin Healthcare System procurements examined

Goods

Hennepin Healthcare goods purchases examined in the study totaled \$5.3 billion over the study period. Figure 6 identifies the major types of goods that together accounted for 99 percent of the Hennepin Healthcare goods purchases that were analyzed.

- Medical equipment and supplies accounted for two-thirds of HHS goods spending (\$3.4 billion).
- About 31 percent (\$1.6 billion) of HHS goods spending went to pharmaceuticals.

The types of goods in Figure 6 were included in the availability survey.

Not shown in Figure 6 is the spending for types of goods that Hennepin Healthcare primarily purchased from national markets (computer and computer peripheral equipment, for example).³

³ Excluding types of purchases made from a national market is a standard step in a disparity study. Since these purchases are primarily made from a national market and

6. Spending by type of Hennepin Healthcare goods procurements, July 2016–June 2023

	Dollars (\$1,000s)	Share of industry
Medical equipment and supplies	\$ 3,440,954	65.4 %
Pharmaceuticals	1,603,537	30.5
Food	106,613	2.0
Industrial equipment and supplies	20,577	0.4
Chemicals	18,367	0.3
Electrical equipment and supplies	8,018	0.2
Furniture	2,984	0.1
Construction materials	2,974	0.1
Signs	2,548	0.0
Petroleum and petroleum products	1,909	0.0
Cars and trucks	1,629	0.0
Communications and A/V equipment	701	0.0
Construction and farm machinery and equipment	216	0.0
Office equipment	10	0.0
Subtotal	\$ 5,211,038	99.0 %
Other goods	\$ 52,459	1.0 %
Total	\$ 5,263,497	100.0 %

Source: Keen Independent analysis of Hennepin Healthcare procurement data, July 2016–June 2023.

not the relevant geographic market area, they are typically made ineligible for application of contract equity program elements.

SUMMARY REPORT — Hennepin Healthcare System procurements examined

Other Services

Other services contracts accounted for \$32 million of Hennepin Healthcare spending during the study period. Figure 7 examines the major areas of HHS spending on other services (not including types of work typically purchased from outside the local area).

Figure 7 lists 14 types of work that together accounted for 83 percent of other services procurement dollars.

- Staffing services (\$8 million), janitorial services (\$5 million) and waste collection (\$4 million) were the largest areas of spending, together representing more than half of Hennepin Healthcare other services contract dollars.
- Landscape installation and maintenance services was the fourth largest area of spending on other services.

The types of other services work in Figure 7 were included in the availability survey.

7. Spending by type of Hennepin Healthcare other services procurements, July 2016–June 2023

	Dollars (\$1,000s)	Share of industry
Staffing services	\$ 8,155	25.7 %
Janitorial services	5,238	16.5
Waste collection and disposal	3,663	11.5
Landscape installation and maintenance	2,378	7.5
Elevators and elevator services	1,551	4.9
Industrial machinery repair	1,288	4.1
Bus transit services	1,199	3.8
Security systems services	1,017	3.2
Remediation services	608	1.9
Printing and copying	513	1.6
Contracted food services	288	0.9
Hauling	271	0.9
Construction equipment rental	13	0.0
Security guard services	11	0.0
Subtotal	\$ 26,194	82.6 %
Other services	\$ 5,520	17.4 %
Total	\$ 31,714	100.0 %

Source: Keen Independent analysis of Hennepin Healthcare procurement data, July 2016–June 2023.

SUMMARY REPORT — Hennepin Healthcare System procurements examined

Geographic Market Area

Firms with a location in the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area (MSA) performed most of the dollars on contracts and subcontracts for Hennepin Healthcare, after excluding the types of purchases typically made from national markets. Firms in this area accounted for 91 percent of Hennepin Healthcare construction, professional services, goods and other services contract dollars. Keen Independent also refers to this area as the Twin Cities marketplace in this report (see Figure 8 on the right).

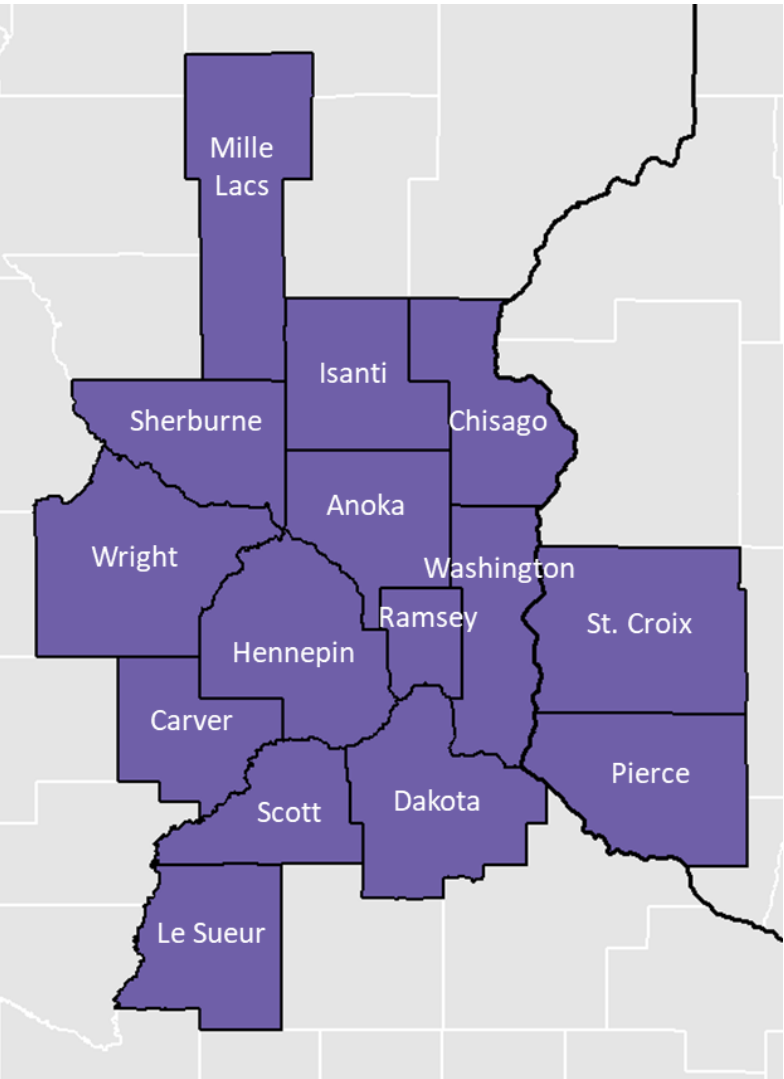
Figure 9 below shows that firms with a location in the Twin Cities metro area obtained a substantial share of Hennepin Healthcare contract dollars in each of the study industries. Therefore, examination of marketplace conditions focused on firms in this area for each industry.

9. Dollars of Hennepin Healthcare procurements by location of firm, July 2016–June 2023

	Dollars (\$1,000s)	Percent in Twin Cities metro area
Construction	\$ 23,174	80.5 %
Professional services	143,559	68.7
Goods	5,263,497	91.5
Other services	31,714	77.0

Source: Keen Independent analysis of Hennepin Healthcare procurement data, July 2016–June 2023.

8. Relevant geographic market area for Hennepin Healthcare contracts



Source: Keen Independent analysis of Hennepin Healthcare procurement data, July 2016–June 2023.

SUMMARY REPORT — Information about marketplace conditions

Keen Independent examined data from the U.S. Census Bureau, the availability survey conducted for this study, and other sources on conditions for minority- and woman-owned firms and other businesses.

Appendices E through H of this report provide results from these analyses. Appendix I explains data sources.

The Keen Independent study team also collected qualitative information from business owners and representatives from trade organizations and business assistance organizations. The study team conducted in-depth interviews, availability surveys, public forums and other activities.

Both the quantitative and qualitative information in the study primarily focus on the time period since the 2017 Study.

For anonymity, Keen Independent analyzed and coded comments from the qualitative research without identifying any of the participants. Keen Independent provided opportunities for public comments via mail and the designated study telephone hotline, website and email address.

Some of the comments from the qualitative research are provided in the following pages. Appendix J provides a much richer analysis of the input received. Appendix J is based on input from more than 2,200 businesses, trade association representatives and others.

Note that the comments in Appendix J and the following pages identify individuals by number, not by name. (Appendix J explains the numbering system in further detail.)

The anecdotal information reflects the point of view of the business owner or other individual making the comments. Comments are the individual perspectives of the respondents. The entirety of the qualitative information (see Appendix J), combined with quantitative results, is important when interpreting results.

The following pages present the analysis of marketplace conditions in the following order:

- Entry and advancement as employees;
- Business ownership;
- Business success; and
- Specific barriers to doing business in the marketplace and with public entities. (This analysis includes topics such as access to capital, information about work opportunities and unfair treatment in the marketplace.)

SUMMARY REPORT — Information about marketplace conditions

Entry and Advancement as Employees

People of color were about 24 percent of the Minneapolis-St. Paul MSA marketplace (“local marketplace” or “Twin Cities marketplace”) workforce from 2018 through 2022. Women accounted for about 48 percent of all workers. Any barriers to entry or advancement as workers in the study industries might affect the relative number of businesses owned by people of these groups in these industries in the Twin Cities metro area. Analysis of the Twin Cities metro area workforce in the study industries indicates disparities in employment consistent with barriers to entry and advancement for some minority groups, women and other groups (see Appendix E). Disparities were particularly evident for the following groups:

- Sub-Saharan African Americans and other Black Americans, Southeast Asian Americans and other Asian-Pacific Americans, South Asian Americans, women, persons with disabilities and people in same-sex couples in the construction industry.
- Sub-Saharan African Americans and other Black Americans, South Asian Americans, American Indians, women and persons with disabilities in the professional services industry (after controlling for education).
- Sub-Saharan African Americans, Southeast Asian Americans, other Asian-Pacific Americans, South Asian Americans and women in the goods industry.
- Asian-Pacific Americans, South Asian Americans, women and people in same-sex couples in the other services industry.

Comments from the qualitative research include those to the right (see Appendix J).

The whole reason I started this business is mostly because of the negativity that I was experiencing in my workplace.

I-53. Black American female owner of an other services firm

Because I speak with an accent ... supervisors have expressed doubts about my education. I ... have a very strong background Yet I faced constant doubts about whether I could perform the work required.

I-34. Hispanic American female owner of a professional services firm

I always thought that women that complained about [discrimination] were whiners, but [it exists] ... The mindset ... is [that women work] for their family ... but women are not really [professionals].

I-10. American Indian female owner of an other services firm

At one time I had someone say to another driver on the radio. ‘She should just go home you know, and she really belongs in the kitchen’ and then the guy made another comment about something.

I-38. American Indian female owner of an other services firm

I ran into glass ceilings; I’ve been passed over and not recognized for contributions That happens in the workplace all the time for the fact that we’re female.

I-60. South Asian American female owner of a professional services firm

If I’m the only African American in the room, and when I speak my words are dismissed ..., [it creates] the feeling ... as if you don’t have any knowledge.

I-71. Black American male service-disabled veteran owner of a construction-related firm

SUMMARY REPORT — Information about marketplace conditions

Business Ownership

Keen Independent examined whether there were differences in business ownership rates for workers in local construction, professional services, goods and other services industries related to race, ethnicity, gender, veteran status, disability and being in a same-sex couple.

- **Construction.** Women working in the Twin Cities metro area construction industry were less likely than men to own a business. The disparity was substantial and persisted after controlling for certain other personal and family characteristics (statistically significant difference).

Workers with a disability also had a lower rate of business ownership after controlling for certain other factors.

- **Professional services.** Certain racial and ethnic groups such as South Asian Americans and Mexican Americans had lower rates of business ownership when compared to other workers in the Twin Cities metro area professional services industry, however, these differences did not persist when statistically controlling for certain other personal characteristics.

White women working in the local professional services industry were less likely than white men to own a business and statistically significant differences persisted for white women when controlling for other factors. This disparity was substantial.

- **Goods.** In the Twin Cities metro area goods industry, workers with a disability and workers in same-sex couples had lower rates of business ownership than other workers after controlling for certain other personal characteristics (statistically significant differences).

- **Other services.** In the Minneapolis-St. Paul MSA other services industry, Asian-Pacific Americans and women were less likely than white workers and men, respectively, to own a business.

After controlling for personal characteristics, statistically significant differences persisted for Asian-Pacific Americans. This disparity was substantial.

Discussion of marketplace barriers later in the Summary Report begin to explain factors that could be related to these disparities in business ownership rates, including results from the qualitative research in Appendix J of the report and the separate Task 2.7 Report. For example:

- There is substantial evidence that the playing field is not level for people of color and some other groups to start a business, especially around access to capital in Minnesota.
- Qualitative research also shows the importance of networks for new business owners to find opportunities for work. There is evidence that people of color, women and other historically disadvantaged groups face additional barriers.

SUMMARY REPORT — Information about marketplace conditions

Business Success

Keen Independent explored many different types of business outcomes in the Minnesota marketplace for minority- and woman-owned firms compared with majority-owned companies. There is a pattern of disparities in outcomes for MBEs and WBEs (see Appendix H).

Business closure. The study team used different data sources to explore whether there were disparities in the rates of business closures for minority- and woman-owned businesses compared with other businesses. Three different data sources specific to Minnesota for three different time periods (2002–2006, 2017–2024 and during the COVID-19 pandemic found MBEs more likely to close than majority-owned firms.

For example, Keen Independent analyzed the rate of closure of businesses in the 2017 availability survey conducted as part of the 2017 Minnesota Joint Disparity Study. Minority-owned firms were more than twice as likely to close by early 2025 as majority-owned firms. (MBEs certified under a federal program or state or local program in Minnesota were less likely to close than non-certified firms, however.)

The data for 2017–2024 and the COVID-19 pandemic also found WBEs more likely to close than other firms.

Business revenue and earnings. The study team used data from several different sources to analyze business receipts and earnings for businesses owned by people of color and women.

- In general, U.S. Census Bureau data from the 2022 Annual Business Survey showed lower average receipts for businesses owned by people of color, women and veterans in Minnesota than businesses owned by non-minorities, men or nonveterans.

- Data from 2018–2022 American Community Survey for the Minneapolis-St. Paul MSA marketplace indicated the following statistically significant differences in business earnings:

- For the study industries combined, Black American, Hispanic American, and American Indian business owners had lower business earnings than non-Hispanic white business owners, women had lower business earnings than men, veterans had lower business earnings than nonveterans, and persons with disabilities had lower business earnings than other business owners (statistically significant differences).
- After statistically accounting for certain race- and gender-neutral factors, there were statistically significant differences in earnings for Black American, Hispanic American, Asian American and American Indian, and woman business owners as well as business owners with disabilities.

- Data from the 2024 availability survey showed lower revenue for MBEs and WBEs compared with majority-owned firms. For example, only 9 percent of MBEs and 12 percent of WBEs had average annual revenue of \$1 million or more compared with 19 percent of majority-owned firms.

Bid capacity. Keen Independent’s availability survey asked firms to identify the largest contracts they had bid or worked on in the past eight years (the study team labels this value measure of “bid capacity”). Minority- and woman-owned firms had lower bid capacity than majority-owned firms in the Minnesota study industries, but those differences did not persist after accounting for the types of work they perform and length of time in business.

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Keen Independent researched why certain disparities in business outcomes might be occurring. Appendices E through J and the Task 2.7 Report provide in-depth analysis of this question. We summarize results here.

