

Minnesota 2025 Joint Disparity Study Public Forum



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
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RESEARCH**

Presentation overview

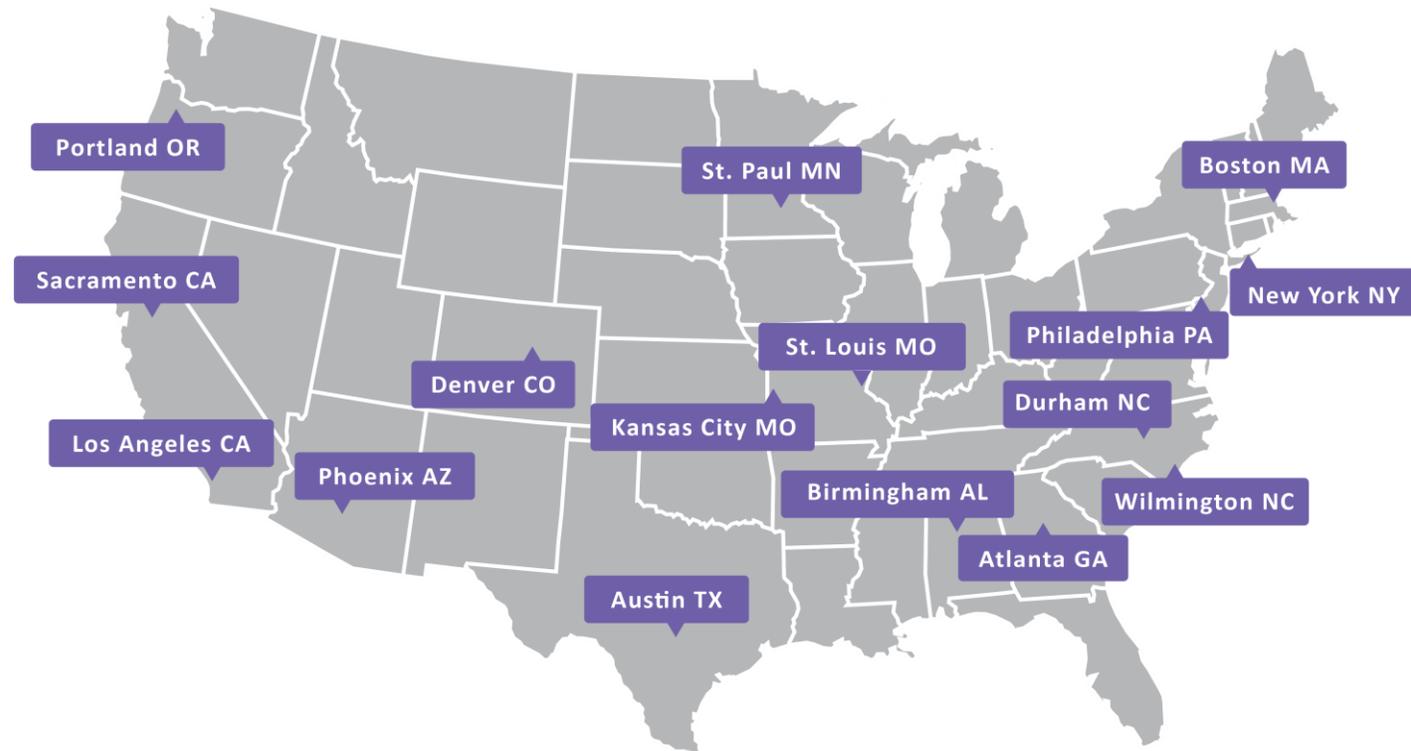


- Introduction to the study team
- Study overview
- Background
- Utilization results
- Availability results
- Disparity results
- Marketplace experiences
- Conclusions and recommendations
- Study schedule

Study team — Keen Independent Research



- National 28-person economic consulting firm founded in 2011
- Substantial experience performing disparity studies, and designing and defending programs (200+ studies)
- Minnesota staff and experience
- Court-approved methodology, expert witness experience



Study team — Subconsultant team



Keith Wiener, Partner
Holland & Knight

- Worked with David Keen on disparity studies and programs since 1990s
- H&K's national State and Local Procurement Team Leader
- Successfully defended programs in court
- Developed the study legal framework



Suzanne Donaldson, CEO
Donaldson Consulting

- Over 20 years of experience
- Substantial experience working on Keen Independent-led studies
- MWBE-certified
- Performed in-depth interviews and collected anecdotal data



Sanjay Vrudhula, President
Customer Research International

- National, minority-owned telephone survey research firm
- Worked with David Keen on studies for nearly 20 years
- Has Keen-trained survey staff
- Conducted the 2024 availability surveys

Study overview — Why perform a disparity study?

Is there a level playing field for
minority- and woman-owned businesses
in the marketplace?



