

MN 2025 Joint Disparity Study — External Stakeholder Group Meeting



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

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**KEEN
INDEPENDENT
RESEARCH**

Agenda

1. Welcome
2. Activities since April, draft reports, schedule for coming months, legal update
3. Key results
4. Conclusions and recommendations
5. Public forums and public comment period
6. Questions

Since April, prepared final draft reports

- Each draft report is about 750 pages
- Also provided stand-alone Summary Report
- Each report is labeled “draft,” but is available for public distribution
- Draft reports at: <https://mn.gov/admin/disparity-study/>

Some key stats about the 2025 Joint Disparity Study

- Largest disparity study conducted anywhere
- Total procurements: 150,000+ contracts and subcontracts (\$31 billion) going to 30,464 firms
- MBE/WBEs: 21,000 contracts and subcontracts (\$2.8 billion) to 3,036 firms
- Small businesses obtained 43% of spending examined
- 35% of firms available for public sector contracts in Minnesota are MBE/WBEs
- 2,200+ business owners and other individuals provided input to 2025 Study, thousands more participated in availability survey
- On schedule completion of analysis and draft reports (Feb. 2024 start)

Update on study schedule

June 26–July 9	Virtual public forums
June 25–July 30	Individual entity meetings to elected officials (virtual)
July 18	Close of public comment period
July 30–31	Delivery of final reports and project complete

Public forum details

- Thursday, June 26, 2025, 12:30 to 1:30 pm CDT
https://us02web.zoom.us/webinar/register/WN_oHHr5ksLTxWkZ0OMpXw4ew
- Tuesday, July 1, 2025, 4:30 to 5:30 pm CDT
https://us02web.zoom.us/webinar/register/WN_H7WSc-7xRNiF7dOtXLFK_Q
- Tuesday, July 8, 2025, 9:00 to 10:00 am CDT
https://us02web.zoom.us/webinar/register/WN_Ed0Zbl8iS3OwBkfAnVdd5A
- Wednesday, July 9, 2025, 12:30 to 1:30 pm CDT
https://us02web.zoom.us/webinar/register/WN_JPa3R8N0RViFdRmk_6ecOg

Study overview — Legal framework



1989 U.S. Supreme Court decision in *City of Richmond v. J.A. Croson Co.*

Applied **strict scrutiny** standard

- Compelling governmental interest
- Narrow tailoring

- Standard for legal review of MBE programs has remained consistent since 1989
- Holland & Knight prepared the legal framework for the study
- U.S. Supreme Court applied strict scrutiny when reviewing racial preferences in university admissions in June 2023 decision in *Students for Fair Admissions v. Harvard*
- *Students for Fair Admissions* decision does not directly relate to government procurement
- Intermediate scrutiny applied to programs with gender preferences
- Current litigation against Federal DBE Program does not directly affect state and local programs

Utilization for combined entities (July 2016–June 2023)