Access to Capital

Business start-up and long-term business success depend on access to capital. Discrimination at any link in that chain may produce cascading effects that result in racial and gender disparities in business formation and success as well as the competitiveness of MBE/WBE businesses for public sector contracts.

Discrimination in housing. Appendix G of this study and the Task 2.7 Report present substantial evidence of racial disparities in access to capital and some evidence of unequal access to capital for women in Minnesota. Some of the racial disparities may be due to past public and private sector discrimination affecting housing for people of color in the state. For example, sundown laws, restrictive covenants and the building of I-94 have contributed to housing and wealth inequity for Black Minnesotans today.

Historically, redlining referred to mortgage lending discrimination against geographic areas based on racial or ethnic characteristics of a neighborhood.⁴ Presently, the concept of redlining includes an examination of the availability of and access to credit in predominantly

minority neighborhoods, and the credit terms offered within a lender's assessment area.⁵

Research from 2022 indicates that the Minneapolis-St. Paul MSA had the highest Black and white homeownership gap in the country, surpassing the national average by more than 20 percentage points.⁶ Furthermore, the practice of redlining in previous decades within the Minneapolis-St. Paul MSA is believed to have limited the amount of wealth that minorities could accumulate and transfer on to future generations, creating a recurring problem.⁷

As discussed in Appendix G, Keen Independent's analysis of Home Mortgage Disclosure Act data for 2018 through 2022 show home mortgage denial rates among high income households to be substantially higher for each minority group compared to non-Hispanic whites (in the case of South Asian Americans, three times higher rates of mortgage denials).

Discrimination in housing and home mortgages is not limited to race or gender. Nearly one-third of LGBTQI+ adults reported experiencing housing discrimination or harassment, including during the process of buying or renting a home.⁸

⁴ Burnison, T. R., & Boccia, B. (2017). Redlining everything old is new again. *ABA Banking Journal*, 109(2).

⁵ Ibid.

⁶ Habitat for Humanity (2022). Closing the racial homeownership gap in the Twin Cities. Retrieved from <https://www.habitat.org/stories/closing-racial-homeownership-gap-twin-cities>

⁷ Habitat for Humanity (2024). Race and housing series: Racial covenants. Retrieved from <https://www.tchabitat.org/blog/racial-covenants>

⁸ Gruber, S. et. al, (2020). The state of the LGBTQ community in 2020. CAP Survey Data. Retrieved from: <https://www.americanprogress.org/article/state-lgbtq-community-2020/#:~:text=NORC%20conducted%20a%20pretest%20and%20then%20fielded,in%20their%20access%20to%20critical%20health%20care.>

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

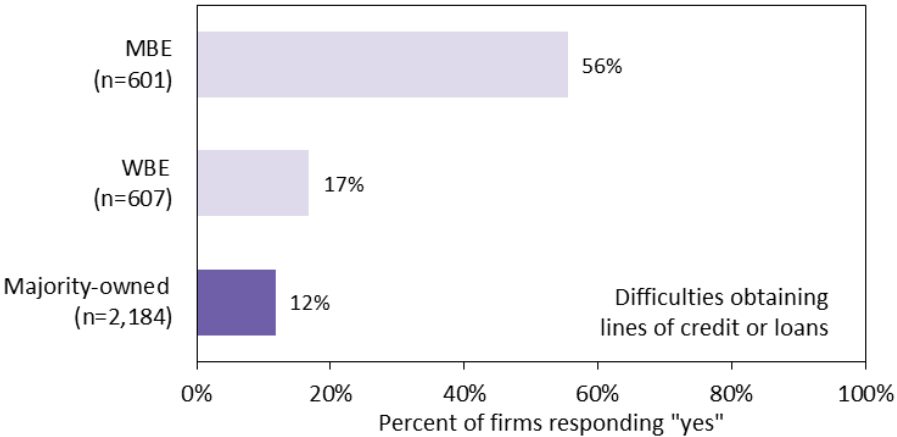
Disparities in access to business loans. There is substantial national evidence of disparities in access to business loans for minority-owned companies. Evidence within Minnesota includes disparities in access to Paycheck Protection Program loans for minority-owned businesses during the COVID-19 Pandemic (see Appendix G).

The 2024 availability survey asked respondents “Has your company experienced any difficulties in obtaining lines of credit or loans?”

As shown in Figure 10, more than half (56%) of MBEs experienced difficulties obtaining lines of credit or loans. Additionally, a somewhat greater share of WBEs (17%) reported having difficulties obtaining lines of credit or loans when compared to majority-owned firms (12%). These results are especially notable given that most of the businesses (MBE, WBE and majority-owned) in the availability survey database are small.

Further analysis (not shown) indicated that the difficulties that minority-owned firms often reported regarding access to capital affected each racial group. Among respondents to this question in the availability survey, each group of MBE firms (Black American-, Asian-Pacific American-, South Asian American-, Hispanic American- and American Indian-owned firms) was more likely to report difficulties obtaining lines of credit or loans than were majority owned firms.

10. Responses to availability survey question concerning loans



Source: Keen Independent Research from 2024 availability survey.

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Qualitative information about access to capital. Business owners and others participating in the availability survey, in-depth interviews and other qualitative research discussed access to capital, reporting that it was critical to success and difficult for companies to secure.

Many individuals described the importance of personal or family wealth, home ownership and the amount of equity in a home when starting their businesses and accessing resources for growth. The interviews make it clear that any racial discrimination in the housing market, including home mortgages, place potential and current business owners of color at a disadvantage compared with other individuals. Examples from the in-depth interviews are shown below.

I basically took my life savings and put ... most of it into the business.

I-41. Hispanic American female owner of a construction-related firm

We didn't really seek any outside funding. We just took money out of our own mortgage and that's how we founded the company.

I-20. South Asian American female owner of a professional services firm

Some commented on barriers specific to people of color and women. Examples of comments are to the right.

The majority of capital is still controlled by older white guys, and they all have their biases.

I-21. White female with a disability and owner of a professional services firm

A Black woman, one of my members, went into the bank and asked for a business line of credit. She had put millions of dollars through this bank. That was her bank The white old man banker said, 'we don't have that product here. You're going to have to go somewhere else.' Of course they had that. They didn't even take an application, so they didn't have to report on it.

TO-16. White female representative of a business assistance organization

... it takes longer for our native businesses to really get up [and] running like a regular white-owned business. It doesn't happen as quickly because we don't have the same kinds of assets, and especially if you're a tribal member living on your traditional territories. Your home ownership has no value to a bank, because they can't repossess your home.

TO-18. Indian American female representative of a business assistance organization

When you're able to sit down in front of your bank A lot of times for us minorities, even though we may have our business attire on, and our hands are clean, we get looked at [differently].

I-29. Hispanic American male owner of a construction-related firm

I've encountered a couple of fellow female [business] owners ... One was [asked] directly, 'Can your husband co-sign for this loan?'

I-21. White female owner with a disability of a professional services firm

A woman-owned company [that I know] ... does have problems trying to get access to capital ... because she's a woman.

I-24. Black American male owner of a construction-related firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Bonding

Bonding requirements can present difficulties for construction firms in the state. Barriers to obtaining bonding and increasing bonding capacity are closely related to barriers regarding access to capital.

The 2024 availability survey asked construction firms if they had tried to obtain bonding for a project or contract. About one-half of construction firms indicated that they had tried to obtain bonding.

Firms that had tried to obtain a bond were then asked, “Has your company had any difficulties obtaining bonds needed for a project or contract?” Of those that had tried to obtain a bond, MBEs and WBEs were more likely than other firms to report difficulties obtaining a bond.

Figure 11 presents these results. Examples of comments from the qualitative research are shown below.

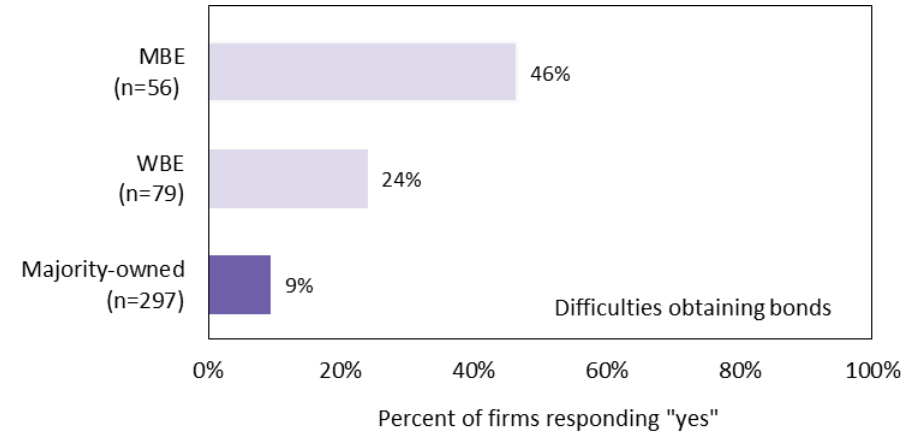
There's always issues with bonding. Diverse populations don't have the same access
To-5b. Black American female representative of a trade association

As a new minority contractor, [the bonding rate] kills you.
I-27B. Black American owner of a construction-related firm

I have friends who ... were trying to go for a construction contract, and they couldn't get bonding He is a person of color. His wife is a person of color.
I-57. Asian-Pacific male owner of a goods firm

[The bonding requirements] systematically [deny] us fair access into the broader construction trades opportunities.
I-5. Black American male owner of a construction-related firm

11. Responses to availability survey question concerning bonding



Source: Keen Independent Research from 2024 availability survey.

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Insurance

Public sector construction, professional services and other services contracts typically require different types of insurance, often in excess of what is required for private sector work.

The availability survey asked firms about difficulties due to insurance requirements. About one-third of MBEs and 18 percent of WBEs reported such difficulties compared to 11 percent of majority-owned firms.

Many business owners participating in the qualitative research had comments about insurance requirements, often suggesting that the types of levels of insurance required by public entities, even for small contracts, were excessive. Examples of comments are shown to the right.

The final comment to the right provides one example of where a local government's flexibility in insurance requirements helped a firm get a contract.

The amount of insurance seems unnecessary.

AS-1833. White female owner of a professional services firm

... The insurance requirements have been the biggest barrier. This keeps business owners of color out of the game and away from the table.

AS-16. Black American female owner of a professional services firm

Better insurance [requirements]. Don't make me go out and get a \$25 million insurance policy for your job. I don't need for the \$100,000 job I'm going to do.

I-77. White female owner of a construction-related firm

... it seems that between state and counties where we've been awarded work, they have different insurance requirements which are, outsized, irrelevant and another barrier to smaller minority-owned companies in engaging with these opportunities.

AS-1147. Representative of a woman-owned professional services firm

The City of Minneapolis has waived [insurance] requirements for us They have their generic insurance requirements that they want for people who are doing City contracts, and oftentimes those are well above what a small business can afford.

I-65. White female owner of a professional services firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Issues with Prompt Payment

Small businesses can be more negatively affected by slow payment than larger businesses with more established cash flow. Because of disparities in access to capital for minority- and woman-owned firms (and certain other groups of businesses) that affect their working capital, slow payment for work can disproportionately affect those businesses.

The availability survey asked firms whether they experienced difficulties receiving payment from public entities, prime contractors and other customers.

- About one-quarter of MBEs indicated that they experienced difficulties receiving payment from public entities, about twice the share of majority-owned firms expressing difficulties.
- A similar percentage of MBEs and WBEs indicated difficulties receiving payment from prime contractors, somewhat higher than found for majority-owned firms.

Some firms gave specific instances of slow payment. Examples are shown to the right (and discussed in more detail in Appendix J). (Note that there were only a few comments that pointed out difficulties with a specific participating entity.)

Doing work and not being paid for 3 months on jobs ... presents a great challenge to hire and maintain staff.

AS-1080. Black American female owner of an other services firm

The payment schedule is so slow that we've had to go into our own pockets to cover the costs.

AS-1587. Black American male owner of a professional services firm

When payment isn't prompt, they're being asked to finance the operations of the [entity].

TO-4. White female representative of a trade association

No small company should ever finance a bigger company.

I-2. White female owner of a construction-related firm

Cash flow is always an issue with the smaller companies If payments are delayed, that's an issue for smaller businesses.

I-30. Service-disabled veteran owner of a goods firm

The contractors want to use you to help them get a government job, to show participation. But they ... pay slowly [and] know how to manipulate and use your company. They end up putting a lot of the minority businesses out of business and then they don't have to pay them.

I-29. Hispanic American male owner of a construction-related firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Information on Work Opportunities

Study participants provided insights into their experiences learning about bid opportunities.

Learning about public sector bid opportunities. The availability survey asked firms if they experienced difficulties learning about bid opportunities with (a) public sector entities in Minnesota, (b) private sector opportunities in Minnesota, and (c) subcontracting opportunities in Minnesota. In each instance, MBEs and WBEs were considerably more likely to report experiencing difficulties than were majority-owned companies. For example, two-thirds of MBEs reported difficulties learning about bid opportunities with public entities in Minnesota compared to about one-third of majority-owned firms.

Availability survey participants and individuals who completed in-depth interviews gave insights into these difficulties. Appendix J discusses this issue. Examples of comments and some of the ideas for improvement mentioned by business owners and others are shown to the right.

Have actual humans that could talk to someone on the phone and help to explain the process and that's their job to do that [would be critical].

I-64. White male representative of a woman-owned professional services firm

What if, as a state, there was one central place where all these bids end up? They end up in a ton of different places There's only so many resources that go around.

I-68. White female owner of construction-related firm

Be more holistic, feels very fractured, hard to manage what opportunities are out there. Everything seems more fragmented.

AS-1866. White female owner of a goods firm

Bid listings are hard to find, a consolidated listing would be helpful.

AS-1642. Representative of a majority-owned other services firm

It'd be great if the [bid] information [for the participating entities] could be more centralized so that there's an easy access, somewhat of a one-stop shop to find and register for things

I-71. Black American service-disabled veteran owner of a construction-related firm

Narrowing down the type of opportunities that apply to our company would help a great deal, sometimes we are on alerts that have wildly irrelevant opportunities to sift through.

AS-686. Asian-Pacific American female owner of a professional services firm

To get registered in [each procurement software] system and then to get trained to use it properly [is cumbersome]. [The software] changes every year and some consistency would be terrific.

I-55. White male owner of a construction-related firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Learning about subcontract opportunities with prime contractors.

As mentioned on the previous page, MBEs (70%) and WBEs (50%) were more likely to report difficulties learning about subcontract opportunities than majority-owned firms (33%) when asked about that potential barrier in the availability survey.

Some business owners and representatives reported that certain prime contractors or customers are reluctant to work with newer or smaller businesses. Some business owners indicated that they were at a disadvantage trying to work with prime contractors because of their race or gender.

There were also comments that working with some prime contractors could actually be harmful to a minority-owned business.

Examples of comments are shown to the right (see Appendix J for more information).

When I started [this] business, I wanted to do some subcontracting work specializing in [my trade] Most of the bigger contractors have a preference of the companies that they want to use for such projects, so it was very hard to get something meaningful.

I-6. Black American male owner of a construction-related firm

Construction is a relationship business There's a lot of minority contractors that don't have the relationships It hurts their companies.

I-27b. Black American male owner of a construction-related firm

Since I started doing my job, I have never got[ten] anybody who [is] interested to make me their sub I have been struggling with that [Prime contractors are] already enclose[d] [in] their groups It takes a lot of energy [to break into new networks].

I-58. Black American male owner of a construction-related firm

There are larger GCs in the state If it doesn't serve them politically to work with small businesses and minorities, they don't.