Develop a
legally defensible
basis for action



Pinpoint where
disparities exist and
for which groups



Develop the
right tools to
remedy disparities

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

Background on study tasks

- 16 participating entities
- Study kick-off February 2024
- Examined contracts and subcontracts for July 2016–June 2023
- 150,000+ procurements (\$31 billion) for all entities combined
- Included analyses of small businesses and firms owned by people of color, women, persons with disabilities, veterans, members of LGBTQ+ community
- 2,000+ business owners and other individuals provided input
- Involved External Stakeholder Group from beginning

Combined entity contracts (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 %

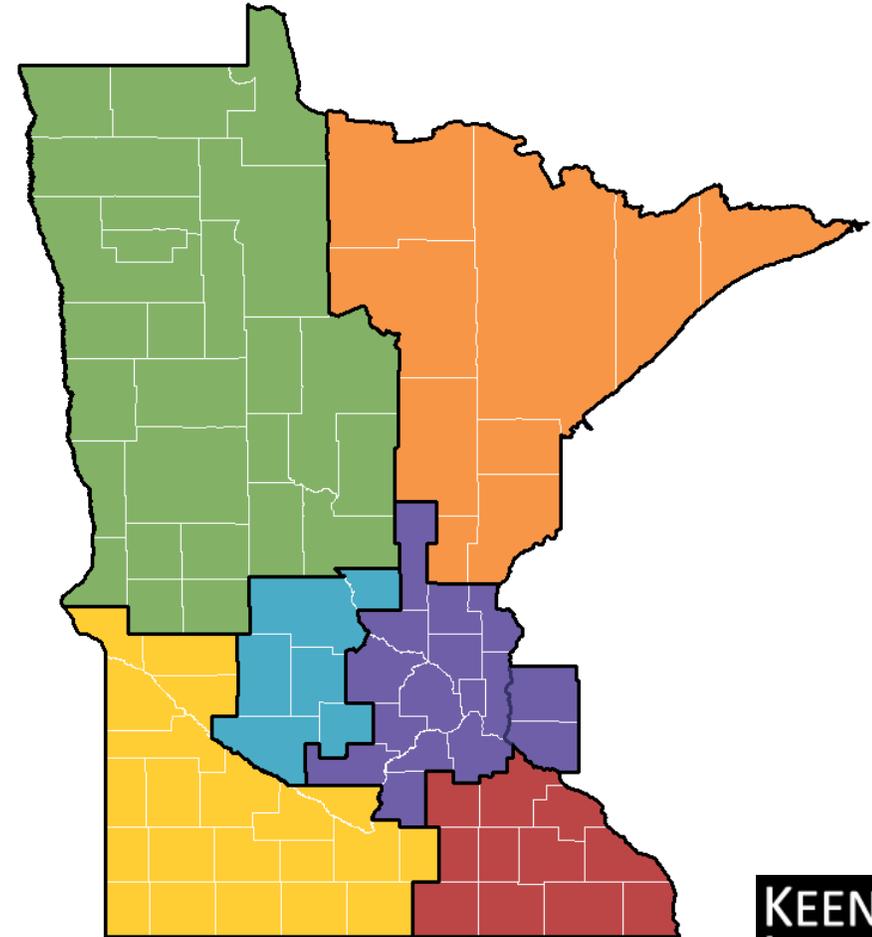
	Number of procurements	Dollars (1,000s)	Percent of dollars
Business classification or certification			
All small businesses	108,597	\$ 13,540,356	43.41 %
Firms eligible for entity program	12,858	1,905,088	6.11
General certification			
MBE/WBE/DBE	11,910	1,803,325	5.78
SBE (CERT)	8,824	1,353,164	4.34
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

Availability survey

Attempted to reach about 76,000 businesses in Minnesota and western Wisconsin

- Entities interested vendors lists
- Combined with listings purchased from Dun & Bradstreet
- Up to 5 attempts
- October–November 2024
- Online public link available