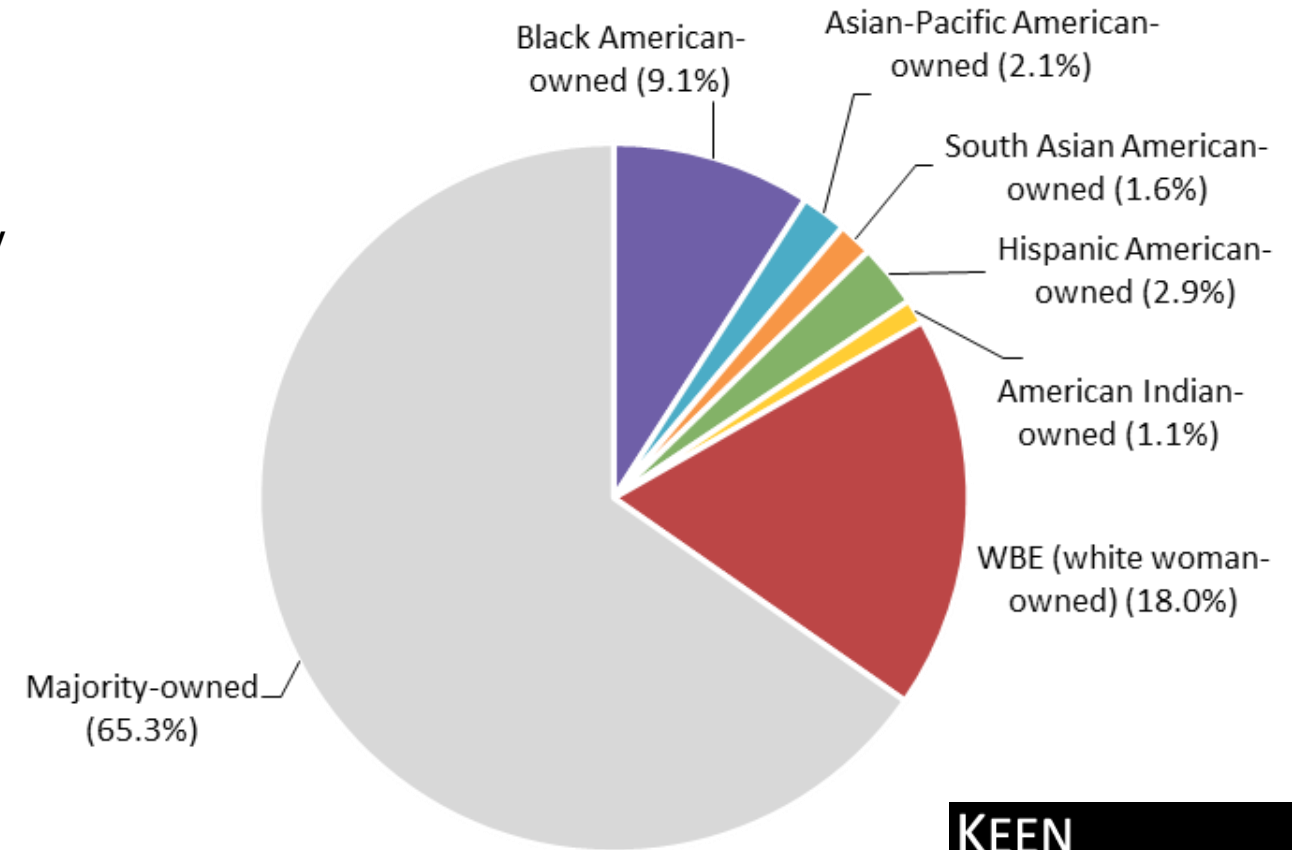
	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	1,638	\$ 251,787	0.81 %
Asian-Pacific American-owned	1,539	257,170	0.82
South Asian American-owned	795	107,767	0.35
Hispanic American-owned	1,311	161,794	0.52
American Indian-owned	879	337,565	1.08
Total 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 %

	Number of procurements	Dollars (1,000s)	Percent of dollars
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

Headcount availability (2024)

Availability survey results

- Firms located in Minnesota or western Wisconsin
- Perform relevant work relevant to public entity contracts
- About 5,100 qualified and interested in work with public entities
- 35% minority- or woman-owned firms