I-56. Black American female owner of a construction-related firm

[Closed networks are] something that [prime contractors] don't even realize they do

I-76. Black American female owner of a construction-related firm

[I have] a list of contractors in my desk that I don't bid [because] they put so many minority businesses out of business.

I-29. Hispanic American male owner of a construction-related firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Importance of relationships to finding and winning work. Business relationships and networks are critical to finding opportunities and winning work, according to business owners and others providing input in this study.

The importance of “who you know” extends to the public sector based on these comments. Examples are provided to the right.

Our work is ... based on relationships Otherwise, it's hard to know ... what's out there to bid on ... especially with government work

I-33. White female representative of a white male-owned construction-related firm

[Relationships are] the bone of my business structure When I am communicating with the [client] at the first meeting, I try to figure out where [we have common ground].

I-58. Black American male owner of a construction-related firm

My business has been about my one-to-one personal relationships and networking

I-71. Black American service-disabled veteran owner of a construction-related firm

The most important [marketing tool] is networking and developing relationships

I-74. White female LGBTQ+ owner of a construction-related firm

At the end of the day, I learned all that comes is still through connections, who you know, even in the government side.

I-20. South Asian American female owner of a professional services firm

... the few projects that I've done with the State have been handled ... basically through personal connections that I have made or somebody just reaching out to me.

I-22. American Indian male rep. of an American Indian-owned professional services firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Meeting Bid Specifications, Costs of Bidding and Other Barriers to Obtaining Public Sector Contracts

Business owners and others discussed whether there were barriers to bidding on participating entities' work. Many discussed financial and time restraints, access to procurement information, unclear bid requirements and restrictive contract specifications as barriers.

Financial restraints and time investment to bid. Interviewees commented on the financial and time restraints faced by small and minority-owned firms when bidding on projects.

The process of bidding for contracts and completing RFPs are quite complex, cumbersome and requires a lot of technicalities that makes it difficult for small business owners that cannot afford the services of professionals like bidders, estimators, accountants and lawyers, etc.

AS-1270. Black American owner of a professional services firm

The RFP process takes a lot of time, and ... the paperwork required to read through and manage it is dense, confusing, and overwhelming.

AS-1272. American Indian male owner of a goods firm

The bidding process for state ... and federal government projects is very arduous. There's not [a lot] of support that can help you It was very much ... trial and error.

I-71. Black American service-disabled veteran owner of a construction-related firm

Unclear bid requirements and access to procurement

information. Business owners and representatives reported that they have experienced difficulties accessing procurement information. Some reported that bid and proposal requirements can be difficult to understand.

[Simplify]. The fog factor in government communication in contracts is silly.

I-57. Asian-Pacific male owner of a goods firm

I've been looking at more state and city contracts lately ... honestly, it's tough as a small business trying to go through those I swear they make the verbiage ... so difficult to read that you have to be an engineer to understand it [MnDOT's bid required] lots of paperwork to fill out, lots of things to try and decipher....

I-62. White male owner of a construction-related firm

... there's no support [during the bidding process], and if you do it wrong, then you either obviously don't win the bid or you bid yourself into a situation of where you're [taking] a [financial] loss.

I-71. Black American service-disabled veteran owner of a construction-related firm

I did register with the state of Minnesota, but it never went anywhere. I never heard back from them or anyone of the entities. None of them.

I-83. White male owner of an other services firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Restrictive contract specifications. Many business owners and representatives commented on what they viewed as restrictive specifications or other requirements.

For these ... larger [entities], whether it's MnDOT or [Minnesota State] or Department of Admin, there must be more flexibility for small businesses. They have these lists of what you can include in your accounting ledger of your overhead expenses, and they're very specific if you're a small business none of that makes sense, and none of it directly correlates.

I-65. White female owner of a professional services firm

Over 90 percent of the bids requires 5 or more years in business Other bids require a deposit of \$5,000, especially for the Metropolitan Council. As a small business, I don't have \$5,000 for deposit and ... getting a small business loan is not possible because the bank would most [likely] want to see that there's an awarded contract.

AS-67. Black American female owner of an other services firm

Expand the date range of prior experience to a 10-year time frame.

AS-1454. Representative of a majority-owned professional services firm

Denial of opportunity. Some interviewees described situations where they were denied opportunities.

There were a number of times where we were selected for projects ... when they found out we were woman-owned they deleted the contract.

I-16. White female owner of a professional services firm

[Minorities experience] denial of opportunity If a white contractor can get away from ... using us, they will [not use us].

I-5. Black American male owner of a construction-related firm

A lot of times that if I'm doing a proposal, I will sign it [with my male business partner's name], because as [a female], they ignore me.

I-10. American Indian female owner of an other services firm

Sometimes the bids are sent to very specific people, and [if] you're not one of them, you don't have a say in that matter.

I-14. White male owner of a goods firm

It seems like these RFPs come out, and they are intended for one audience. That's the audience that's already been pre-chosen to win the RFP.

I-22. American Indian male rep. of an American Indian-owned professional services firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Other Perceptions of Unfair Treatment

Interviewees shared their perceptions of unfair treatment in the marketplace.

Bid shopping. Many interviewees provided examples of predatory bid shopping by prime contractors and others. Sometimes the comments suggested that the intent was to avoid having to work with a minority- or woman-owned company. Appendix J provides more information.

[Primes] get a quote from a Native business to be a partner Once they get the contract, they hire their buddies

TO-18. American Indian female representative of a business assistance organization

We were approached once by a larger firm that needed to have a minority quota ..., and that just seemed wrong ... because they're just using me as a puppet.

I-57. Asian-Pacific male owner of a goods firm

Many times ... a request is sent to us [last minute]. Hardly enough time to submit a proper response. It leaves me with the impression that whoever is sending it won't consider my response and seems to only want minority-owned business participation in the bidding process.

AS-177. American Indian male owner of a professional services firm

Evidence of a “good ol’ boy” and other closed networks. Many business owners and representatives reported that “good ol’ boy” networks or other closed networks persist in the marketplace.

I still feel like it's an old boys club out there

I-16. White female owner of a professional services firm

In the Minneapolis/St. Paul marketplace, [closed networks are] actually quite prevalent

I-88. White male owner of a professional services firm

[Most of the participating entities] don't make any effort to try to reach a broader market That's where the 'good ol' boys' network ... comes from.

I-6. Black American male owner of a construction-related firm

[There is] definitely a network Rural ..., white males.

I-43. Hispanic American female owner of a professional services firm

The larger contractors ... already have deals in place ... and just use us smaller business as another number for their bids, knowing they won't use us either way. This hurts us because we find yourself working hard on entering these bids only to find out we never even had a chance.

AS-170. American Indian male owner of a construction-related firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Stereotyping and double standards specific to diverse business owners. Some participants discussed whether there are stereotypes or double standards that impact a firm's ability to perform or secure work and noted clear instances of discriminatory and biased behavior. The comments below and on the right are examples (see Appendix J for more discussion).

I am a female owner. I show up to a meeting or a site visit and I'm surrounded by males. It's a male dominant industry.... I get looked at like, 'What are you doing here?'

I-41. Hispanic American female owner of a construction-related firm

[If] it's a woman-owned business, it's a passion project That's a stereotype. They don't think I can run it like a business. It's just me having fun.

I-45. South Asian American female owner of a goods firm

They profile you because you are Latino, and they might think you might not do a good job....

I-43. Hispanic American female owner of a professional services firm

[Racism is] alive and well here in the state

I-90. Black American male owner of an other services firm

[This industry] is mostly men, because there's a lot of heavy work involved. A lot of times, even now people will come in and they're looking for the guy.

I-18. White female owner of a goods firm

LGBTQ+ businesses face definite disadvantages in Minnesota

PF-11. Public forum participant

It takes time to build trust. As a veteran business, if I can show them that I can do the work and am qualified to do the work, they won't have to get three bids.

I-104. White male owner of an SDVOSB certified

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Competitive disadvantages due to pricing from suppliers.

When asked in the availability survey if they had any competitive disadvantages due to pricing from suppliers, 57 percent of MBEs and 28 percent of WBEs answering that question said “yes” compared to only 23 percent of majority-owned firms. (This is notable as most MBEs, WBEs and majority-owned companies participating in the availability survey were small businesses.)

The comments to the right related to reports of unfavorable pricing or other relationships with manufacturers and suppliers. These may be related to being a small business or perhaps based on the race of the business owner.

The larger companies have the pricing ... their largest advantage.

I-41. Hispanic American female owner of a construction-related firm

One of the disadvantages I deal with is, I don't do a lot of volume ... and I don't get as good of a pricing....

I-12. White male owner of a construction-related firm

Small companies have a disadvantage because they do not have [the] scale of purchasing power.

AS-1005. White woman-owned goods firm

A large company ... may have a little bit more buying power with [a] particular supplier ... so they get a better price.

I-48. White male representative of an American Indian woman-owned other services firm

[Large] manufacturers do a lot of discrimination. I had one company that said, 'You better shut your business down. we're going to drive you out of business in six months.'

I-63. South Asian American male owner of a goods firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Business Assistance and Certifications

Interviewees provided comments about their experiences with business assistance programs and obtaining certification.

Business assistance programs. Some of the business owners interviewed as part of this study were knowledgeable of and participated in different types of technical assistance or other training programs. Some said that they would be interested in those resources but did not know about them. Appendix J provides more information about knowledge, perceptions and value received from those programs.

I ended up meeting a ... mentor who helped me understand how to become a targeted business group within the state and get my SDVOSB certification that would allow me to have an advantage on federal projects.

I-71. Black American service-disabled veteran owner of a construction-related firm

I got a connection ... at Women Venture and it just happened that there was ... women business classes starting up. I went through [some] courses and that helped so much ... helping with the ... business finances and operations.

I-53. Black American female owner of an other services firm

I've been a part of continuing education programs through ... MnDOT, ... [the] Association of Women Contractors ... [and the Women Venture] Scale Up program that was instrumental in helping me understand my finances and [operate effectively] ... to grow [my business].

I-2. White female owner of a construction-related firm

I know the state of Minnesota has a few programs, but when I go and talk to them ... they just do it to say they're doing something to help [small minority-owned businesses] but they don't do anything because they already [have] a contract ... they don't help anyone.

I-15. Hispanic American male owner of a construction-related firm

It's been difficult to learn about [business assistance programs]. Entities should do more to advertise those opportunities for learning.

I-64. White male representative of a woman-owned professional services firm

With programs like SURGE (Start Up and Rapid Growth Enterprises) and APEX, it would be nice if they put the two different programs in line with each other.

AS-1843. Representative of a white woman-owned construction-related firm

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Certification. Keen Independent also discussed programs that required certification. Many participants mentioned that they were unaware of what certifications were or how to become certified.

Keen Independent found that approximately 42 percent of MBEs and 35 percent of WBEs in the availability database had a business certification. Overall, 38 percent of MBE/WBEs in the availability database were certified firms.

Some of the perceived barriers to certification are evident in the comments from the qualitative research (see examples to the right).

Some business owners indicated a negative stigma from being certified. For example:

These minority designations and certifications, they really are harmful when you really think about it. Because if I never tell anybody that I have a women's business enterprise or a minority business enterprise designation, I get a lot more conversations.

I-103. Black American female owner of a professional services firm

Some white male business owners said they face discrimination based on their race or gender. For example:

We actually feel like we're in an inferior position compared to a woman-owned or any of the [disadvantaged business enterprises]. We feel we're far inferior in terms of opportunities that we get as a small business.

I-14. White male owner of a goods firm

... all of these [certifications] exist. But how do small businesses know about them? And can we get a capsule of the benefits – the costs, the applicability.

I-57. Asian-Pacific male owner of a goods firm

It was a lot of work it was a heavy lift I have to do some work on an annual basis. It seems like a bit much.

I-35. Hispanic American male owner of a professional services firm

I've been trying to get my business registered through the state for that CERT program. I've emailed them and I just haven't heard back Make the process a little bit easier.

AS-1489. Black American male owner of a construction-related firm

[Getting certified] was somewhat difficult We actually had to get an attorney involved to get it pushed through.

I-48. Representative of an American Indian woman-owned other services firm

Many of the small businesses don't even try to either get the [CERT] certification or get the project because they are intimidated by the process and the amount of paperwork that is required.

I-34. Hispanic American female owner of a professional services firm

I've known some [businesses] that had 11 different certifications [to work with various clients], and each of those required a recertification process. It was burdensome to them [Entities need to] broaden the certifications that they recognize The current certification process is really a challenge for diverse firms.

TO-4. White female representative of a trade association

SUMMARY REPORT — Utilization analysis

The next section of this Summary Report examines the utilization and availability of minority- and woman-owned firms for locally funded Hennepin Healthcare contracts. The study team analyzed the utilization of other groups of businesses as well.

The analysis of utilization is followed by availability and disparity analyses that compare MBE/WBE utilization and availability by industry and group.

Hennepin Healthcare Utilization of Minority- and Woman-owned Firms and Other Businesses

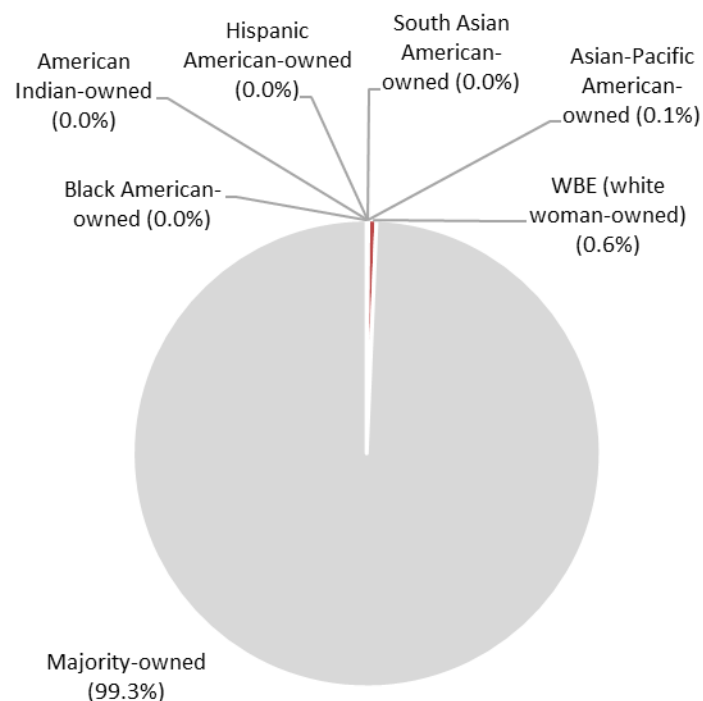
Keen Independent examined the ownership of firms performing Hennepin Healthcare contracts and subcontractors awarded during the July 2016 through June 2023 study period.

There were more than 900 companies that received at least one contract or subcontract during this time. Of those companies, 65 were minority- or woman-owned (20 MBEs and 45 WBEs).

Of the \$5.5 billion in Hennepin Healthcare contract dollars going to businesses during this period, \$36.6 million (0.7%) went to minority- and woman-owned companies (including non-certified firms). Figure 12 presents these results.

Note that in the following pages Keen Independent uses the term “contracts” synonymously with “procurements” or “purchases” and is not referring to the specific type of legal agreement used to acquire a good or service.