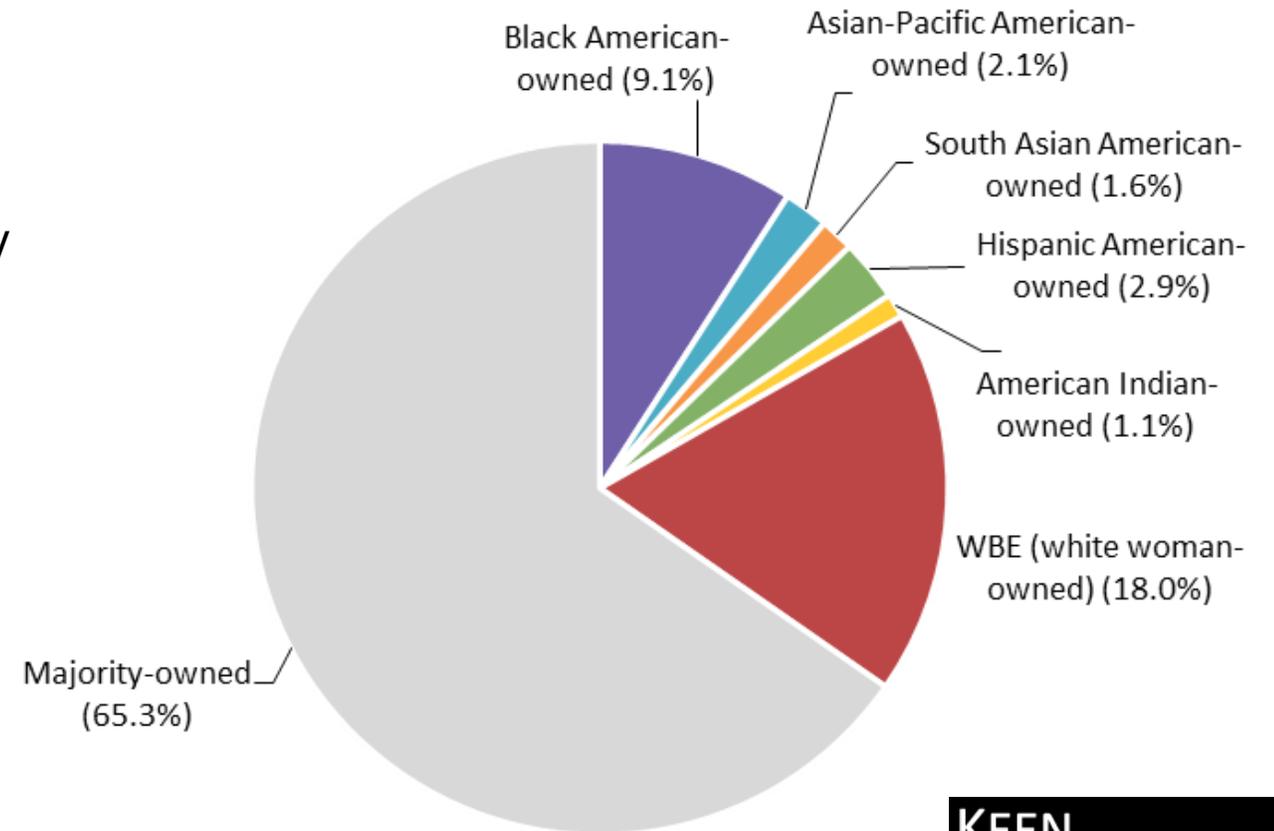
Successfully contacted about 33% of firms with working phone numbers