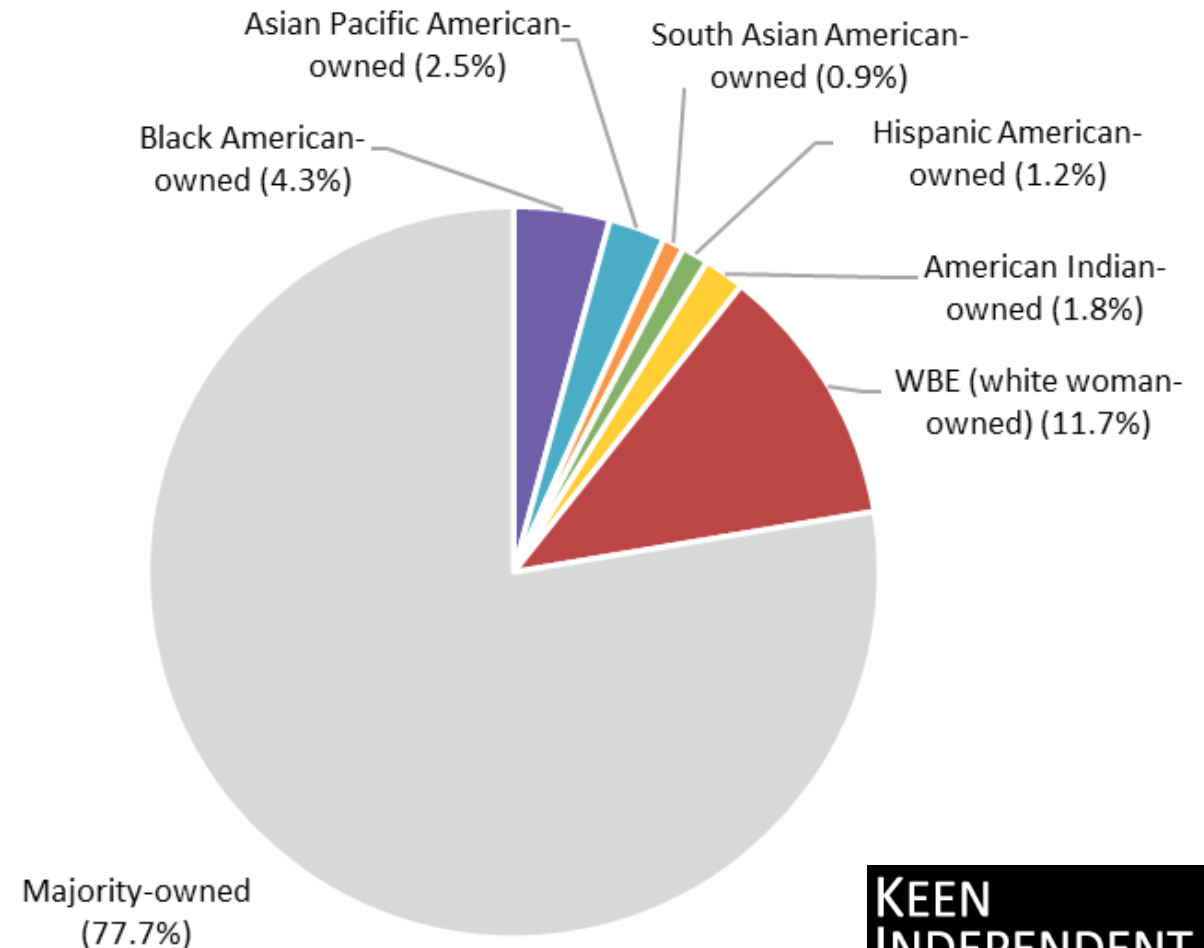


Weighted availability for combined entity contracts

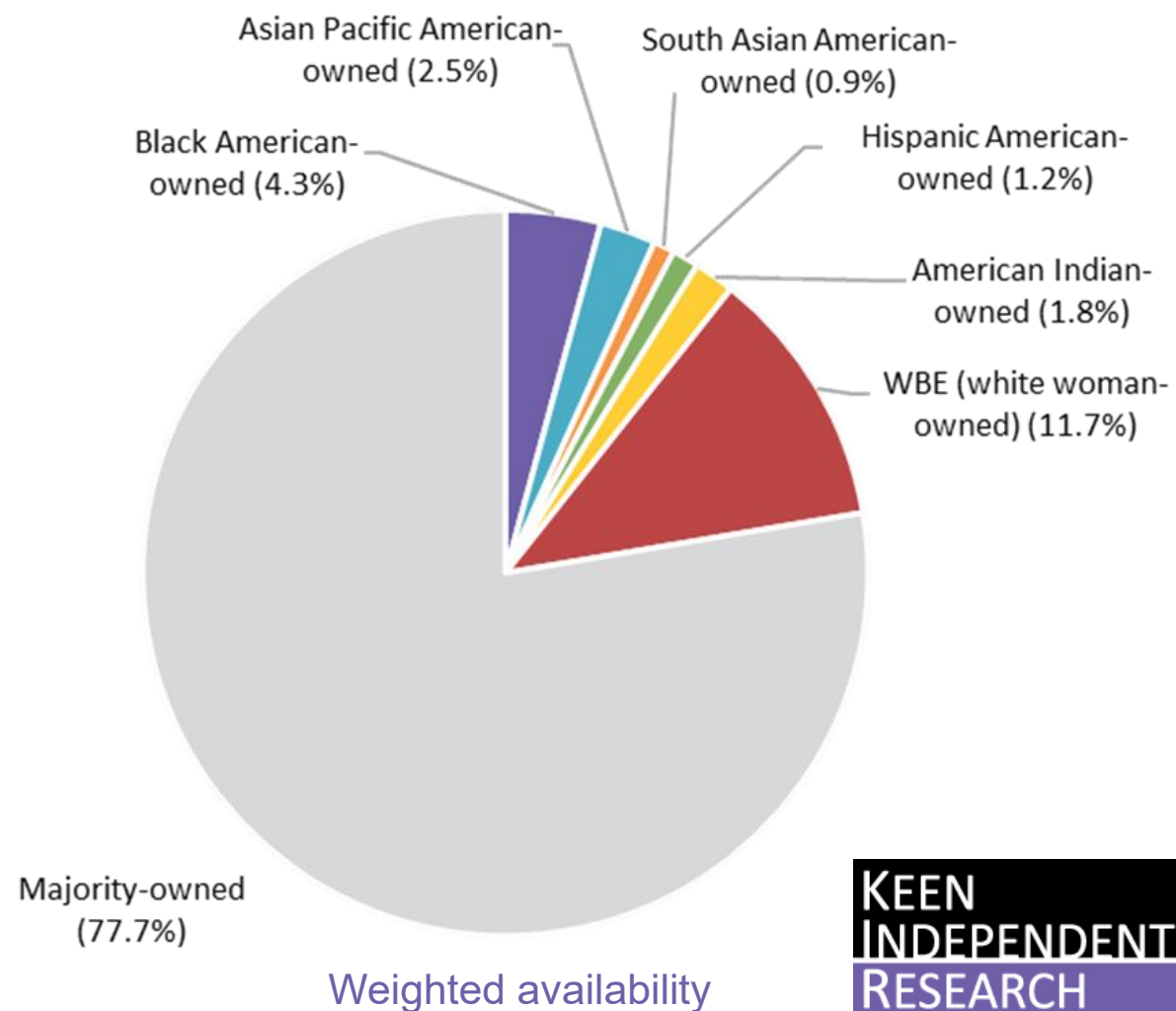
