

**CITY OF SAN ANTONIO
ECONOMIC DEVELOPMENT DEPARTMENT**



Disparity Study Briefing



**City Council B Session
November 18, 2015**

Disparity Study: Key Points

- Utilization of minority and women-owned businesses increased nearly 50%

	2010 Disparity Study	2015 Disparity Study
Percent Paid to M/WBEs	16%	23%
Dollars Paid to M/WBEs	\$156 Million	\$343 Million

- Minority and women-owned businesses make up nearly 43% of all available firms
- Disparities continue in the broader San Antonio marketplace
- Anecdotal evidence supports findings
- Findings recommend program continuation, with potential modifications



Disparity Study Data, Methods, Findings & Conclusions

Prepared for the City of San Antonio

Jon Wainwright, Ph.D.

Senior Vice President, NERA

Don O'Bannon, Esq.

Law Firm of Don T. O'Bannon

San Antonio, TX

18 November 2015

Insight in Economics™

Disparity Study Objectives



- Compile & evaluate evidence necessary to meet San Antonio's constitutional & regulatory requirements
- Suggest recommendations to narrowly tailor program elements
- Increase opportunities for full & fair competition by minorities & women in City of San Antonio contracting

- M/WBE programs must meet “strict constitutional scrutiny”
- Strict scrutiny is the most demanding level of constitutional review
- Two-part test
 - Compelling interest in remedying identified discrimination established by “Strong basis in evidence”
 - Remedies must be “narrowly tailored” to that evidence
- Government has the burden of producing evidence in response to a challenge

Strict scrutiny as applied

- Strong basis in evidence of government's “compelling interest” in remedying discrimination means
 - Statistical evidence of disparities in the market area
 - Anecdotal evidence of barriers to full & fair inclusion
- Remedies must be “narrowly tailored” to that evidence
 - Each group must have some evidence of discrimination
 - Overall goals must reflect the evidence
 - Contract goals must reflect the relevant scopes of work
 - Beneficiaries must be socially & economically disadvantaged
 - Goals must be flexible
 - Race & gender-neutral measures must also be used

Relevant Markets (Chapter II)



- Collected & analyzed data on 2,265 prime contracts & 3,831 associated subcontracts, with a total value of more than \$2.6B
- Market area was San Antonio-New Braunfels, TX MSA (Bexar, Guadalupe, Kendall, Comal, Atascosa, Medina, Wilson, & Bandera counties).
- 78% of awards during the study period went to firms with establishments in the San Antonio MSA and 89% in the State of Texas.

M/WBE Availability (Chapter III)



- Used Dun & Bradstreet records to identify establishments (both M/WBE & Non-M/WBE) in the San Antonio market area, within the relevant NAICS codes.
- Merged custom M/WBE master directory with Dun & Bradstreet to improve race & sex assignment accuracy.
- Used results from 25k+ telephone surveys to statistically correct availability numbers for instances of race & gender misclassification.

M/WBE Availability (Chapter III)



Table A1. M/WBE Availability in San Antonio's Market Area

	African American	Hispanic	Asian/ Pacific Islander	Native American	MBE	Non-minority Female	M/WBE	Non- M/WBE
CONSTRUCTION								
WEIGHTED BY AWARD DOLLARS	1.91	29.76	1.74	0.97	34.38	10.06	44.44	55.56
WEIGHTED BY PAID DOLLARS	1.91	35.60	0.72	0.94	39.17	11.36	50.52	49.48
ARCHITECTURE & ENGINEERING								
WEIGHTED BY AWARD DOLLARS	1.17	15.81	3.05	2.54	22.57	7.98	30.55	69.45
WEIGHTED BY PAID DOLLARS	1.19	15.52	2.46	2.13	21.30	7.47	28.77	71.23
PROFESSIONAL SERVICES								
WEIGHTED BY AWARD DOLLARS	6.34	22.48	0.72	0.19	29.74	9.97	39.70	60.30
WEIGHTED BY PAID DOLLARS	5.63	27.04	0.60	0.19	33.47	11.15	44.62	55.38
OTHER SERVICES								
WEIGHTED BY AWARD DOLLARS	4.00	32.30	2.11	1.12	39.54	15.26	54.80	45.20
WEIGHTED BY PAID DOLLARS	4.45	30.10	2.16	0.92	37.62	15.88	53.51	46.49
GOODS & SUPPLIES								
WEIGHTED BY AWARD DOLLARS	2.01	23.31	4.01	1.35	30.69	11.42	42.10	57.90
WEIGHTED BY PAID DOLLARS	2.14	22.71	4.01	1.32	30.18	10.75	40.93	59.07