Headcount availability

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

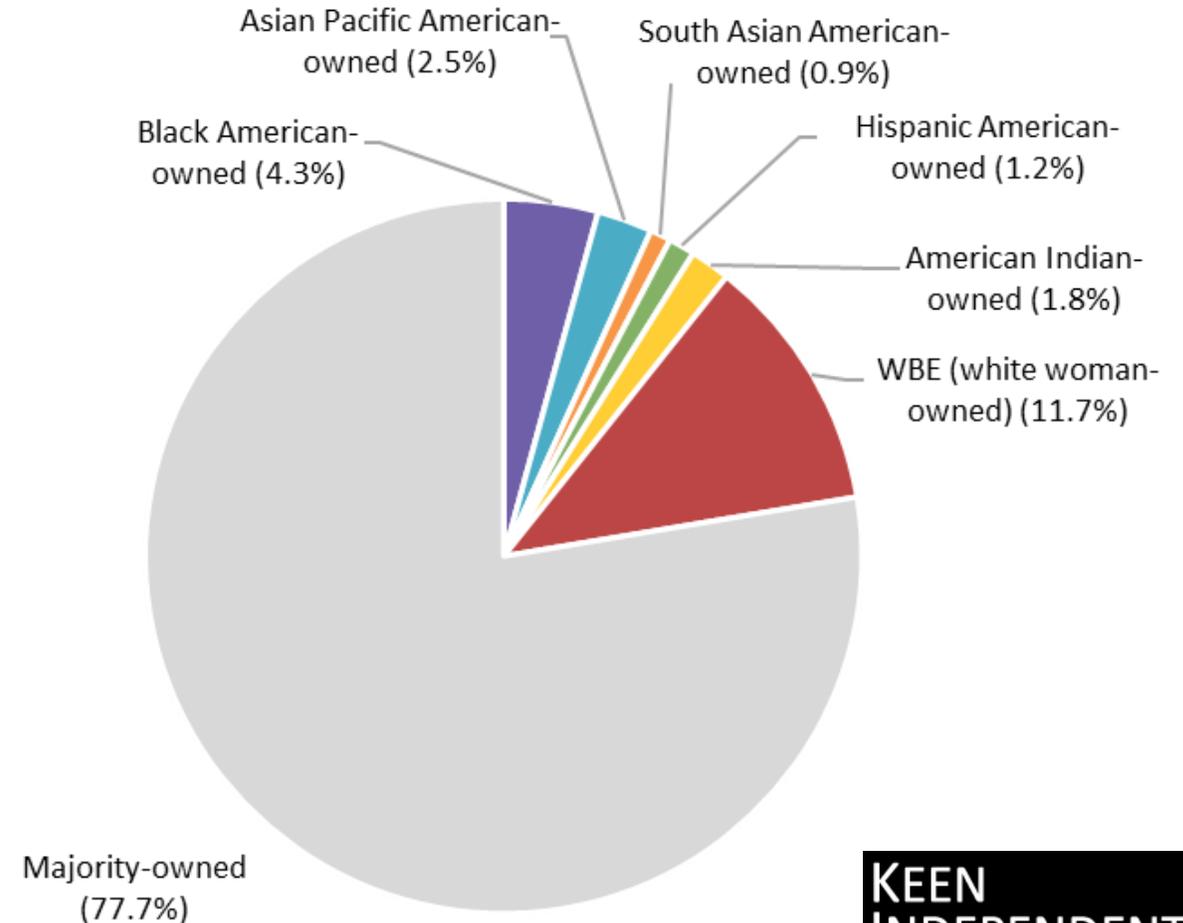


Weighted availability for combined entity contracts