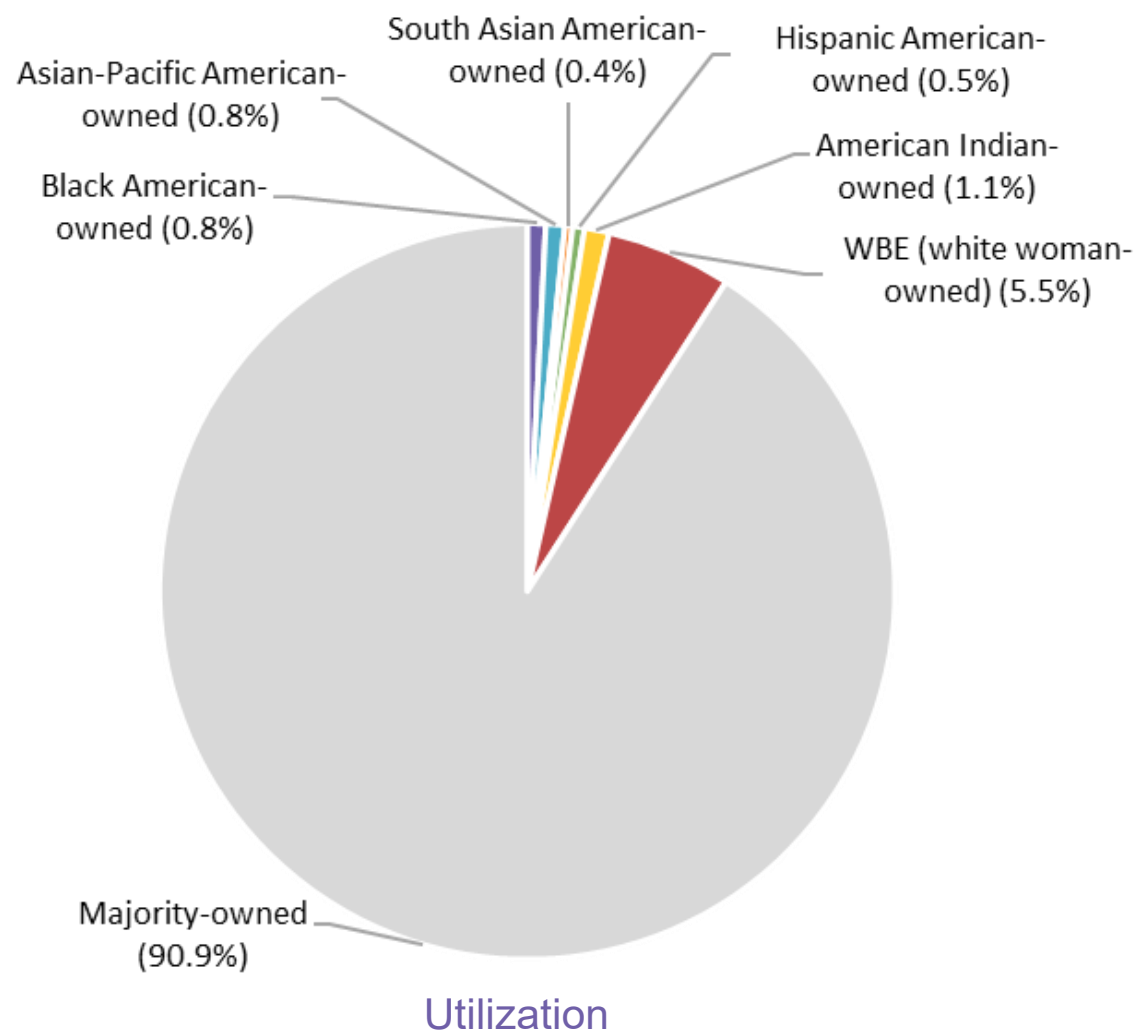
Not all available firms equally available for all types, sizes, locations of contracts