12. Share of HHS contract dollars going to MBEs and WBEs, July 2016–June 2023



Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization analysis

Utilization Analysis by Group

Participation of MBE/WBEs on Hennepin Healthcare contracts and subcontracts (July 2016–June 2023) included:

- About \$6 million going to minority-owned businesses (60 contracts or subcontracts); and
- About \$30 million going to white woman-owned businesses (176 contracts or subcontracts).

The bottom portion of Figure 13 examines utilization for different groups of firms. First, 8 percent of HHS contract dollars went to small businesses (based on U.S. Small Business Administration size standards). Results for certified firms used the following certifications:

- Firms certified as DBEs, MBEs or WBEs (as noted) by the following groups: DBEs by Minnesota Unified Certification Program, State-certified MBEs and WBEs (TGBs), Central Certification Program (CERT) MBEs and WBEs, National Minority Supplier Development Council MBEs, and Women’s Business Enterprise National Council WBEs.
- Small business enterprises certified through CERT.
- Veteran-owned businesses certified through the State or through the federal government (VetBiz).
- Service-disabled businesses certified through the federal government.
- Firms owned by persons with disabilities that are certified as TGBs by the State or certified by DisabilityIN.
- Firms owned by members of the LGBTQ+ community in the Twin Cities Quorum directory.

Figure 13 includes a row labeled “firms eligible for entity program,” which for HHS is zero as it did not have a program in operation.

13. Share of HHS contract dollars going to MBEs, WBEs and other firms, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	16	\$ 1,666	0.03 %
Asian-Pacific American-owned	18	3,219	0.06
South Asian American-owned	6	109	0.00
Hispanic American-owned	10	250	0.00
American Indian-owned	10	843	0.02
Total MBE	60	\$ 6,087	0.11 %
WBE (white woman-owned)	176	30,490	0.56
Total MBE/WBE	236	\$ 36,577	0.67 %
Majority-owned	3,721	5,425,366	99.33
Total	3,957	\$ 5,461,944	100.00 %
Business classification or certification			
All small businesses	2,952	\$ 452,879	8.29 %
Firms eligible for entity program	0	0	0.00
General certification			
MBE/WBE/DBE	51	16,588	0.30
SBE (CERT)	29	3,817	0.07
Veteran (VO, VetBiz, SDVOB)	5	128	0.00
Service-disabled (SDVOB)	0	0	0.00
Disability (TG, DisabilityIN)	0	0	0.00
LGBTQ+ (NGLCC)	0	0	0.00

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization analysis

Construction

Hennepin Healthcare did not have many large construction projects during the study period. Keen Independent examined MBE and WBE participation in 162 HHS construction contracts and subcontracts in the July 2016–June 2023 study period. Of \$23 million in construction contract dollars, about 3 percent went to minority- or woman-owned companies.

The bottom of Figure 14 shows utilization for small businesses and certified firms. Small businesses received more than 80 percent of HHS construction contract dollars. About \$68,000 of the \$595,000 going to MBEs and WBEs went to certified firms.

14. HHS construction contract dollars going to MBEs, WBEs and other firms, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	0	\$ 0	0.00 %
Asian-Pacific American-owned	2	202	0.87
South Asian American-owned	0	0	0.00
Hispanic American-owned	0	0	0.00
American Indian-owned	0	0	0.00
Total MBE	2	\$ 202	0.87 %
WBE (white woman-owned)	9	393	1.70
Total MBE/WBE	11	\$ 595	2.57 %
Majority-owned	151	22,579	97.43
Total	162	\$ 23,174	100.00 %
Business classification or certification			
All small businesses	123	\$ 18,962	81.82 %
Firms eligible for entity program	0	0	0.00
General certification			
MBE/WBE/DBE	6	68	0.29
SBE (CERT)	4	57	0.24
Veteran (VO, VetBiz, SDVOB)	1	5	0.02
Service-disabled (SDVOB)	0	0	0.00
Disability (TG, DisabilityIN)	0	0	0.00
LGBTQ+ (NGLCC)	0	0	0.00

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization analysis

Professional Services

Keen Independent examined MBE and WBE participation in 866 Hennepin Healthcare professional services contracts in the July 2016–June 2023 study period. Of \$144 million in professional services contract dollars, about 7 percent went to minority- or woman-owned companies.

As shown in the bottom portion of Figure 15, about 44 percent of Hennepin Healthcare professional services contract dollars went to small businesses.

The bottom of Figure 15 also shows utilization for certified firms. About \$1.3 million of the \$10.4 million professional services contract dollars going to MBEs and WBEs went to certified firms.

15. HHS professional services contract dollars going to MBEs, WBEs and other firms, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	13	\$ 1,510	1.05 %
Asian-Pacific American-owned	13	2,930	2.04
South Asian American-owned	5	94	0.07
Hispanic American-owned	7	218	0.15
American Indian-owned	0	0	0.00
Total MBE	38	\$ 4,752	3.31 %
WBE (white woman-owned)	44	5,654	3.94
Total MBE/WBE	82	\$ 10,406	7.25 %
Majority-owned	784	133,153	92.75
Total	866	\$ 143,559	100.00 %
Business classification or certification			
All small businesses	691	\$ 62,846	43.78 %
Firms eligible for entity program	0	0	0.00
General certification			
MBE/WBE/DBE	17	1,294	0.90
SBE (CERT)	8	943	0.66
Veteran (VO, VetBiz, SDVOB)	0	0	0.00
Service-disabled (SDVOB)	0	0	0.00
Disability (TG, DisabilityIN)	0	0	0.00
LGBTQ+ (NGLCC)	0	0	0.00

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization analysis

Goods

Goods purchases represented the greatest area of HHS spending in this study. Keen Independent identified 116 of the 2,662 HHS goods procurements as going to minority- and woman-owned companies. Although spending with MBE/WBEs totaled \$23 million, this was only 0.4 percent of Hennepin Healthcare's goods contract dollars.

Just 7 percent of Hennepin Healthcare goods purchases went to small businesses. Figure 16 presents these results. Note that for the goods industry and other industries, this analysis excludes the types of purchases that Hennepin Healthcare typically procures from a national marketplace, but there were sizeable amounts of goods purchases that could be made from national or international companies that had a local presence.

The bottom of Figure 16 shows utilization for certified firms. About \$15 million of the \$23 million going to MBEs and WBEs went to certified firms. No goods procurements went to firms identified as being owned by one or more persons with a disability.

16. HHS goods contract dollars going to MBEs, WBEs and other firms, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	3	\$ 156	0.00 %
Asian-Pacific American-owned	3	87	0.00
South Asian American-owned	1	15	0.00
Hispanic American-owned	3	32	0.00
American Indian-owned	10	843	0.02
Total MBE	20	\$ 1,133	0.02 %
WBE (white woman-owned)	96	21,573	0.41
Total MBE/WBE	116	\$ 22,706	0.43 %
Majority-owned	2,546	5,240,791	99.57
Total	2,662	\$ 5,263,497	100.00 %
Business classification or certification			
All small businesses	1,928	\$ 349,153	6.63 %
Firms eligible for entity program	0	0	0.00
General certification			
MBE/WBE/DBE	20	15,109	0.29
SBE (CERT)	11	1,671	0.03
Veteran (VO, VetBiz, SDVOB)	4	123	0.00
Service-disabled (SDVOB)	0	0	0.00
Disability (TG, DisabilityIN)	0	0	0.00
LGBTQ+ (NGLCC)	0	0	0.00

Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization analysis

Other Services

Keen Independent examined MBE and WBE participation in 267 Hennepin Healthcare other services contracts totaling \$32 million. Of these contract dollars, 9 percent went to WBEs, the largest share of contract dollars going to WBEs for all industries. No other services contract dollars went to MBEs.

The bottom of Figure 19 shows utilization for other groups of firms. For example, 69 percent of other services contract dollars went to small businesses, including those that were not certified as such.

17. HHS other services contract dollars going to MBEs, WBEs and other firms, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	0	\$ 0	0.00 %
Asian-Pacific American-owned	0	0	0.00
South Asian American-owned	0	0	0.00
Hispanic American-owned	0	0	0.00
American Indian-owned	0	0	0.00
Total MBE	0	\$ 0	0.00 %
WBE (white woman-owned)	27	2,871	9.05
Total MBE/WBE	27	\$ 2,871	9.05 %
Majority-owned	240	28,843	90.95
Total	267	\$ 31,714	100.00 %
Business classification or certification			
All small businesses	210	\$ 21,918	69.11 %
Firms eligible for entity program	0	0	0.00
General certification			
MBE/WBE/DBE	8	117	0.37
SBE (CERT)	6	1,146	3.61
Veteran (VO, VetBiz, SDVOB)	0	0	0.00
Service-disabled (SDVOB)	0	0	0.00
Disability (TG, DisabilityIN)	0	0	0.00
LGBTQ+ (NGLCC)	0	0	0.00

Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization analysis

MBE/WBE Utilization by Size of Contract

For each entity participating in the disparity study, Keen Independent examined purchases up to \$100,000, between \$100,001 and \$500,000 and more than \$500,000. These analyses exclude subcontracts.

Contracts up to \$100,000. As shown in Figure 18, for all HHS contracts up to \$100,000, about 6 percent of contract dollars went to MBEs and WBEs combined.

18. HHS contract dollars going to MBEs and WBEs, contracts up to \$100,000, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	10	\$ 411	0.55 %
Asian-Pacific American-owned	11	192	0.26
South Asian American-owned	6	109	0.14
Hispanic American-owned	10	250	0.33
American Indian-owned	7	376	0.50
Total MBE	44	\$ 1,338	1.78 %
WBE (white woman-owned)	139	3,022	4.01
Total MBE/WBE	183	\$ 4,360	5.79 %
Majority-owned	2,448	70,921	94.21
Total	2,631	\$ 75,281	100.00 %

Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization analysis

Contracts ranging from \$100,001 to \$500,000. As shown in Figure 19, approximately 4 percent of HHS contracts ranging between \$100,001 and \$500,000 went to MBEs and WBEs together, less than for smaller contracts.

19. HHS contract dollars going to MBEs and WBEs, contracts \$100,001 up to \$500,000, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	5	\$ 737	0.37 %
Asian-Pacific American-owned	4	854	0.43
South Asian American-owned	0	0	0.00
Hispanic American-owned	0	0	0.00
American Indian-owned	3	467	0.24
Total MBE	12	\$ 2,059	1.04 %
WBE (white woman-owned)	23	5,422	2.74
Total MBE/WBE	35	\$ 7,481	3.78 %
Majority-owned	835	190,201	96.22
Total	870	\$ 197,682	100.00 %

Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization analysis

Contracts over \$500,000. Of the 456 contracts that exceeded \$500,000, MBEs obtained four and WBEs received 14. About 0.5 percent of dollars on large HHS contracts MBE/WBEs.

20. HHS contract dollars going to MBEs and WBEs, contracts above \$500,000, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	1	\$ 517	0.01 %
Asian-Pacific American-owned	3	2,172	0.04
South Asian American-owned	0	0	0.00
Hispanic American-owned	0	0	0.00
American Indian-owned	0	0	0.00
Total MBE	4	\$ 2,689	0.05 %
WBE (white woman-owned)	14	22,047	0.42
Total MBE/WBE	18	\$ 24,736	0.48 %
Majority-owned	438	5,164,244	99.52
Total	456	\$ 5,188,980	100.00 %

Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

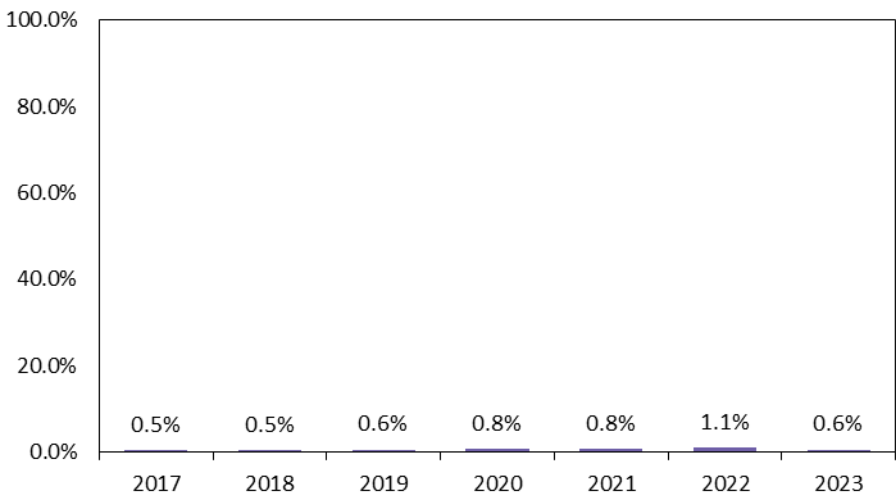
SUMMARY REPORT — Utilization analysis

MBE/WBE Utilization by Year

Hennepin Healthcare utilization of MBE/WBEs could have been affected by changes in procurements and market conditions during the COVID-19 pandemic. Figure 21 examines MBE/WBE utilization from July 1 through June 30 of each 12-month period starting July 2016.

As shown, MBE/WBE participation was low in each year of the study period.

21. HHS contract dollars going to MBE/WBEs by 12-month period, July 2016–June 2023



Source: Keen Independent analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Availability analysis

Disparity studies compare the actual utilization of MBE/WBEs to what would be expected based on the availability of firms to perform that work. Keen Independent conducted a survey of businesses in Minnesota (and Pierce and St. Croix counties in western Wisconsin) to identify companies indicating they were qualified and interested (ready, willing and able) to work on public sector contracts and subcontracts.

The survey asked about the types of work performed, sizes of contracts they bid, regions of the state they serve and the ownership of the firm.

Figure 22 outlines the steps to completing the survey.

Methodology

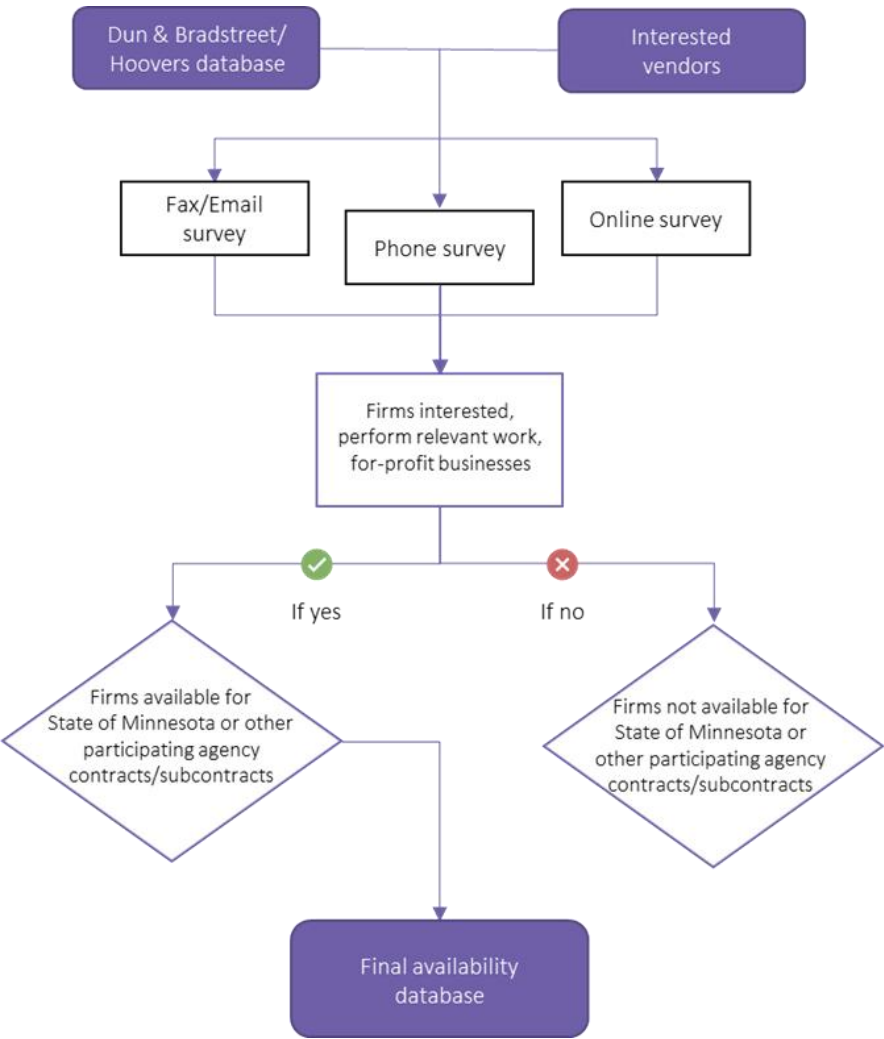
List of firms to be contacted. Keen Independent developed the list of firms to be contacted in the availability survey by collecting and combining each participating entity’s list of firms that had indicated interest in bid opportunities, supplemented by data from Dun & Bradstreet (D&B) Hoover’s business establishment database. This was the same approach Keen Independent employed in the 2017 Study, and it has been accepted and approved by federal courts in connection with disparity study methodology.