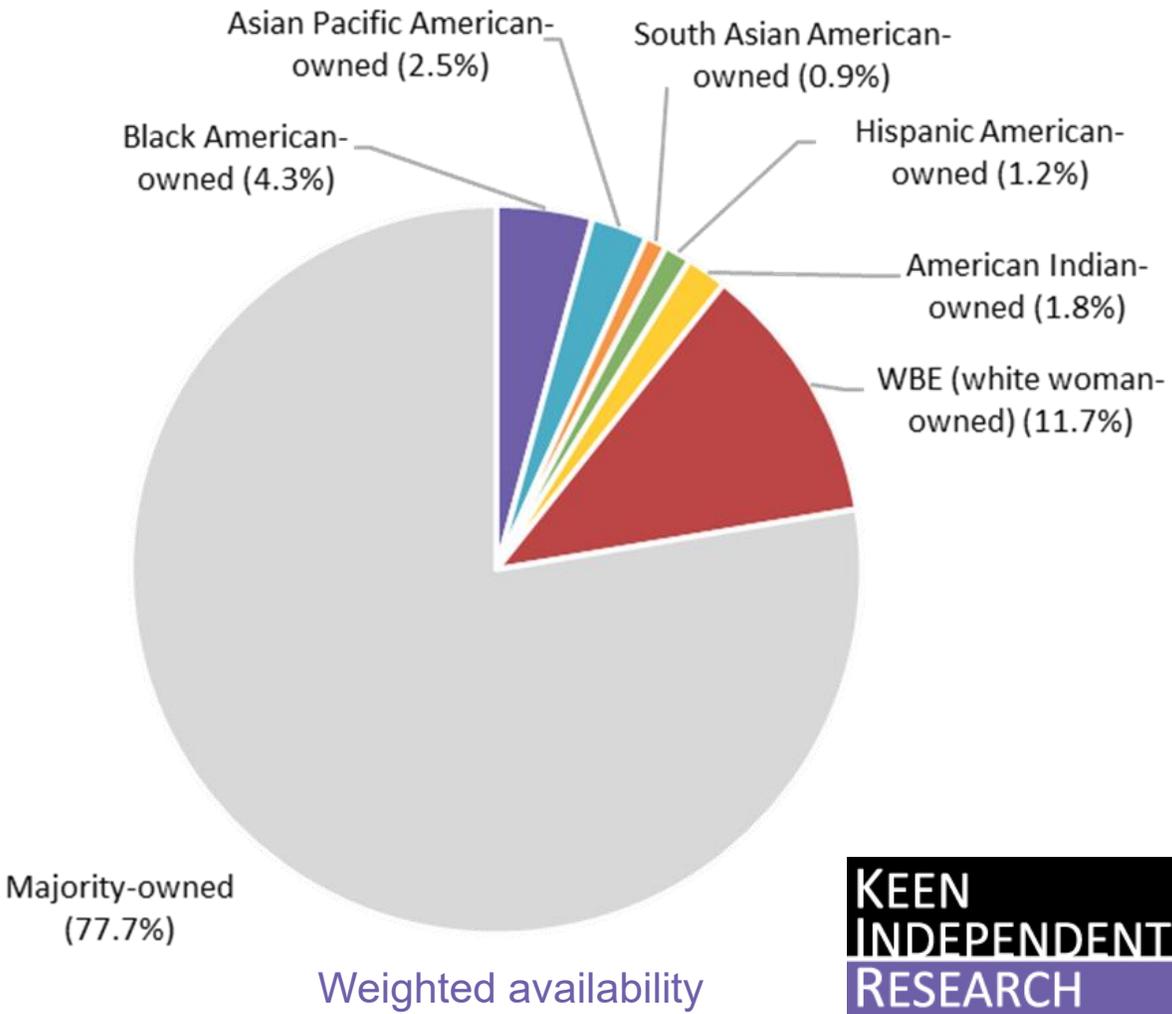
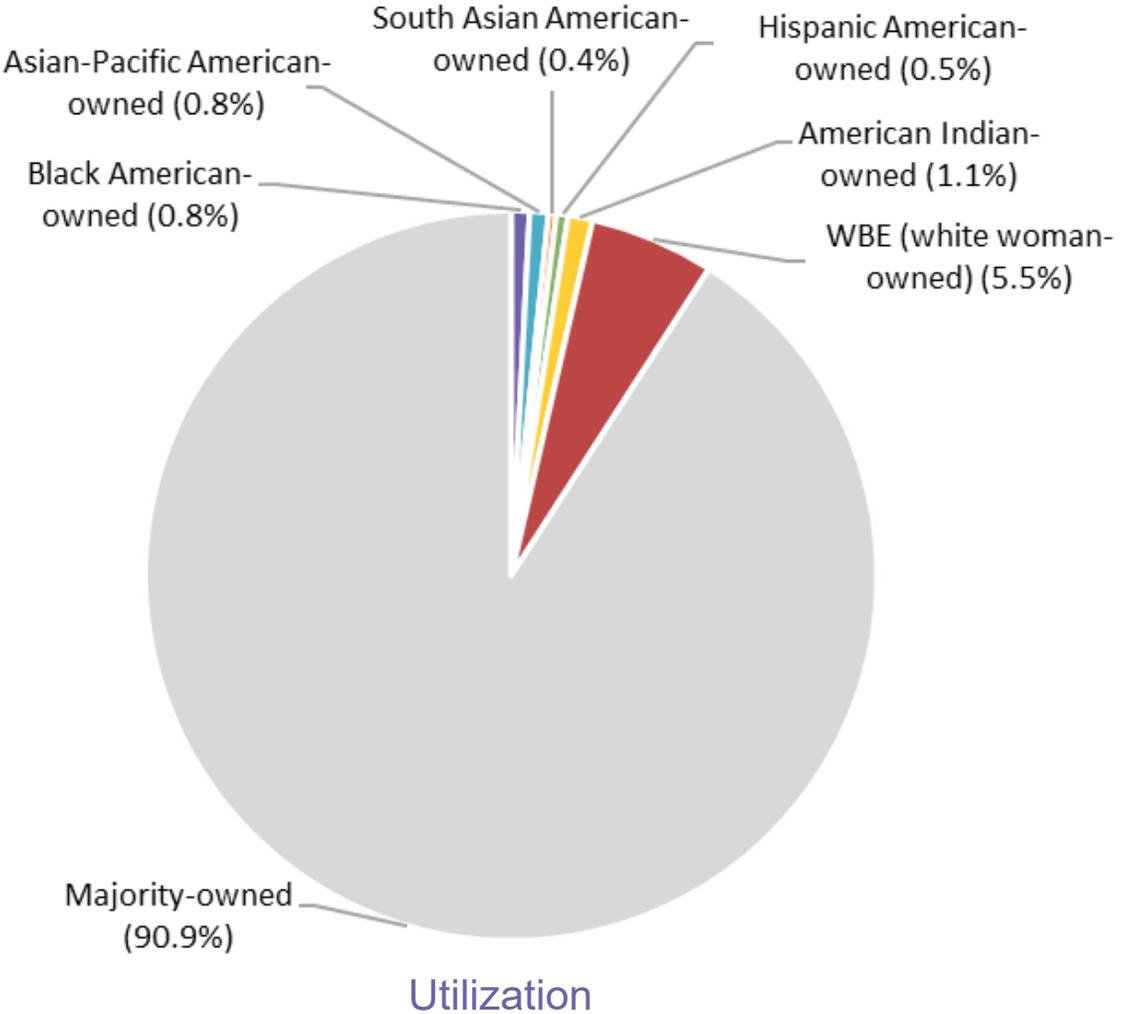
Not all available firms equally available for all types, sizes, locations of contracts