Weighted availability analysis controls for:

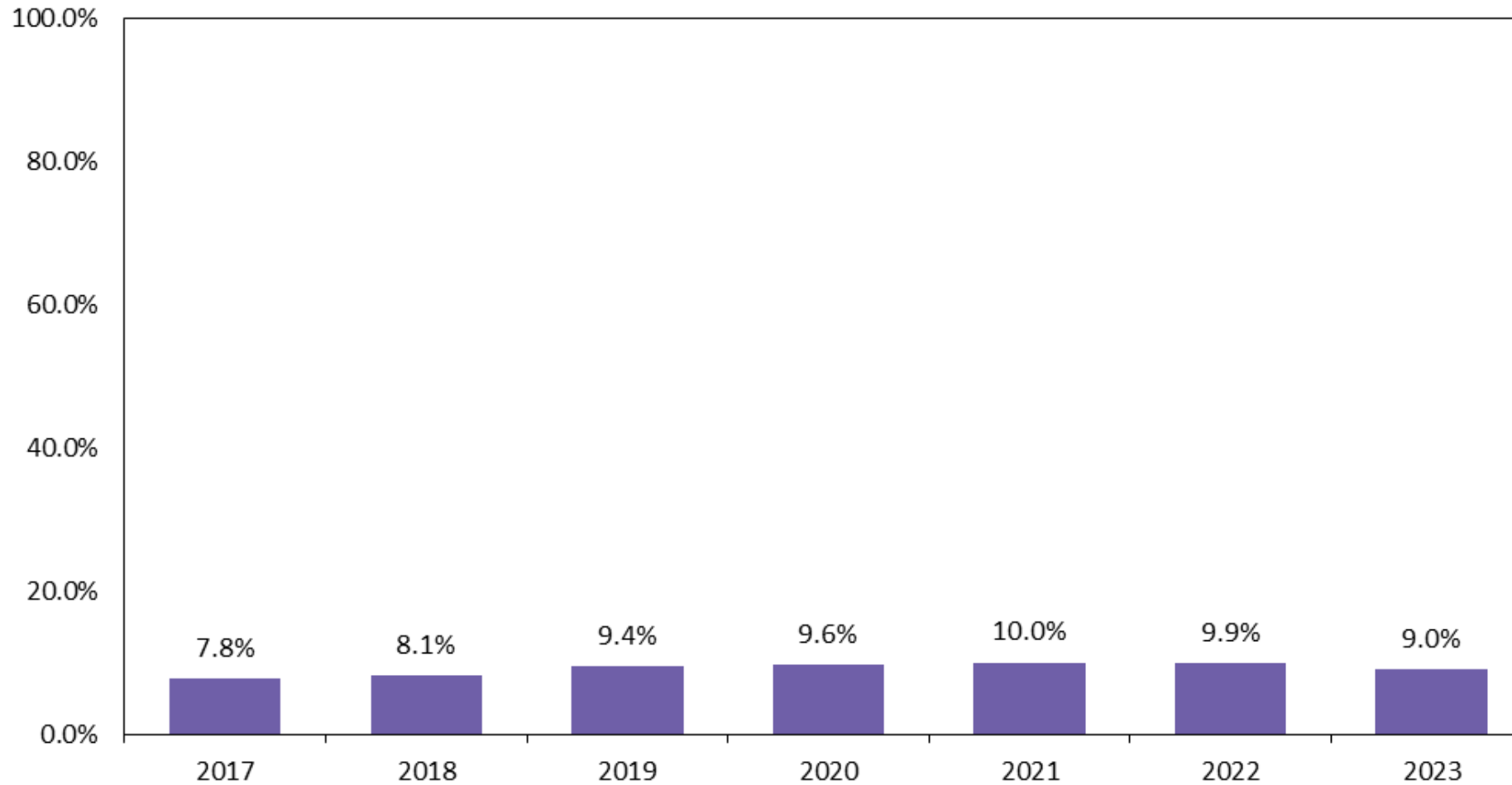
- Size of contract
- Type of work
- Location of contract
- Contractor role (prime, sub)
- When contract awarded