More than 75,000 business establishments were on this initial list. Only some of the firms expressed qualifications and interest in State of Minnesota or other participating agency contracts, as described in the following pages.

Keen Independent did not draw a sample of firms for the availability analysis; rather, the study team attempted to contact each relevant business identified in the combined interested firm list and D&B list.

Some courts have referred to similar approaches to gathering availability data as a “custom census.”

22. Availability survey process



SUMMARY REPORT — Availability analysis

Online surveys. Keen Independent developed an online availability survey that could be completed by any firm. Companies could go to the Minnesota Joint Disparity Study website to complete an availability survey or click on a link on an email received from the State of Minnesota Department of Administration. Admin emailed the first request to participate in the survey on September 30, 2024, and made follow-up requests through October.

Telephone surveys. Keen Independent also prepared a phone version of the availability survey. Keen Independent submitted a list of firms to Customer Research International (CRI), which then conducted telephone surveys.

- **Firms contacted by telephone.** CRI attempted to contact each firm at different times of day and different days of the week. CRI made at least five attempts to reach a business. CRI introduced the survey in Spanish, as necessary.
- **Survey sponsorship.** CRI began by saying that the call was made on behalf of the State of Minnesota. CRI explained, “The State and 15 cities, counties and other public agencies are updating a list of local companies interested in working on a wide range of public sector contracts, and our firm is helping them do that.”
- **Survey period.** CRI began surveys on October 10, 2024, and completed them on November 25, 2024. Firms not responding to a request to complete an online survey were contacted by phone as long as they had a working number.

Other avenues to complete a survey. Business owners could complete the survey online or using a fillable form that could be returned via email or fax.

Information collected. Survey questions covered topics including:

- Types of work performed or goods supplied;
- Qualifications and interest in performing work or supplying goods for public entities in Minnesota;
- Qualifications and interest in performing work as a prime contractor and/or as a subcontractor;
- Geographic areas in Minnesota where the firm can work (six different regions of the state);
- Largest prime contract or subcontract bid on or performed in Minnesota in the past eight years;
- Annual revenue;
- Year of establishment;
- Race/ethnicity and gender of firm owners; and
- Potential barriers in the marketplace.

Screening firms for the availability database. Keen Independent considered businesses to be potentially available for a public sector contract or subcontracts if they reported possessing all of the following characteristics:

- Were a private, for-profit business with a local in Minnesota or Pierce or St. Croix counties in Wisconsin;
- Expressed qualifications and interest in public sector work; and
- Performed work relevant to public sector contracts.

There were 5,079 unique firms completing the survey that met these criteria, which was comparable to the number of firms in the availability database for the 2017 Study.

SUMMARY REPORT — Availability analysis

Availability Survey Results

The study team successfully contacted 23,056 businesses in the phone and online surveys. Most of those businesses did not indicate interest or qualifications in performing work for public entities in Minnesota. Combining both phone and online survey responses, the following results are for those firms that did indicate qualifications and interest in working with public entities.

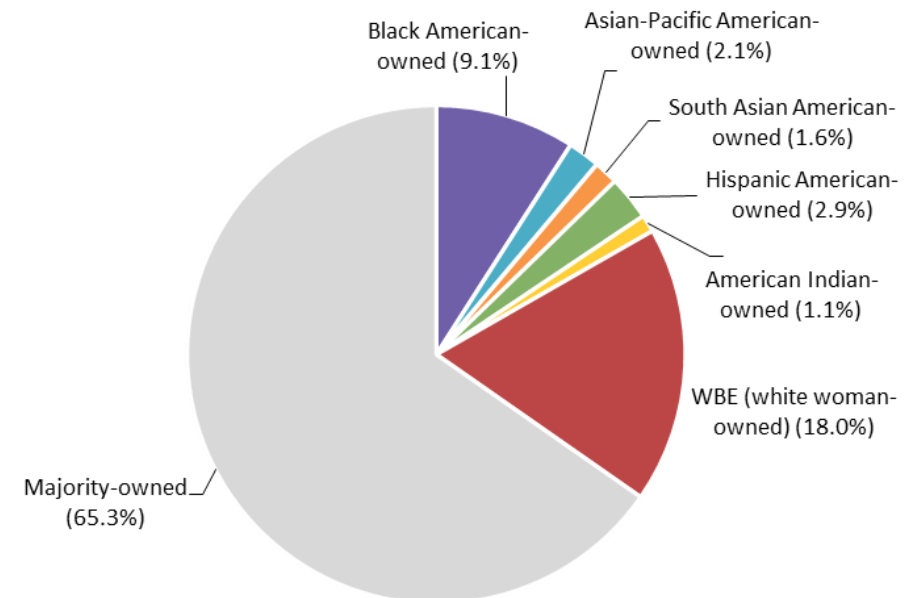
- In total, about 17 percent of firms indicating qualifications and interest in State of Minnesota or other participating agency contracts and subcontracts were owned by people of color;
- About 18 percent of qualified and interested businesses were owned by white women; and
- About 65 percent of businesses were owned by white men or were otherwise non-minority, non-woman-owned firms (majority-owned firms).

Figure 23 shows results by individual MBE/WBE group.

The share of businesses in the availability database owned by people of color was higher in the 2024 survey than in the 2017 Study (9%), and the share of businesses owned by white women was unchanged from the 2017 Study. Appendix C presents analyses showing that the share of total responses from MBE/WBEs was about what might be expected from the underlying D&B list.

Keen Independent also examined the share of businesses that were small businesses. Approximately 96 percent of businesses met U.S. Small Business Administration small business size standards.

23. MBEs and WBEs as a share of total firms in the availability database, 2024



Source: Keen Independent Research 2024 availability surveys.

Appendix C presents more information about survey approach, response rates, confidence intervals and analysis of any differences in response rates between groups. It also provides a copy of the survey instrument.

SUMMARY REPORT — Availability analysis

Methodology for Developing Dollar-Weighted Availability Benchmarks

Although MBE/WBEs comprise more than one-third of total firms available for public sector contracts, there are industry specializations in which there are relatively few minority- and woman-owned firms. Also, the study team found that minority-owned firms are less likely than other companies to be available for the largest contracts due to responses to survey items regarding the sizes of contracts or subcontracts competed for or completed during the study period. In addition, many firms work in only some regions of the state.

Keen Independent conducted a contract-by-contract availability analysis based on specific types and sizes of HHS contracts and subcontracts for July 2016–June 2023 and dollar-weighted results.

- The study team used the availability database developed in this study, including information about the types of work a firm performed, the size of contracts or subcontracts it bids, the regions where it is able to work, and the race, ethnicity and gender of its ownership.
- To determine availability for a contract or subcontract, Keen Independent first identified and counted the firms indicating that they performed that type of work of that size in the appropriate region.
- The study team then calculated the MBE and WBE share of firms available for that contract (by race/ethnic group).
- Once availability had been determined for every HHS contract and subcontract, Keen Independent weighted the availability results based on the share of total HHS contract dollars that each contract represented.

Figure 24 provides an example of this dollar-weighted analysis for one HHS prime contract from the 2025 Study.

24. Example of an availability calculation for an HHS contract

One of the prime contracts examined was for electrical work (\$772,707) in 2020. To determine the number of MBE/WBEs and majority-owned firms available for that prime contract, the study team identified businesses in the availability database that:

- a. Were in business in 2020;
- b. Indicated that they performed electrical work;
- c. Indicated qualifications and interest in such prime contracts;
- d. Reported bidding on work of similar or greater size in the past eight years in the market area; and
- e. Reported ability to work in the relevant region.

There were 27 businesses in the availability database that met those criteria. Of those businesses, eight were MBE/WBEs. Therefore, MBE/WBE availability for the subcontract was about 30 percent ($8/27 = 29.6\%$).

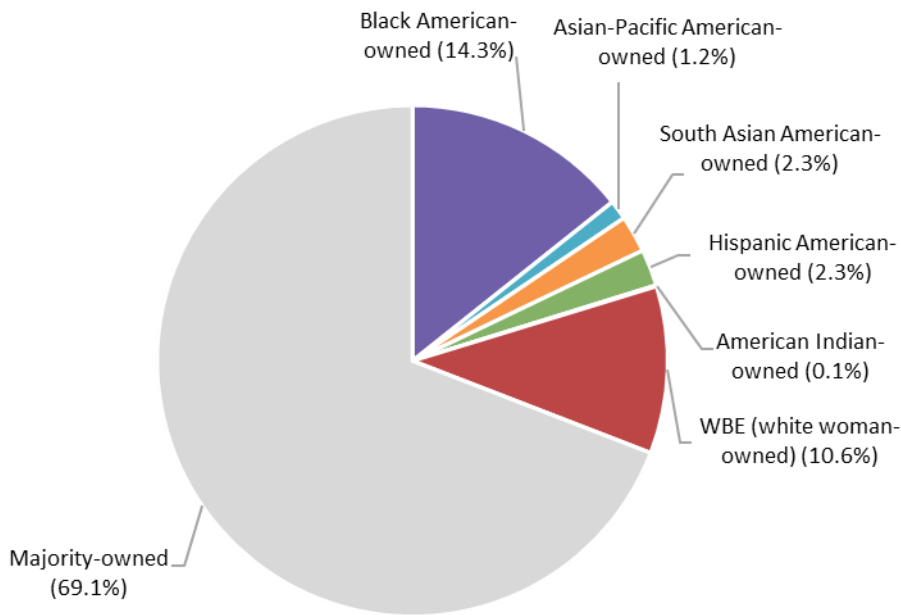
The contract weight was $\$772,707 \div \$5.5 \text{ billion} = 0.01\%$ (equal to its share of total HHS procurement dollars). Keen Independent made this calculation for each prime contract and subcontract and then summed the results.

Dollar-Weighted Availability Results

The contract-by-contract availability analysis described on the previous page determined that about 31 percent of HHS contract dollars might be expected to have gone to MBEs and WBEs during the July 2016–June 2023 study period. (See Figure 25.)

Not all businesses are equally available for all types and sizes of HHS contracts and subcontracts. The contract-by-contract analysis accounts the types and sizes of contracts that each available firm can perform, which explains why the weighted availability benchmark for the share of HHS contract dollars expected to go to different MBE/WBE groups differs from the headcount availability in Figure 23. For example, Black American-owned firms were 9.1 percent of the availability database but the dollar-weighted availability for this group was 14.3 percent.

25. Dollar-weighted availability for HHS contracts



Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

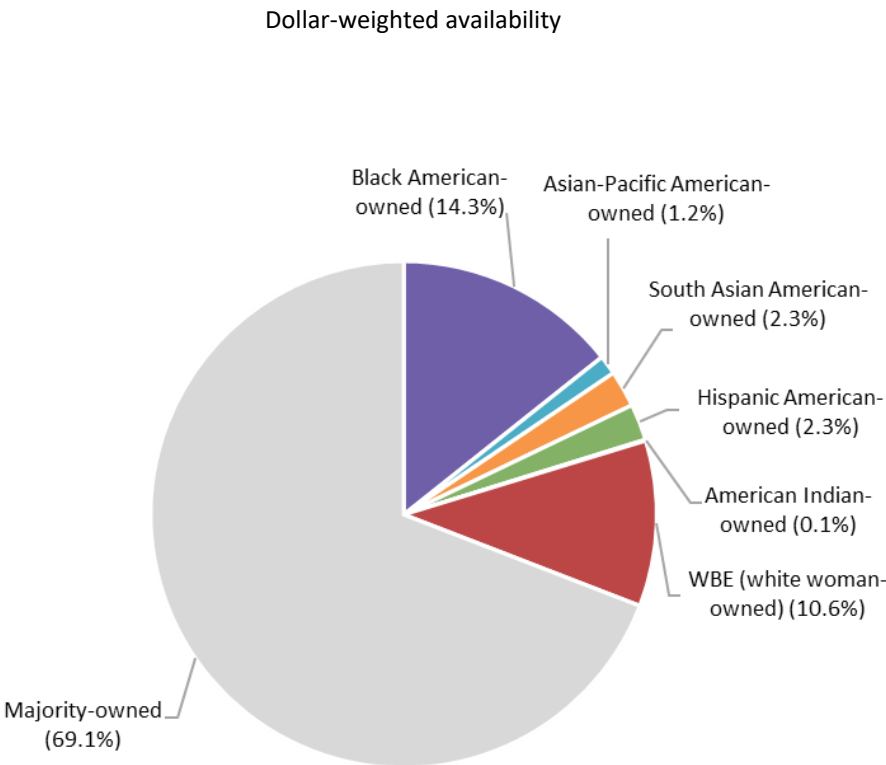
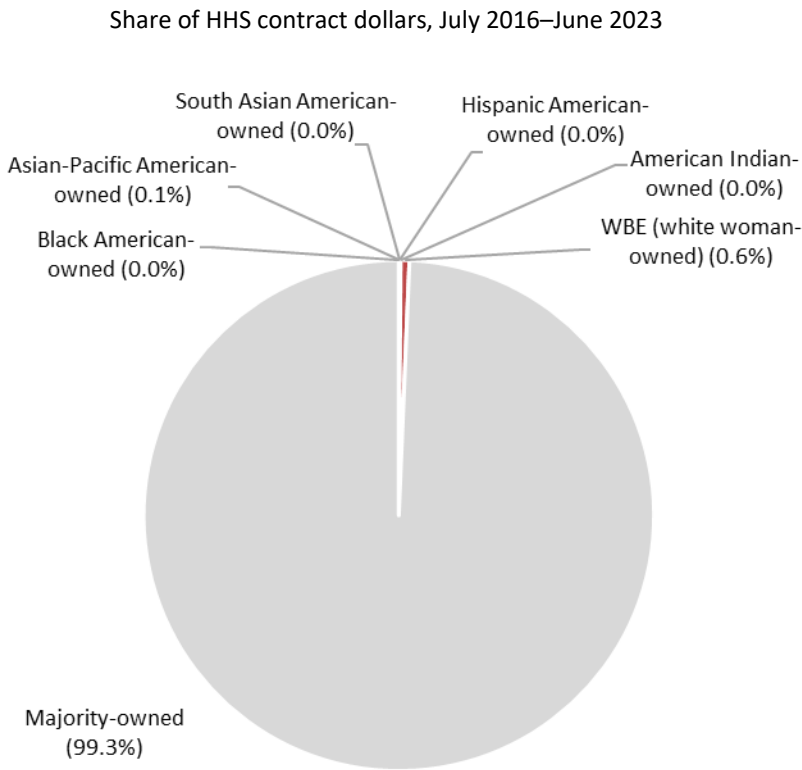
SUMMARY REPORT — Disparity analysis

Comparing Overall MBE/WBE Utilization and Availability

Disparity analyses compare the share of procurement dollars going to MBE/WBEs with the dollar-weighted availability benchmarks described in previous pages.