Note: See Chapter III, Table 3.13

Market-Based Disparities (Chapter IV)



- Based on regression analysis using Census data from the most recent *American Community Surveys*. Also includes data from the most recent *Survey of Business Owners*.
- Comparing minorities & women to similarly-situated nonminority males, we tested for disparities in (1) wages, (2) business owner earnings, and (3) business formation rates

Market-Based Disparities (Chapter IV)



Summary of Chapter IV Regression Results

	Construction			Goods & Services		
	Wages	Business Owner Earnings	Business Formation Rate	Wages	Business Owner Earnings	Business Formation Rate
African American	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse
Hispanic	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse
Asian/Pacific Islander	Adverse	Adverse	Adverse	Adverse	Adverse	Not Adverse
Native American	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse
Non-minority Female	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse

All results are statistically significant at a 5% or better (1-in-20) probability value

Capital Market Disparities (Chapter V)



- Loan applications of MBEs were substantially more likely to be denied than other groups, *even after accounting for differences in balance sheets and creditworthiness.*
- When MBEs did receive credit, they paid higher interest rates, on average, for their loans.
- Results were not significantly different in the Texas region than in the nation as a whole.

Disparities in City Contracting (Ch. VI)



- Significant disparities were observed between availability & utilization in many City contracting activities, despite the presence of M/WBE goals on many contract opportunities.
- Measure of disparity is the Disparity Ratio:
$$= (\text{Utilization \%} \div \text{Availability \%}) \times 100$$
- Substantive significance is indicated by a disparity ratio of approximately 80 or lower

Disparities in City Contracting (Ch. VI)



Construction

M/WBE Type	Utilization (%)	Availability (%)	Disparity Ratio (if Adverse)	
Dollars Paid				
African American	0.25	1.91	12.9	****
Hispanic	24.07	35.60	67.6	****
Asian	0.68	0.72	94.0	
Native American	0.34	0.94	36.4	***
Minority-owned	25.33	39.17	64.7	****
White female	8.47	11.36	74.6	**
M/WBE total	33.80	50.52	66.9	****

Anecdotal Evidence (Chapter VII)



- Large-scale, statistically randomized mail survey of M/WBEs & non-M/WBEs found:
 - Significantly more M/WBEs than non-M/WBEs report experiencing disparate treatment
 - Significantly more M/WBEs than non-M/WBEs report business environment factors make it harder or impossible to obtain contracts
 - Results hold even when capacity-type factors are held constant across firms
 - In most cases, primes who use M/WBEs on contracts with goals rarely use them—or even solicit them—on contracts without goals

Anecdotal Evidence (Chapter VII)



- M/WBE interviewees reported discrimination in doing business, including:
 - Negative perceptions of skills & abilities
 - Barriers to obtaining commercial loans
 - Barriers to obtaining surety bonds
 - Abuses of the payment process by primes
 - Abuses of the compliance process by primes
 - Barriers to obtaining public sector subcontracts
 - Barriers to obtaining private sector work

SBEDA Program Overview (Chapter VIII)



- Significance of the City's M/WBE Program
- Supportive services
- Certification standards and processes
- Pre-award processes:
 - Meeting M/WBE goals
 - Contract solicitations
- Contract performance:
 - Monitoring
 - Payment
 - Reporting technology
 - Retainage
 - Front companies