Utilization and availability for combined entity contracts, FY2017–FY2023



Twelve-month MBE/WBE utilization for all entity contracts by FY



Disparity results — All entity contracts

All contracts and subcontracts (FY2017–FY2023)

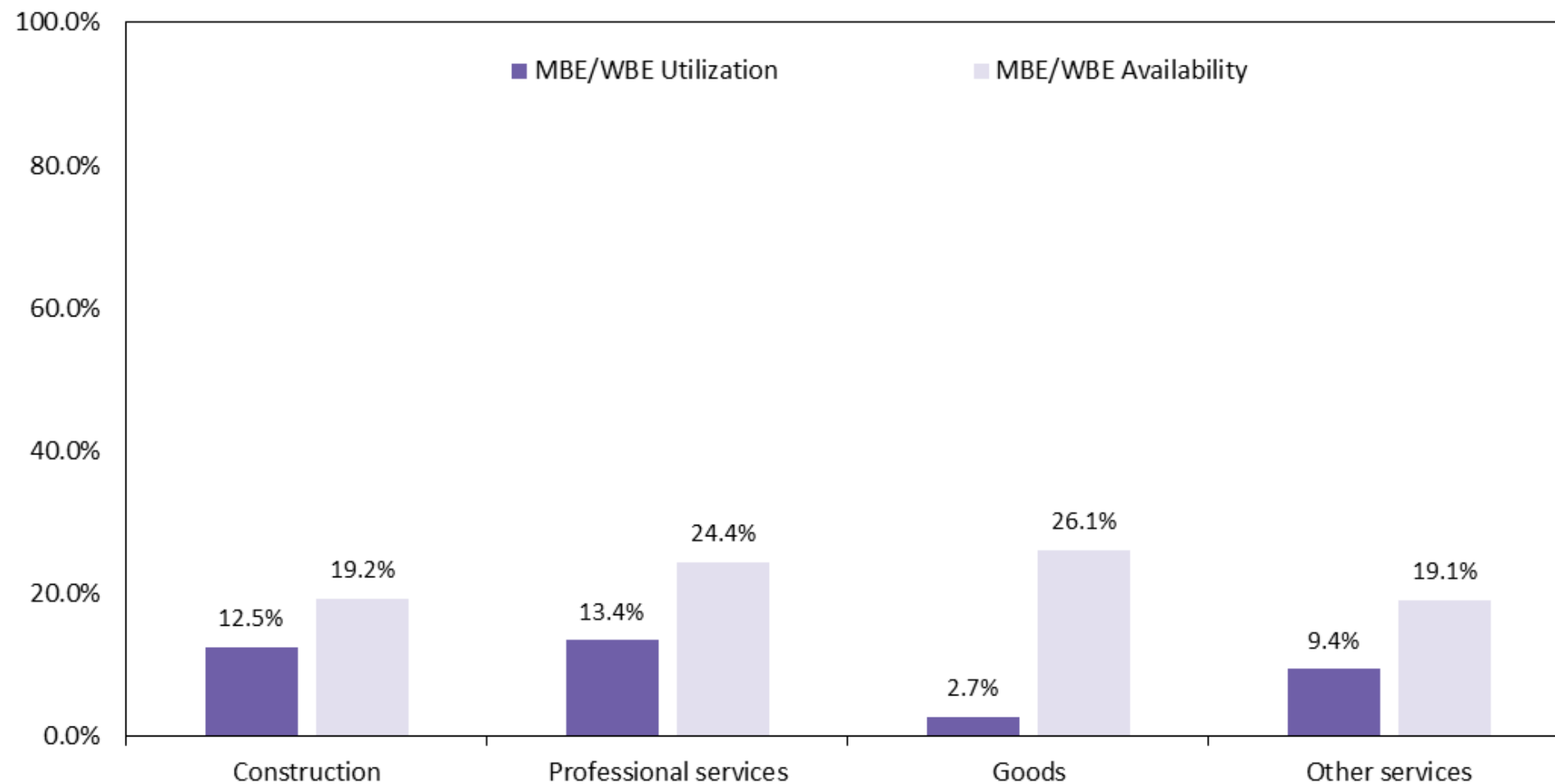
	Utilization	Availability	Disparity index
Black American-owned	0.81 %	4.25 %	19
Asian Pacific American-owned	0.82	2.49	33
South Asian American-owned	0.35	0.94	37
Hispanic American-owned	0.52	1.20	43
American Indian-owned	1.08	1.81	60
Total MBE	3.58 %	10.69 %	33
WBE (white woman-owned)	5.51	11.66	47
Total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