Weighted availability analysis controls for:

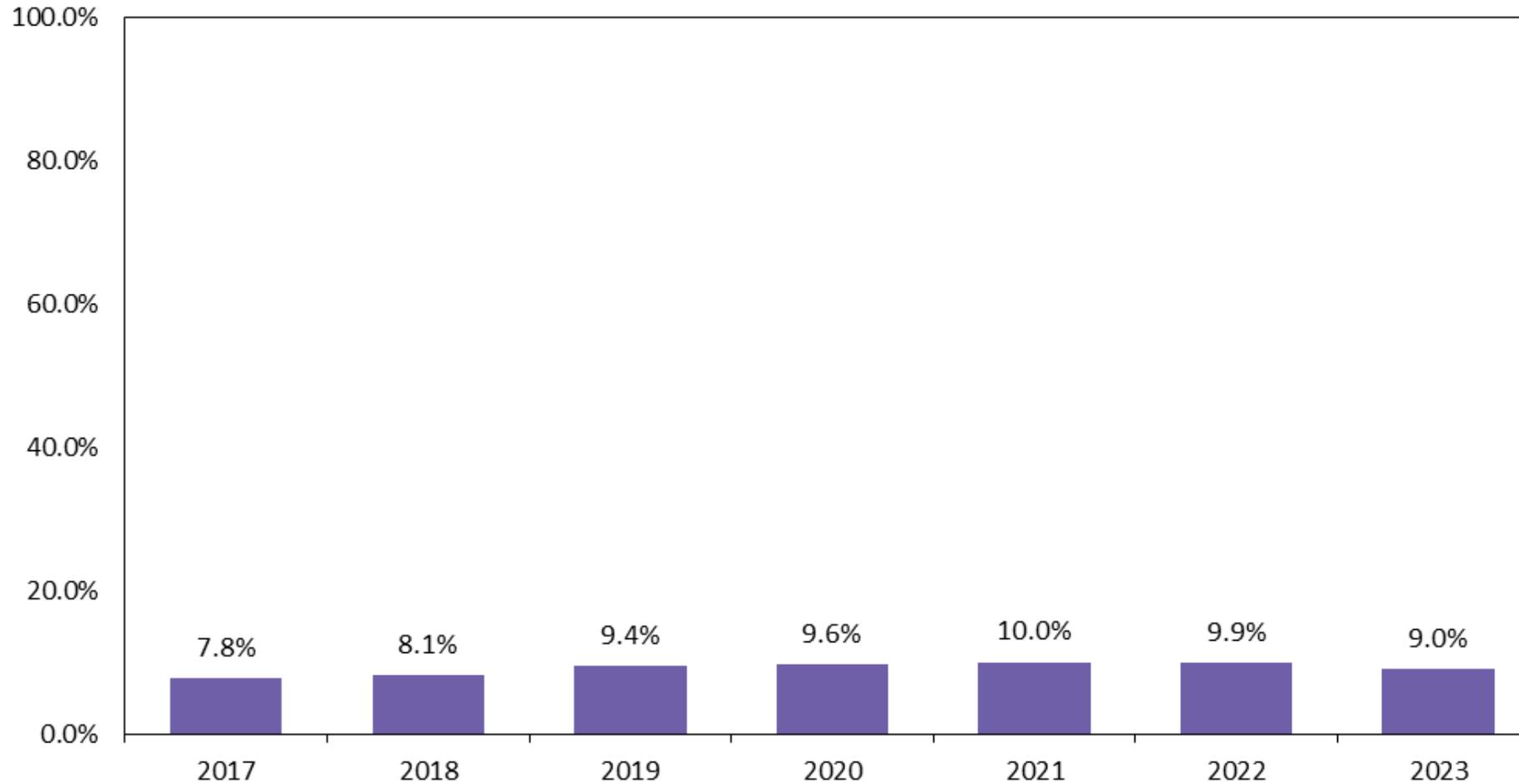
- Size of contract
- Type of work
- Location of contract
- Contractor role (prime, sub)
- When contract awarded



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)

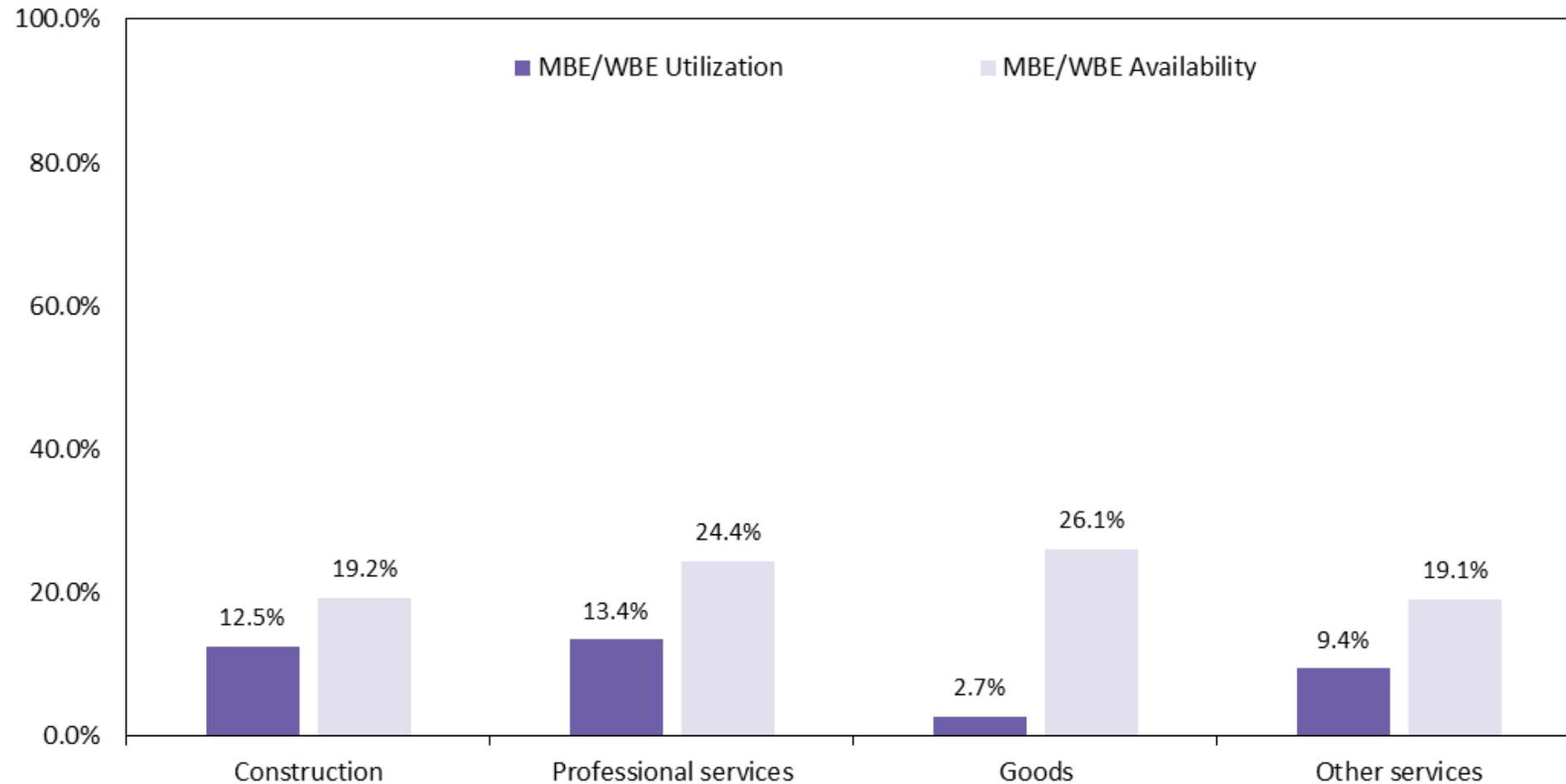
	Utilization	Availability	Disparity index
Black American-owned	0.81 %	4.25 %	19
Asian Pacific American-owned	0.82	2.49	33
South Asian American-owned	0.35	0.94	37
Hispanic American-owned	0.52	1.20	43
American Indian-owned	1.08	1.81	60
Total MBE	<u>3.58 %</u>	<u>10.69 %</u>	33
WBE (white woman-owned)	5.51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