26. Utilization and availability of MBE/WBEs for HHS contracts, July 2016–June 2023

As shown in Figure 26, the share of HHS procurement dollars going to MBEs and WBEs (0.7%) was substantially less than what might be expected based on the availability analysis of firms qualified and interested (ready, willing and able) in doing business with HHS (30.1%).



Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Disparity analysis

Disparity Analysis by Group

Figure 27 compares utilization and availability for each MBE group and for white woman-owned firms. For July 2016–June 2023 HHS procurements, utilization was less than the availability benchmarks for Black American-, Asian-Pacific American-, South Asian American-, Hispanic American-, American Indian- and white woman-owned firms.

Following direction from court decisions, Keen Independent calculated disparity indices to compare utilization and availability.

- A disparity index is calculated by dividing utilization by availability and multiplying by 100, where a value of “100” equals parity.
- An index of less than 80 is described as “substantial.”

The disparity index for MBE/WBEs overall for City contracts was “2,” which indicates a substantial disparity. One way of interpreting these results is that MBE/WBEs obtained 2 cents of every \$1.00 of contracts that might be expected if there were a level playing field for those companies.

Disparity indices were below 80, and therefore substantial, for each MBE group and for white woman-owned firms when examining City contracts overall.

The following pages show that there was a pattern of substantial disparities for Black American-, Asian-Pacific American-, South Asian American-, Hispanic American-, American Indian- and white woman-owned businesses on HHS contracts across study industries.

27. Utilization and availability of MBE/WBEs for HHS prime contracts and subcontracts, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	0.03 %	14.32 %	0
Asian-Pacific American-owned	0.06	1.24	5
South Asian American-owned	0.00	2.34	0
Hispanic American-owned	0.00	2.33	0
American Indian-owned	0.02	0.07	22
Total MBE	0.11 %	20.28 %	1
WBE (white woman-owned)	0.56	10.58	5
Total MBE/WBE	0.67 %	30.87 %	2
Majority-owned	99.33	69.13	144
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis HHS procurement data, July 2016–June 2023.

Keen Independent did not perform disparity analyses for small businesses, veteran-owned businesses or firms owned by persons with a disability. Based on the legal framework provided in Appendix N, programs to assist these types of businesses can be designed and legally defended without finding a disparity between utilization and current availability for those groups.

There was too little data for LGBTQ-owned firms to perform disparity analyses.

SUMMARY REPORT — Disparity analysis

Disparity Analysis by Industry

Keen Independent calculated the utilization, weighted availability and disparity indices for HHS procurements by study industry.

Construction disparity analysis. Figure 28 compares utilization and availability for each MBE group and for white woman-owned firms for HHS construction procurements (including prime contracts and subcontracts combined):

- Overall utilization of MBE/WBEs was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 10 (a substantial disparity).
- There were no businesses identified as Black American-, South Asian American-, Hispanic American- or American Indian-owned on HHS construction contracts (disparity index of “0” for each).
- Utilization was also lower than availability for Asian-Pacific American- and white woman-owned businesses. These disparity indices were each below 80 and therefore substantial.

28. Disparity analysis for HHS construction prime contracts and subcontracts, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	0.00 %	2.14 %	0
Asian-Pacific American-owned	0.87	4.16	21
South Asian American-owned	0.00	0.04	0
Hispanic American-owned	0.00	1.59	0
American Indian-owned	0.00	3.57	0
Total MBE	0.87 %	11.51 %	8
WBE (white woman-owned)	1.70	14.15	12
Total MBE/WBE	2.57 %	25.66 %	10
Majority-owned	97.43	74.34	131
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Disparity analysis

Professional services disparity analysis. Figure 29 compares utilization and availability for each MBE group and for white woman-owned firms. For July 2016–June 2023 HHS professional services contracts:

- Utilization of MBE/WBEs for HHS professional services contracts was about 7 percent. Availability of MBE/WBEs was higher, at about 27 percent. The disparity index for MBEs and WBEs combined was 27 (a substantial disparity).
- Utilization was below availability for Black American-, South Asian American-, Hispanic American- and white woman-owned businesses for HHS professional services contracts. Each disparity was substantial.
- There were no firms identified as American Indian-owned for HHS professional services contracts (disparity index of “0”).

29. Disparity analysis for HHS professional services contracts, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	1.05 %	4.27 %	25
Asian-Pacific American-owned	2.04	0.88	200+
South Asian American-owned	0.07	1.69	4
Hispanic American-owned	0.15	0.63	24
American Indian-owned	0.00	1.37	0
Total MBE	3.31 %	8.85 %	37
WBE (white woman-owned)	3.94	18.12	22
Total MBE/WBE	7.25 %	26.97 %	27
Majority-owned	92.75	73.03	127
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Disparity analysis

Goods disparity analysis. Figure 30 compares utilization and availability for each MBE group and for white woman-owned firms for July 2016–June 2023 HHS goods procurements:

- There were no vendors identified as Black American-, Asian-Pacific American-, South Asian American- or Hispanic American-owned on HHS goods procurements (disparity index of “0” for each group).
- Utilization was also below availability for American Indian- and white woman-owned firms. The disparity for white woman-owned firms was substantial. (Low utilization and low availability for American Indian-owned companies makes it difficult to interpret results for that group.)

30. Disparity analysis for HHS goods contracts, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	0.00 %	14.70 %	0
Asian-Pacific American-owned	0.00	1.22	0
South Asian American-owned	0.00	2.37	0
Hispanic American-owned	0.00	2.36	0
American Indian-owned	0.02	0.02	88
Total MBE	0.02 %	20.66 %	0
WBE (white woman-owned)	0.41	10.33	4
Total MBE/WBE	0.43 %	30.99 %	1
Majority-owned	99.57	69.01	144
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Disparity analysis

Other services disparity analysis. Figure 31 compares utilization and availability for other services procurements for each MBE group and for white woman-owned firms.

For July 2016–June 2023 HHS other services contracts:

- The disparity index for MBEs and WBEs together was 29 (a substantial disparity).
- There were no businesses identified as any of the MBE study groups for HHS other services contracts (disparity index of “0” for each group).
- The disparity for white woman-owned companies was substantial.

31. Disparity analysis for HHS other services contracts, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	0.00 %	4.47 %	0
Asian-Pacific American-owned	0.00	4.03	0
South Asian American-owned	0.00	1.01	0
Hispanic American-owned	0.00	5.19	0
American Indian-owned	0.00	0.23	0
Total MBE	0.00 %	14.94 %	0
WBE (white woman-owned)	9.05	16.19	56
Total MBE/WBE	9.05 %	31.13 %	29
Majority-owned	90.95	68.87	132
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Disparity analysis

Disparity Analysis by Contract Size

For each participating entity, Keen Independent calculated the utilization, weighted availability and disparity indices for HHS procurements for three different size ranges of contracts: up to \$100,000, between \$100,001 and \$500,000, and above \$500,000. These analyses do not include subcontracts. Figures 32, 33 and 34 present these results.

As shown in Figure 32, for contracts up to \$100,000:

- Utilization was below availability for each of MBE group and for white woman-owned firms. There were substantial disparities for each of these groups.
- The disparity index for MBEs and WBEs together was 20 (a substantial disparity).

32. Disparity analysis for HHS contracts up to \$100,000, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	0.55 %	6.87 %	8
Asian-Pacific American-owned	0.26	1.62	16
South Asian American-owned	0.14	2.38	6
Hispanic American-owned	0.33	2.03	16
American Indian-owned	0.50	0.81	61
Total MBE	1.78 %	13.72 %	13
WBE (white woman-owned)	4.01	15.00	27
Total MBE/WBE	5.79 %	28.72 %	20
Majority-owned	94.21	71.28	132
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Disparity analysis

Figure 33 shows the disparity indices for MBEs and WBEs for HHS contracts ranging from \$100,001 to \$500,000.

- There were substantial disparities for each group for contracts from \$101,000 to \$500,000.
- The disparity index for MBEs and WBEs together was 29 (a substantial disparity).

33. Disparity analysis for HHS contracts from \$100,000 to \$500,000, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	0.22 %	5.20 %	4
Asian-Pacific American-owned	0.75	1.11	68
South Asian American-owned	0.00	0.64	0
Hispanic American-owned	0.00	1.38	0
American Indian-owned	0.00	1.61	0
Total MBE	0.98 %	9.94 %	10
WBE (white woman-owned)	5.91	13.50	44
Total MBE/WBE	6.89 %	23.44 %	29
Majority-owned	93.11	76.56	122
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Disparity analysis

Figure 34 shows the disparity indices for MBEs and WBEs for HHS contracts above \$500,000.

- There were no firms identified as Black American-, South Asian American- or Hispanic American-owned for HHS contracts above \$500,000.
- Utilization exceeded availability for Asian-Pacific American-owned businesses.

34. Disparity analysis for HHS contracts above \$500,000, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	0.00 %	7.24 %	0
Asian-Pacific American-owned	1.02	0.81	126
South Asian American-owned	0.00	0.14	0
Hispanic American-owned	0.00	0.42	0
American Indian-owned	0.31	0.57	55
Total MBE	1.33 %	9.17 %	14
WBE (white woman-owned)	2.72	11.13	24
Total MBE/WBE	4.05 %	20.30 %	20
Majority-owned	95.95	79.70	120
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis of HHS procurement data, July 2016–June 2023.

SUMMARY REPORT — Disparity analysis

Statistical Confidence in Results

Keen Independent conducted additional analyses to assess whether the disparities for people of color and woman-owned firms could have occurred by chance (i.e., whether results are “statistically significant”).

Examination of whether chance in sampling could explain any disparities. Keen Independent can reject sampling in the collection of utilization and availability information as a cause for any disparities.

- Keen Independent attempted to compile a complete “population” of HHS contracts for the study. There was no sampling of HHS contracts or subcontracts. Using a set of data approaching a population provides statistical confidence in utilization results
- Keen Independent’s availability survey attempted to obtain a population of firms within Minnesota that are available for HHS contracts. There was no sampling of firms to be included in the survey since Keen Independent obtained the complete list of firms that Dun & Bradstreet identified as doing business within relevant lines of work. The overall response rate to the survey was very high (33%) and the confidence interval for MBE/WBE availability is within +/- 1 percentage point.

Monte Carlo simulation to examine chance in contract awards.

One can be more confident in making certain interpretations from the disparity results if they are not easily replicated by chance in contract awards. Keen Independent performed Monte Carlo simulation to determine whether chance could explain the disparities observed for minority- and woman-owned firms on HHS contracts.

None of the 10,000 Monte Carlo simulations produced utilization equal to or less than the observed utilization for firms owned by people of color or white women.

Therefore, one can be very confident that the disparities observed for MBEs and WBEs in HHS procurements are not due to chance in contract awards (at the 99 percent confidence interval).

It is important to note that this test may not be necessary to establish statistical significance of results. It also may not be appropriate for very small populations of firms.⁹

⁹ Even if there were zero utilization of a group, Monte Carlo simulation might not reject chance in contract awards as an explanation for that result if there were a small number

of firms in that group or a small number of contracts and subcontracts in the analysis. Results can also be affected by the size distribution of contracts and subcontracts.

SUMMARY REPORT — Utilization and disparity results for all participating entities

Utilization and Disparity Results by Entity

Keen Independent performed utilization, availability and disparity analyses for each of the 16 entities participating in the 2025 Study.

Figure 35 on the following page presents the MBE, WBE and combined MBE/WBE utilization results for each entity on the left side of the table and disparity indices for each group on the right side. Utilization results and disparity indices from the 2017 Study are also shown for the nine entities that participated in that study.

Overall, there was a pattern of disparities for minority-owned firms and white woman-owned firms across the participating entities. Disparities were evident even with application of race- and gender-conscious programs, which are in place for each of the entities on the top half of the table as well as the University of Minnesota on the bottom half of the table (and the City of Rochester recently implemented a Targeted Business program). Appendix L reviews each of the participating entities' programs.

Hennepin County was the entity that showed considerable growth in both MBE and WBE participation. The County increased its MBE/WBE utilization from 11 percent (July 2011 through June 2016) to 23 percent (July 2016 through June 2023). This eliminated the disparity in its utilization of minority-owned firms (including for each MBE group) and narrowed the disparity for white woman-owned firms.

The County used direct select, sheltered market, incentives and evaluation preferences, and other tools to open opportunities to SBEs (especially emerging small businesses or “ESBEs”), and used MBE/WBE-focused efforts when SBE/ESBE efforts alone were insufficient. The County also invested in staff and other resources to successfully execute these programs.

Met Council also did not have a disparity for minority-owned firms as its utilization of MBEs in the 2025 Study (5.2%) was double that found in the 2017 Study (2.6%). Met Council operates a race- and gender-conscious Metropolitan Council Underutilized Business (MCUB) program.

SUMMARY REPORT — Utilization and disparity results for all participating entities

35. Share of participating entity contract dollars going to MBEs and WBEs, July 2016–June 2023

	Utilization						Disparity indices					
	FY2012–FY2016			FY2017–FY2023			FY2012–FY2016			FY2017–FY2023		
	MBE	WBE	Total	MBE	WBE	Total	MBE	WBE	Total	MBE	WBE	Total
Admin	2.6 %	8.8 %	11.4 %	4.8 %	5.6 %	10.5 %	34	61	51	53	44	48
Hennepin County	4.6	6.0	10.6	12.8	10.0	22.8	67	56	60	155	71	102
Minnesota State	1.4	6.1	7.5	1.7	5.3	7.0	21	46	38	17	42	31
MnDOT	1.6	5.4	7.0	1.9	8.1	10.0	19	45	34	37	69	59
Met Council	2.6	3.2	5.8	5.2	3.8	9.0	44	30	35	102	46	68
MAC	2.4	9.2	11.6	1.2	6.4	7.6	32	74	58	11	57	34
MMCD	0.4	2.6	3.0	2.9	2.3	5.1	13	57	41	58	10	18
City of Minneapolis	5.2	6.0	11.2	6.4	7.5	13.9	84	52	63	81	61	69
City of St. Paul	3.8	12.5	16.2	4.7	9.2	13.9	50	93	77	42	75	59
City of Bloomington				1.4 %	5.0 %	6.4 %				26	40	36
City of Brooklyn Park				1.3	4.3	5.7				19	39	31
City of Rochester				0.1	2.7	2.8				2	25	17
Hennepin Healthcare				0.1	0.6	0.7				1	5	2
Ramsey County				4.7	7.9	12.6				69	62	64
SPPS				6.9	8.9	15.8				63	84	73
UMN				3.8	4.2	8.0				38	38	38

Source: Keen Independent Research 2024 availability survey, analysis of combined entity procurement data, July 2016–June 2023, and 2017 Minnesota Joint Disparity Study.