Disparity index

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

Disparity indices below 80 considered “substantial”

Utilization/availability by industry, July 2017–June 2023



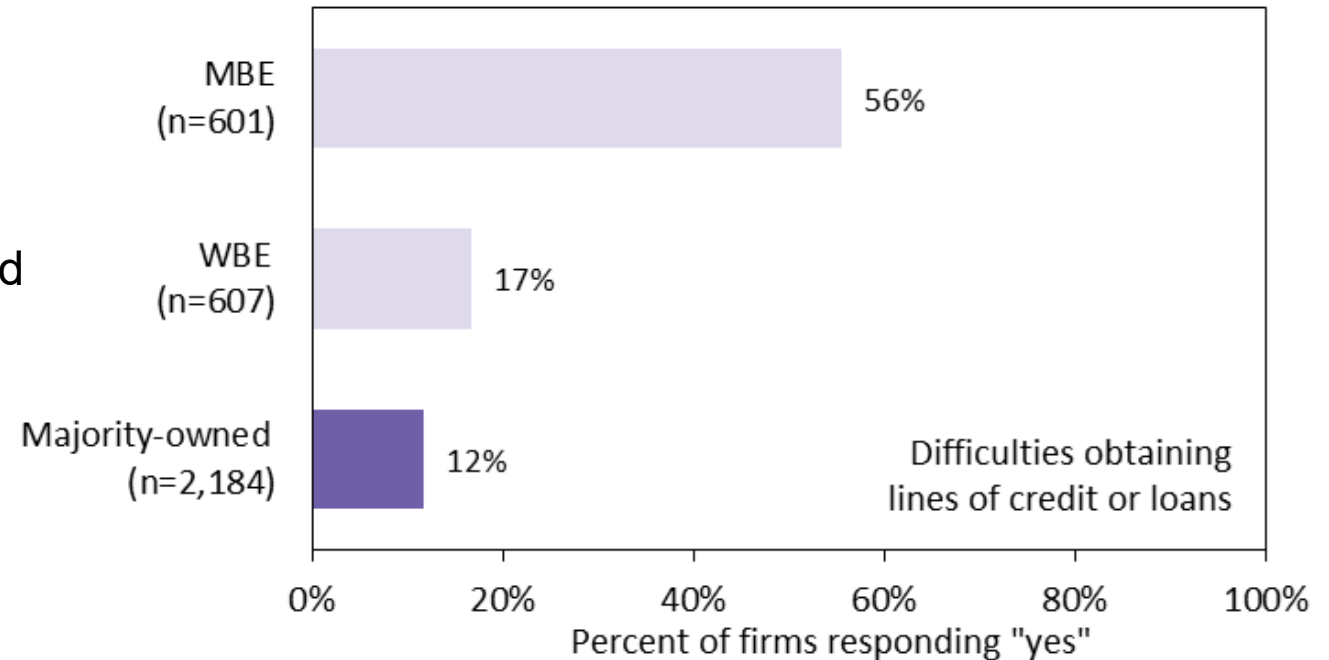
Utilization, disparity indices for participating entities

	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

Analyses of marketplace experiences

Availability surveys (2024)