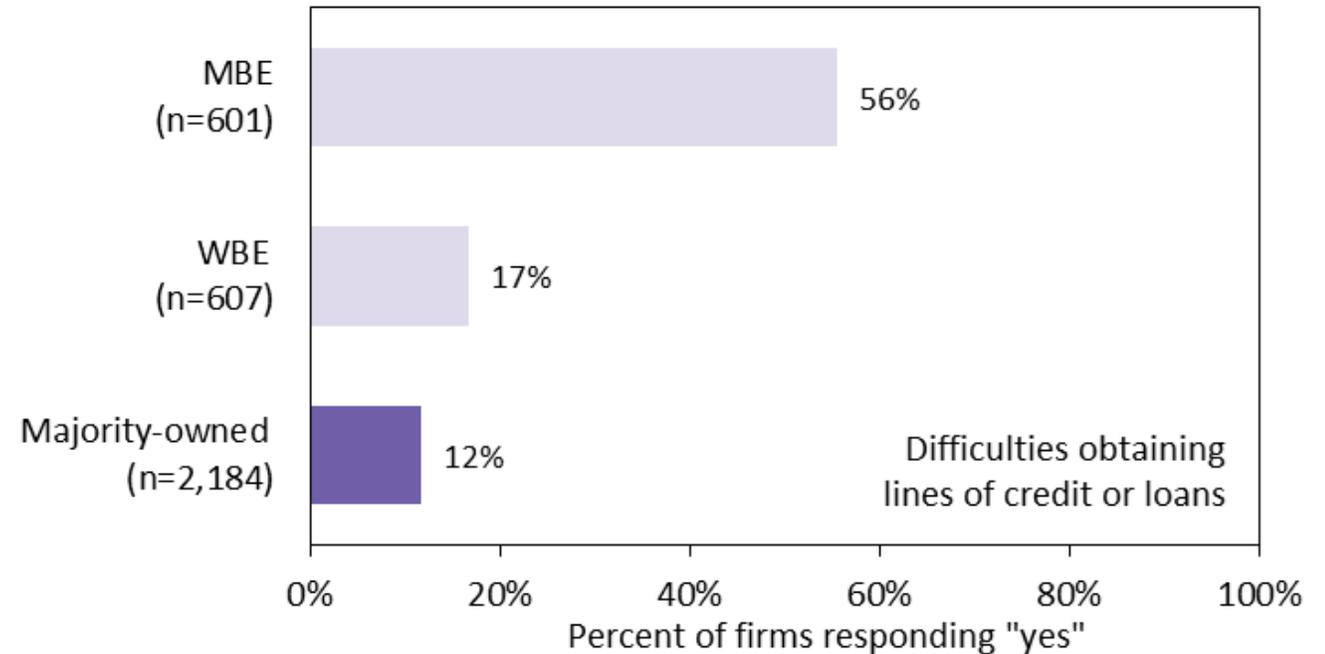
Utilization, disparity indices for participating entities