SUMMARY REPORT — Utilization and disparity results for all participating entities

Utilization Analysis for All Entities Combined

Keen Independent examined the utilization of different groups of businesses for all entity contracts combined (adding up all contract and subcontract dollars for July 2016–June 2023). Figure 36 presents these results.

- About \$1.1 billion went to more than 1,000 minority-owned businesses (more than 6,100 contracts and subcontracts). MBEs received 3.6 percent of total contract dollars.
- About \$1.7 billion went to more than 2,000 white woman-owned businesses (more than 14,000 contracts and subcontracts). WBEs obtained 5.5 percent of total dollars.
- Combined MBE/WBE participation was 9.1 percent of total contract dollars (more than 3,000 individual companies that obtained nearly 21,000 contracts or subcontracts).

The bottom of Figure 36 examines utilization for other groups. For example, 43 percent of combined entity contract dollars went to firms that appeared to be small businesses according to U.S. Small Business Administration size standards. Most of these firms are not SBE-certified.

Different entities accept different certifications for their SBE or MBE/WBE programs (and some participating entities did not have programs). Counting that participation entity by entity, about 6.1 percent of combined contract dollars went to firms eligible for those programs.

36. Total combined entity contract dollars going to MBEs, WBEs and other firms, July 2016–June 2023

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	1,638	\$ 251,787	0.81 %
Asian-Pacific American-owned	1,539	257,170	0.82
South Asian American-owned	795	107,767	0.35
Hispanic American-owned	1,311	161,794	0.52
American Indian-owned	879	337,565	1.08
Total MBE	6,162	\$ 1,116,084	3.58 %
WBE (white woman-owned)	14,769	1,719,794	5.51
Total MBE/WBE	20,931	\$ 2,835,878	9.09 %
Majority-owned	129,785	28,352,378	90.91
Total	150,716	\$ 31,188,256	100.00 %
Business classification or certification			
All small businesses	108,597	\$ 13,540,356	43.41 %
Firms eligible for entity program	12,858	1,905,088	6.11
General certification			
MBE/WBE/DBE	11,910	1,803,325	5.78
SBE (CERT)	8,824	1,353,164	4.34
Veteran (VO, VetBiz, SDVOB)	1,009	183,451	0.59
Service-disabled (SDVOB)	374	77,623	0.25
Disability (TG, DisabilityIN)	125	31,066	0.10
LGBTQ+ (NGLCC)	38	3,118	0.01

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of combined entity procurement data, July 2016–June 2023.

SUMMARY REPORT — Utilization and disparity results for all participating entities

Disparity Analysis by For All Entities Combined

Figure 37 compares utilization and availability for each MBE group and for white woman-owned firms for all 150,716 entity contracts and subcontracts combined. The 9.1 percent of entity contract dollars that went to MBE/WBEs was less than the 22.3 percent that might be expected from the availability analysis. The resulting disparity index was 41. The disparities for MBEs, WBEs and MBE/WBEs combined were substantial and statistically significant (based on Monte Carlo simulations similar to those described in Appendix D).

Utilization was less than the availability benchmarks for Black American-, Asian-Pacific American-, South Asian American, Hispanic American-, American Indian- and white woman-owned businesses. Each disparity was substantial. These disparities occurred even though many entities operate SBE and/or MBE/WBE-type programs.

Results for entities that only operate SBE programs. During the study period, SPPS and Ramsey County operated SBE programs with no race- or gender-conscious elements. The disparity index for their contracts combined was 66 for MBEs and 69 for WBEs (both substantial).

Results for entities without programs or only recently introduced programs. Keen Independent also examined combined results for the City of Bloomington, City of Brooklyn Park and Hennepin Healthcare, which have not implemented programs, and the City of Rochester, which began implementing its Targeted Business program in the last years of the study period. Combining these entities’ contracts, only 0.2 percent of contract dollars went to minority-owned firms (resulting in a disparity index of 1) and 1 percent of dollars went to white woman-owned firms (disparity index of 10).

37. Utilization and availability of MBE/WBEs for combined entity prime contracts and subcontracts, July 2016–June 2023

	Utilization	Availability	Disparity index
Black American-owned	0.81 %	4.25 %	19
Asian Pacific American-owned	0.82	2.49	33
South Asian American-owned	0.35	0.94	37
Hispanic American-owned	0.52	1.20	43
American Indian-owned	1.08	1.81	60
Total MBE	3.58 %	10.69 %	33
WBE (white woman-owned)	5.51	11.66	47
Total MBE/WBE	9.09 %	22.35 %	41
Majority-owned	90.91	77.65	117
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.
Disparity index = 100 × Utilization/Availability.

Source: Keen Independent Research 2024 availability survey and analysis of combined entity procurement data, July 2016–June 2023.

Results by industry. Appendix M presents disparity results by industry for combined entity contracts and for a group of entities that only operated SBE programs during the study period (SPPS and Ramsey County) as well as those that did not operate any programs (City of Bloomington, City of Brooklyn Park, Hennepin Healthcare) or only introduced programs late in the study period (City of Rochester).

There were substantial disparities for WBEs for each industry. There was also a pattern of disparities for each MBE group across industries. When there was no disparity in an industry for a specific racial group for all contracts combined, in each case there was a substantial disparity for that group for SBE program-only or no program entities.

SUMMARY REPORT — Conclusions and recommendations

Conclusions

The quantitative and qualitative information for HHS contracts and the local marketplace indicates a need for HHS remedial actions to level the playing field for minority- and woman-owned firms and promote full opportunities for MBE/WBEs to do business with HHS. The evidence may be consistent with raising an inference of discrimination affecting certain racial and ethnic groups of minority-owned businesses as well as woman-owned businesses in the local marketplace.

The results detailed in this report indicate substantial disparities for minority- and woman-owned businesses on Hennepin Healthcare contracts. Only 0.1 percent of HHS contract dollars from July 2016 through June 2023 went to minority-owned businesses, substantially below the 20 percent expected from the availability analysis for HHS contracts. The HHS's disparity index for MBEs was 1. There were substantial disparities for Black American-, Asian Pacific American-, South Asian American-, Hispanic American- and American Indian-owned companies in HHS contracts.

Keen Independent also determined that 0.6 percent of HHS contract dollars went to white woman-owned companies during the study period (compared to 10.6 percent availability), resulting in a disparity index of 5. Combined, MBE/WBE participation in HHS contracts was 0.7 percent, well below the 31 percent of dollars expected. The resulting disparity index of 2 was the lowest among the 16 entities in the joint study.

There was a pattern of substantial disparities for each MBE group and WBEs across industries and contract sizes, although there were not disparities for every group for every industry.

Small businesses obtained only 8 percent of the HHS contract dollars examined in this study. The disparities identified for HHS contracts were also consistent with results for many other entities participating in the

2025 Study that do not have MBE/WBE or related programs, such as the City of Brooklyn Park, or only recently implemented measures, such as the City of Rochester. Minnesota entities with established contract equity programs have reduced the underutilization of MBE/WBEs in their contracts. Through additional neutral and race- and gender-conscious measures, Hennepin County doubled its MBE/WBE participation in July 2016–June 2023 compared to July 2011–June 2016. Its 23 percent MBE/WBE utilization for the most recent time period reached its availability benchmark, although disparities persisted for white woman-owned businesses.

HHS should review all of the results in the disparity study and other information it may have to determine whether a combination of small business programs and other neutral measures paired with race- and gender-conscious programs may be appropriate to remedy the disparities in its utilization of minority- and woman-owned businesses in its contracts.

Need for Action

Keen Independent presents recommendations for HHS consideration in the following pages. A summary list of these actions is presented below.

38. Summary of actions for HHS consideration

1. Establish objectives for small business measures and remedial action to address the effects of discrimination
2. Develop and monitor metrics to gauge success
3. Authorize and develop a full set of tools to address objectives
4. Identify registrations and certifications for participation
5. Flexibly operate programs to target businesses needing assistance
6. Provide adequate resources to effectively operate programs

SUMMARY REPORT — Conclusions and recommendations

1. Establish separate objectives for (a) small business measures and (b) remedial action to address the effects of any discrimination

We recommend that HHS adopt objectives for (a) small businesses and (b) minority- and woman-owned businesses as well as other firms that could be affected by discrimination.

Small businesses. Participation of Twin Cities small businesses in HHS procurement is beneficial for several reasons, including:

- Small business start-up and growth create opportunities for entrepreneurs and generate jobs, worker skill development and income for area residents;
- Some types of HHS contracts may be best delivered by small businesses; and
- Supporting small vendors today increases the supply of bidders on future public contracts.

Any of these reasons might be cause for HHS to celebrate growth in small business participation in its contracts. HHS might set a goal and track overall share of contract dollars going to small businesses, the number of individual small businesses involved in its contracts and subcontracts, and the number of new small businesses participating in HHS procurement each year. Positive trends would be important for those businesses and to the region's economy.

After excluding types of purchases that might only be made from a national market, small businesses obtained only 8 percent of HHS contract dollars for July 2016–June 2023. HHS might consider an overall aspirational goal of 50 percent for the share of annual contract dollars going to small businesses (including non-certified firms). This level of small business participation is achievable given Keen Independent's analysis of firms in the availability survey and past HHS contracts.

Businesses affected by discrimination. Although most MBE/WBEs are small businesses, a public entity must answer a different set of questions before it can consider actions that focus on those firms.

- Start-up and growth of minority- and woman-owned firms also create opportunities for entrepreneurs, generate jobs, enhance the supply of bidders and benefit the local economy (which cannot be working at full capacity if it is leaving up to one-third of its local businesses behind). However, those facts do not establish a legal basis for a public entity to aid certain firms based on the race or gender of the business owner.
- For MBE/WBEs, key issues for a public entity to consider are:
 - Whether its procurement system has direct or indirect discriminatory effects on minority- and woman-owned companies or its public contract dollars perpetuate systemic discrimination in the local marketplace; and
 - If so, whether a remedial program not based on race or gender is sufficient to address such discrimination.
- In sum, “preventing and remedying discrimination” are the fundamental concepts behind an MBE or WBE program.
- HHS should establish a specific objective of remedying the effects of discrimination against businesses based on the race, gender or other immutable personal attributes of its owner. The evidence indicates that neutral measures are needed but alone would not be sufficient to remedy the effects of discrimination as it affects HHS contracts.

HHS indicated to Keen Independent that it has included assessment of company staff diversity in its evaluation criteria for RFP and RFQs. This disparity study did not directly examine whether there was a factual predicate for that program. HHS might reexamine this practice.

SUMMARY REPORT — Conclusions and recommendations

Keen Independent offers additional overall recommendations for consideration:

- There is national and local evidence that business owners can face discrimination based on their personal characteristics unrelated to race or gender. As part of the study effort, Keen Independent identified evidence of discrimination based on disability status and sexual orientation of the business owner, for example.
- There is also evidence that some racial groups not currently included in MBE/WBE programs may be affected by discrimination. As part of the study effort, Keen Independent conducted research on businesses owned by people from the Middle East and North Africa. This part of the study provides evidence of disadvantages for those business owners as well as business owners living with a disability and business owners from the LGBTQ+ community.

Therefore, Keen Independent recommends that the public entities participating in this study jointly consider new efforts to assist any small business owner who has shown they have been negatively affected by discrimination based on their immutable personal characteristics.

Such assistance requires certification of those businesses. This might be accomplished under one or more existing certification systems in Minnesota or could require a new business certification. Certification by either path would require review of individual business owner marketplace experiences and not presume social disadvantage solely from their race or gender. The business owner would also need to show economic disadvantage. For purposes of this report, the designation for socially and economically disadvantaged business enterprises without presumption of disadvantage based on group is called “SEDBE certification.”

Next steps. After considering the evidence in this study and any other information HHS has available, it might:

- Adopt a resolution formalizing its objectives concerning small businesses and firms disadvantaged by discrimination;
- Outline how will achieve those objectives;
- Authorize staff to take steps to take needed actions;
- Require regular staff reporting on progress; and
- Establish a sunset date for those activities after which any further activities would need future HHS consideration (perhaps five to seven years).

An overall aspirational goal for small businesses could be a part of how HHS articulates its objectives.

SUMMARY REPORT — Conclusions and recommendations

2. Develop and monitor new metrics for success

HHS should develop and operate systems that can track its success in achieving its small business and non-discrimination objectives.

Small businesses. HHS should develop and track metrics on the success of small businesses in its contracts. Those metrics should consider small businesses that have been certified as such as well as those that have not. Examples of metrics include:

- Number of individual contracts and subcontracts going to small businesses.
- Contract and subcontract dollars going to small businesses.
- Number of small businesses involved in its contracts and subcontracts.
- Number of new small businesses obtaining HHS contracts and subcontracts each year.
- Small contracts going to small businesses.
- On publicly advertised contracts, number of bids and proposals received from small businesses.

Each of those metrics can be expressed in total and as a share of HHS contracts or dollars (after excluding national market purchases).

HHS might start with relatively simple metrics and continually expand and develop them as it is able.

MBE/WBE and other disadvantaged businesses. The metrics related to small businesses can be adapted to track participation of MBEs, WBEs and other potentially disadvantaged business groups. As with small business metrics, HHS should track certified firms and all businesses, regardless of certification.

For each racial group of MBEs, for WBEs, and for each other set of small disadvantaged businesses, HHS should periodically gauge whether utilization for each group is closer to what would be expected based on the group's availability for HHS contracts. HHS might consider using the availability benchmarks for groups that Keen Independent provided in this study.

As HHS tracking and monitoring become more comprehensive, HHS might consider analyzing the participation of large, small and emerging small MBE/WBE businesses in its contracts. It could also review whether there was any evidence that participation of certified MBE/WBEs was limited to only a few firms or whether it was broadly distributed.

Next steps. Keen Independent understands that HHS does not currently have information systems to produce these reports, nor does it have ownership information for firms performing its contracts and subcontracts. It will need to invest in such systems. Many of the other entities participating in the Joint Disparity Study have systems in place that HHS could review.

Keen Independent is also providing HHS information about size and ownership of the firms that obtained HHS contracts and subcontracts for the July 2016–June 2023 study period, as well as data for firms receiving other entities' contracts.

SUMMARY REPORT — Conclusions and recommendations

3. Authorize and develop a full set of tools to address objectives

HHS has not implemented a small business program or contract equity program. If it chose to do so, the following tools are recommended. They are:

- a. Business assistance, including access to capital.
- b. Full implementation of a central procurement system and recruitment, bid notification and procurement education.
- c. Unbundling and addressing potentially restrictive procurement elements.
- d. Direct select and shelter market procurement programs.
- e. Price and evaluation preferences.
- f. Contract goals for contracts with subcontracting.

The first initiative pertains to HHS participation in regional efforts to support small businesses and businesses potentially affected by discrimination. The second initiative could also be a joint effort with other public entities.

The other tools would be adopted by HHS for application to its own contracts.

The final three tools — direct select/sheltered market programs, price and evaluation preferences and contract goals — would be restricted to businesses that are certified as small businesses, MBE/WBEs or small disadvantaged business enterprises (SEDBEs). As explained later in this report, each tool is flexible and could be applied to SBEs in one contract and certified MBE/WBEs or SEDBEs in another. As mentioned under Recommendation 1, these three sets of tools should not be operated indefinitely without formal evaluation of their effectiveness and continued need.

a. Business assistance, including access to capital. HHS should be a partner to other state and local governments, nonprofits and other groups to help disseminate information about small business assistance efforts, especially for local companies. Access to capital and bonding are two of the greatest needs for small disadvantaged businesses that may currently be inadequately addressed.