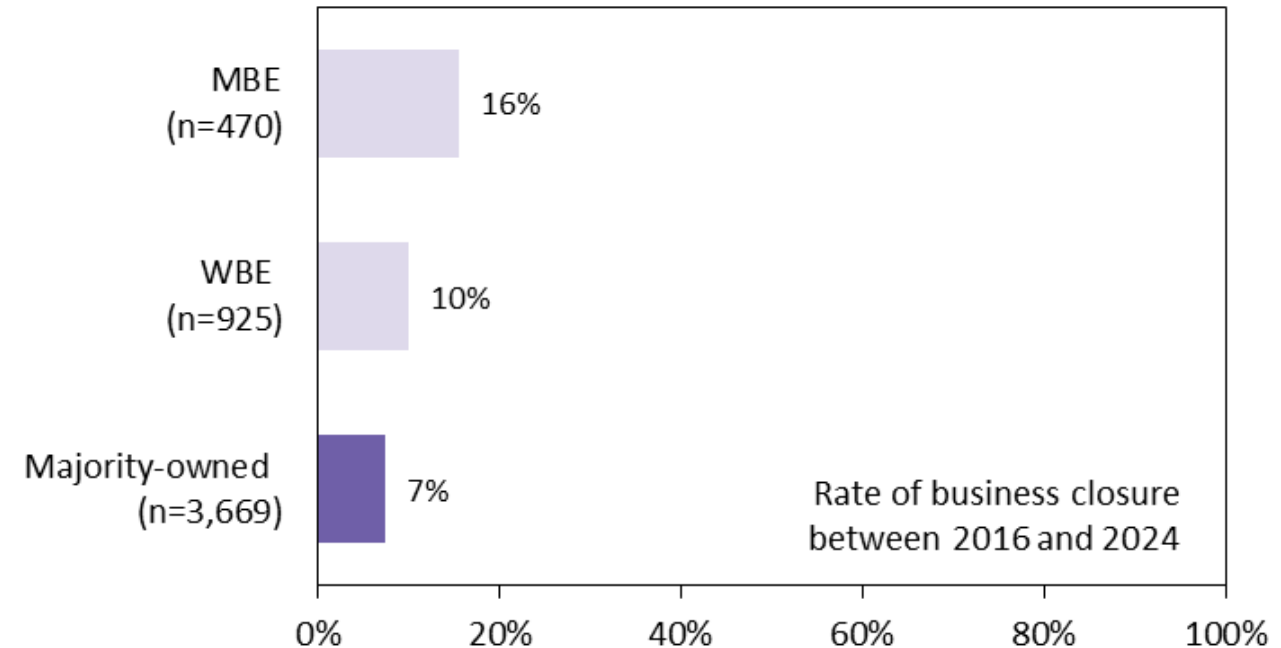
- MBEs much more likely to report difficulties obtaining lines of credit or loans
- Similar results for Twin Cities metro area and Southeast Minnesota
- Similar results by minority group
- Consistent with other quantitative and qualitative information for marketplace



Closure rates for firms responding to the 2017 availability survey

All firms in availability database

- 16% percent of available MBEs closed between 2017 and 2024 compared to 7% of majority-owned firms
- Closure rates much lower and disparities narrowed for certified firms



Source: Keen Independent Research from 2017 availability survey.

Example of workforce analysis

Workers in the construction industry

- Underrepresentation of people of color and women in the construction industry

	Construction	All other industries
Race/ethnicity		
Black American	2.7 % **	7.3 %
Sub-Saharan African American	0.5 **	2.9
Other Black American	2.2 **	4.4
Asian-Pacific American	1.5 **	5.0
Southeast Asian American	1.0 **	3.2
Other Asian-Pacific American	0.5 **	1.8
South Asian American	0.1 **	1.1
Hispanic American	5.8	5.4
Mexican American	3.0 **	2.4
Other Hispanic American	2.8	3.0
American Indian	2.2	2.1
Total minority	12.3 %	20.8 %
Non-Hispanic white	87.7 **	79.2
Total	100.0 %	100.0 %
Gender		
Female	9.7 % **	50.0 %
Male	90.3 **	50.0
Total	100.0 %	100.0 %

Conclusions

1. Some entities have implemented new measures since 2017 Study
2. For most entities, still a pattern of underutilization of MBEs and WBEs in contracts
3. Only 1.3% MBE/WBE utilization for entities without a program (or newly started program)
4. Disparities and other evidence of race/gender discrimination identified in marketplace, including for workers, potential entrepreneurs and in capital markets
5. However, opportunities for improvement:
 - a. Hennepin County doubled its share of dollars going to MBE/WBEs since 2011–2016 (11% to 23%)
 - b. Legal requirements in Eighth Circuit regarding MBE/WBE programs have not changed — when shown to be needed and narrowly tailored, can be defended
 - c. 43% of entity contract dollars already going to small businesses

Overview of recommendations

1. Each entity should consider operating (a) small business program and (b) contract equity program
2. Develop and monitor metrics to gauge success of each program
3. Authorize and develop tools to address objectives
4. Authorize and develop registrations and certifications to address objectives
5. Flexibly operate programs to target tools to groups of businesses needing that assistance
6. Provide resources to effectively operate programs

Reminder about study schedule

June 26–July 9	Virtual public forums
June 25–July 30	Individual entity presentations to elected officials (virtual)
July 18	Close of public comment period
July 30–31	Delivery of final reports and project

Reports posted at: <https://mn.gov/admin/disparity-study/resources/reports2025/>

Provide comments at: <https://mn.gov/admin/disparity-study/share-getinvolved/>