	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

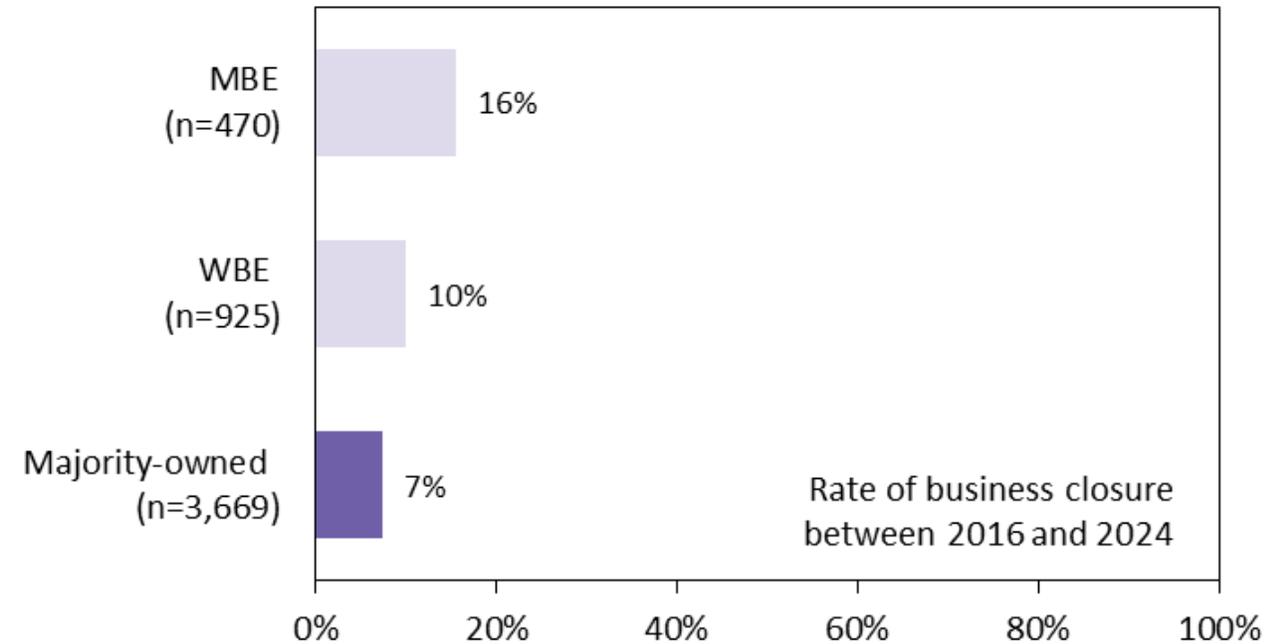
- MBEs much more likely to report difficulties obtaining lines of credit or loans
- Similar results by minority group
- Consistent with other quantitative and qualitative information for marketplace



Closure rates for firms responding to the 2017 availability survey

All firms in availability database

- Approximately 16 percent of MBEs closed between 2017 and 2024
- About 10 percent of WBEs closed



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 %

Themes from qualitative research

- Challenges with access to capital
- Challenges with securing bonding
- “Good ol’ boy” and other closed networks
- Prompt payment from participating entities and primes
- Challenges with finding opportunities to bid
- Lack of feedback on submitted bids
- Bid shopping and bid manipulation
- Business taxation in Minnesota
- Gender- and race-based stereotyping



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
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

Study schedule

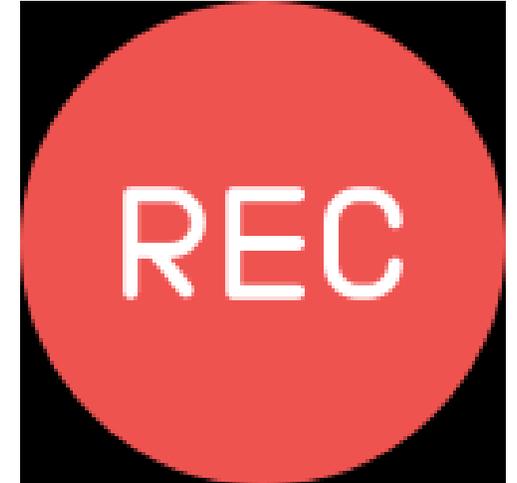
June 26–July 9	Virtual public forums
July 18	Close of public comment period
July 30–31	Delivery of final reports after review of comments

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

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

Public comments (recorded portion)

- Use the Q&A chat or raised hand reaction to be called on for your comment
- We encourage limiting your input to comments
- As questions are asked, we may refer you to the report or an entity
- Please limit comments to less than 3 minutes
- Keen Independent can exercise option to silence individuals



Request for comments

- Do you have input about the study results, conclusions or recommendations?
- Other insights and suggestions for participating entities?

Additional ways to provide input

Comment period closes July 18, 2025

- Call study hotline at: 602-704-0125
- Email Keen Independent at: JointMNDisparityStudy2025@keenindependent.com
- Go to: <https://mn.gov/admin/disparity-study/share-getinvolved/>