Better coordination and connection of businesses to the right assistance. There are currently hundreds of business assistance providers serving Minnesota companies, but no one consistent source to identify the assistance that best fits the need for an individual business. In the 2017 Study, Keen Independent recommended improving virtual assistance portals with links to assistance and availability of just-in-time training. This need continues.

Threats to continued funding. At the time of this report, there were threats to continued federal funding of certain assistance efforts focusing on minority- or woman-owned firms. There may be a need to fill funding gaps if federal support ends.

Mentor-protégé programs. The 16 entities participating in this study should consider developing a coordinated mentor-protégé program to assist small disadvantaged businesses that are established and could obtain maximum benefit from such a program. This regional effort might build on current programs that some participating entities operate as part of the Federal DBE Program.

SUMMARY REPORT — Conclusions and recommendations

Working capital loan programs and bonding programs. HHS might also consider participating in regional partnerships related to:

- Working capital for disadvantaged construction firms working on public works projects; and
- A bond guarantee program for disadvantaged construction firms seeking public sector work.

HHS might consider collaborating with other regional public entities to create or contribute grants or bonds to regional capital loan and bonding programs. HHS should also ensure that it directs its current and potential vendors to these resources. (Keen Independent made this recommendation to entities participating in the 2017 Study.)

There are several examples of regional or statewide working capital programs in Minnesota and other states that focus on capital needs for business development or construction contractors. For example, MnDOT had a working capital loan fund for DBEs and TGBs that were awarded certain MnDOT construction or professional/technical services contracts. Loans were up to \$25,000. Wisconsin DOT has a similar program, with loans up to \$100,000. Based on feedback from participating entities, there is a need for working capital loans for disadvantaged businesses, but at much higher dollar amounts.

Bonding is often a significant hurdle for small contractors to compete for public agency work, even relatively small projects. There is some assistance available concerning bonding in Minnesota (see Appendix K), but there appears to be additional need. A partnership that includes HHS and other regional agencies might be the best way to approach this barrier for some SEDBE contractors. This was also a recommendation in the 2017 Minnesota Joint Disparity Study.

As an example of a bond guarantee program, the Colorado Department of Transportation partnered with Lockton Companies to launch the Bond Assistance Program in 2019 for construction contracts of \$3 million or less. CDOT provides a partial guarantee. As another example, Florida DOT has a similar Bond Guarantee Program.

b. Recruitment, bid notification and education. Many of the entities participating in this study have identified and recruited new small businesses to participate in their contracts. HHS could partner with other entities in this effort.

Some of the interviewees in this study indicated a need for centralized, coordinated notification of bid opportunities for public entities in Minnesota. Several entities participating in the 2025 Study have been working on a solution. As one develops, HHS could participate by posting its bids in this centralized system.

HHS will need to educate potential bidders on its procurement process, a challenge shared with other public entities. Joint efforts to educate potential bidders could be a productive response.

When it has large construction projects, HHS should hold meetings well in advance of bidding to educate potential small business subcontractors and suppliers about opportunities on the project.

SUMMARY REPORT — Conclusions and recommendations

c. Unbundling and addressing potentially restrictive procurement elements. HHS should review its large contracts that are routinely bid to determine whether any can be divided into smaller segments to reduce this barrier.

HHS should also review whether it can eliminate or change potentially restrictive elements of its procurement processes, from requiring bid bonds when not necessary to reevaluating insurance requirements on smaller contracts. HHS can work with other local governments to standardize procedures and eliminate unnecessarily restrictive or unusual requirements.

Small businesses are vulnerable to late payments from clients, including public agencies and prime contractors. HHS might review prompt payment of its prime contractors and other vendors. HHS might also consider means to ensure that subcontractors are protected from unfair payment practices by its prime contractors.

d. Direct select, sheltered market and small business cooperative contracts. Keen Independent recommends that HHS authorize two types of small purchasing procedures and participate in a small business cooperative purchasing program.

Direct select. Some entities participating in this study have authorized direct purchases with certified firms at dollar levels that exceed what would typically require competitive bidding. These direct purchase programs appear to be effective in including SBEs and MBE/WBEs in an entity's small purchases. (The State of Minnesota Department of Administration operates such a program.)

Sheltered market. Many entities participating in this study, including Hennepin County and HHS of Minneapolis, can restrict bidding for certain small contracts to firms certified as small businesses. HHS of Minneapolis operates this program up to \$175,000, which is its current threshold for formal bids. Hennepin County operates a sheltered market program on contracts up to \$500,000. For some types of contracts (including small construction and building maintenance contracts), the County develops rosters of SBEs and ESBEs to bid or propose on those contracts in advance of the bids.

e. Price and evaluation preferences. The Minnesota Department of Administration provides a price or scoring preference up to 12 percent for certified firms bidding as prime contractors on certain goods and services contracts. (A certified firm could be awarded a contract if its price or evaluation score were within 12 percent of the low bidder.) Some other entities have similar programs, with a maximum preference of 6 percent. Keen Independent recommends that HHS consider this type of program as well.

f. Contract goals for contracts with subcontracting. Some of the entities participating in this study, including state agencies, Hennepin County, City of Minneapolis, City of Saint Paul and City of Rochester, operate contract goals programs. Keen Independent recommends that Hennepin Healthcare enact such a program for larger construction and professional services contracts with subcontracting opportunities. Contract goals could be set for SBEs or ESBEs or for MBE/WBEs.

The program would require prime contractors to reach out to certified firms for involvement as subcontractors in HHS projects. It would encourage efforts to provide subcontract opportunities to certified firms without mandating a certain level of participation in these projects. (It would not operate as a quota.)

The program might include elements described on the next page.

SUMMARY REPORT — Conclusions and recommendations

Contract goals. Keen Independent recommends contract goals programs modeled after regulations in the Federal DBE Program:

- Identify contracts eligible for contract goals.
- Set no goal or 0 percent goal when appropriate (either insufficient subcontract opportunities or insufficient availability of certified firms for those subcontracts).
- Customize contract goals based on the types of subcontracting opportunities and availability of certified firms to do the work.
- Require bidders and proposers to meet the specified contract goal or show good faith efforts (GFEs) to do so.
- Evaluate whether the proposer or apparent low bidder met the goals or made sufficient GFEs before awarding a contract.
- Allow for appeals of any negative decisions on GFEs.
- Monitor utilization of certified firms throughout the contract and allow prime contractors to substitute certified firms if needed.
- Enforce remedies for any non-compliance.

Utilization plan. The contract goal program would require bidders to submit at the time of bid a utilization plan containing:

- A list of all subcontractors to be utilized in the contract and the dollar amounts of work committed to those companies.
- A description of the efforts made to reach out to eligible, certified firms for subcontract opportunities.
- Documentation of those efforts.

Proof that the bidder has met the contract goal might qualify as satisfying all documentation requirements.

Program application. Contract goals program elements would apply to competitively bid construction and professional services projects with meaningful opportunities for subcontractor participation. HHS might start by setting goals for only the largest contracts.

Construction contracts could include design-bid-build and design-build projects. The Transportation Research Board has published guidance on applying and monitoring DBE or MBE/WBE contract goals on alternative delivery projects, such as design-build.¹⁰

Good faith efforts evaluation. For program flexibility, HHS should consider establishing good faith efforts criteria that enable prime contractors to comply with the program even if the utilization plan does not meet HHS's specified contract goals. Federal regulations in Appendix A to 49 CFR Part 26 describe how good faith efforts can be used to comply with goals set for USDOT-funded contracts under the Federal DBE Program.

Program compliance. As a matter of compliance and evaluation, HHS should consider requiring prime contractors to submit reports of payments made to all subcontractors and suppliers involved in eligible HHS contracts. This may require the purchase of and training concerning contract data tracking software. HHS should establish enforcement mechanisms for noncompliance and should monitor whether certified subcontractors and subconsultants are performing a commercially useful function (as a condition for eligibility to meet contract goals).

¹⁰ Keen, D. J., Edinger, L., Wiener, K., & Salcedo, E. (2015). Current practices to set and monitor DBE goals on design-build projects and other alternative project delivery

methods (No. Project 20-05 (Topic 45-03)). Retrieved from: <https://www.trb.org/Publications/Blurbs/172886.aspx>

SUMMARY REPORT — Conclusions and recommendations

4. Authorize and develop a full set of registrations and certifications to address objectives

Based on the information in this disparity study and other information it may have, HHS might consider developing and authorizing a small business program and a contract equity program. Registrations and certifications HHS might use when operating such a program include:

- a. Self-identified small businesses, MBE/WBEs and other targeted businesses.
- b. Certified ESBEs and SBEs.
- c. Certified MBEs and WBEs.
- d. Certified socially and economically disadvantaged business enterprises (SEDBEs).

The Task 2.7 Group Definitions Report and this report identified evidence of disadvantages for persons with disabilities, including service-disabled veterans, which suggests a continued need for inclusion of these groups in entity certifications.

a. Self-identified small businesses, MBE/WBEs and other targeted businesses. HHS should request firms bidding on and awarded HHS contracts and subcontracts to identify whether they are small businesses under the U.S. Small Business Administration size standards. The federal government's System for Award management (SAM) registration system is one example of a procurement system that requests such information. HHS can coordinate with other entities to identify the best option for its small business self-certification.

HHS should request and maintain information about race and gender ownership of its bidders, vendors and subcontractors. There may be other types of ownership that HHS should track (veteran-owned business ownership, for example). This self-identification would not qualify a firm for any HHS procurement programs.

b. Certified ESBEs and SBEs. HHS should use an existing regional system such as CERT or a combination of systems for its program and not establish its own certification process. CERT, a joint certification system for several local cities and counties, currently certifies firms as small business enterprises (SBEs). Hennepin County uses that information to identify a subset of SBEs that are emerging small business enterprises (ESBEs).

c. Certified MBEs and WBEs. As with certified SBEs, HHS should use an existing regional system such as CERT or the State TGB program for identifying MBEs and WBEs eligible for its program.

d. Certified socially and economically disadvantaged business enterprises (SEDBEs). Entities in this study should consider a joint certification for small businesses that demonstrate, on an individual basis, both:

- Social disadvantage after evaluating a personal narrative of the effects of discrimination against the business owner based on that owner's immutable personal characteristics; and
- Economic disadvantage after considering financial information about the firm and the business owner.

There would be no presumption of social disadvantage based on group identification, rather it would be based on a personal narrative of how the individual experienced social disadvantage or other discrimination. This is the method for certifying non-minority- or woman-owned firms in the Federal DBE Program and all firms in the U.S. SBA Section 8(a) Program at the time of this report (also see City of New Orleans SLDBE Program). Keen Independent recommends that this path to certification be part of joint regional or statewide efforts. (Local SBA 8(a) businesses might be automatically eligible for this certification.)

SUMMARY REPORT — Conclusions and recommendations

5. Flexibly operate programs to target businesses needing assistance

Keen Independent suggests that HHS develop and use all the tools and all the firm certifications or registrations outlined in the previous pages. HHS should flexibly apply the tool and firm eligibility for specific contracts, only using race- and gender-conscious approaches when needed.

For example, HHS might set an SBE contract goal for a certain large construction project and an MBE/WBE or SEDBE contract goal for another project. For one sheltered market purchase, HHS might solicit bids from certified SBEs but in another, which might have high availability of certified MBE/WBEs or SEDBEs, it might request bids from only those firms. Figure 39 displays which groups of firms might be eligible to participate in specific types of programs.

39. Flexible application of programs and groups of certified firms

	All SBEs and other groups	Certified SBEs/ESBEs	Certified MBE/WBEs, SEDBEs and other groups
Business assistance			
Virtual one-stop	■		
Mentor-protégé			■
Working capital loans			■
Bonding program			■
Procurement recruitment, notification and education			
Joint efforts to recruit bidders	■		
Joint bid notification	■		
Joint procurement training	■		
Unbundling and addressing restrictive procurement			
More small contracts	■		
Easier bidding	■		
Targeted solicitation of bids/quotes			
Direct select/sheltered market		■	■
SBE cooperative contracts		■	
Goals for contracts with subcontracting			
Contract-specific goals		■	■
Price and evaluation preferences			
Apply program as needed			■

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

6. Provide adequate resources to effectively operate programs

HHS will need resources to establish and operate any new programs. It can be aided in this effort by understanding and using tools already developed by other entities participating in this study. For example, Hennepin County already flexibly applies programs based on multiple certifications.

HHS resources will be needed for the following:

- a. Program development.
- b. Communications and outreach.
- c. Program administration.
- d. Participation in regional efforts.
- e. Comprehensive monitoring and reporting.
- f. Formal evaluation prior to sunset.

a. Program development. Keen Independent has provided a list of recommendations that HHS might take into consideration as it develops small business and contract equity programs.

Drafting and enacting authorizing policy may require several months, as will program implementation and administration (including staff training, purchase or modification of existing contract tracking systems and preparing prime contractors for updated procedures on contracts awarded after program authorization).

b. Communications and outreach. To ensure the success of programs authorized and other efforts to level the playing field for disadvantaged businesses, HHS should devote resources to communications and direct business outreach. Some of the business lists Keen Independent developed in this study can help marketing and communications efforts.

c. Program administration. Entities that have successfully implemented these types of programs have added staff positions for ongoing operation. Activities would include outreach to small businesses, identification of contract opportunities for SBE and MBE/WBE participation, managing sheltered market procurements, and operating contract goals programs.

Staff training and new software may be needed for compliance, including the management of data systems to track subcontractor payments as well as the review of committed versus actual SBE or MBE/WBE participation.

HHS could build the program and staff over time. It should evaluate which highly specialized activities could be contracted out or operated with one or more other entities through a cooperative agreement. Operation of a contract goals program might be best handled through an agreement with another public entity or other party.

d. Participate in region-wide efforts. HHS can have the most impact, while efficiently using its resources, if efforts such as vendor outreach, recruitment, education and bid notification are done as part of cooperative efforts with other public entities in Minnesota.

e. Comprehensive reporting of utilization. HHS should develop the information systems for ongoing tracking and at least annual reporting of (a) utilization of certified firms and (b) utilization of small businesses and minority- and woman-owned firms regardless of certification.

f. Formal evaluation prior to program sunset/reauthorization.

About every five to six years, HHS should review the effectiveness of the program and whether it continues to be needed or should be refined. As with the 2025 Joint Disparity Study, this evaluation can be done cooperatively with other state and local entities.

SUMMARY REPORT — Specific barriers in the marketplace and doing business with public entities

Next Steps

This disparity study for HHS is an important step toward further encouraging participation of small businesses and leveling the playing field for small disadvantaged businesses seeking to participate in its contracts. Figure 40 illustrates one possible timeline for the development and implementation of some of the recommendations detailed above.

- **Review the full report and other relevant information.**
HHS should consider information in the report and other information it has in considering next steps.
- **Perform needed legal review.** Some of the potential initiatives will require further legal review to determine whether HHS could make these changes itself or whether it would need State legislation.
- **Reach out to potential partners.** HHS should also reach out to potential partners to discuss regional efforts to remedy some of the barriers identified in this disparity study. For example, HHS may want to work with the other public entities that operate CERT, the regional SBE and MBE/WBE certification system, to utilize CERT certifications as part of its program operation.
- **Allocate staff time to start and operate the program.**
Program elements will require staff time for launch and operation. If HHS were to implement the complete program outlined here, it would need at least one additional full-time position. It would also need funding for adequate information systems.

40. Example timeline of program authorization, implementation and evaluation

