

Met Council 2025 Disparity Study



Presented by:

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**KEEN
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RESEARCH**

Presentation overview

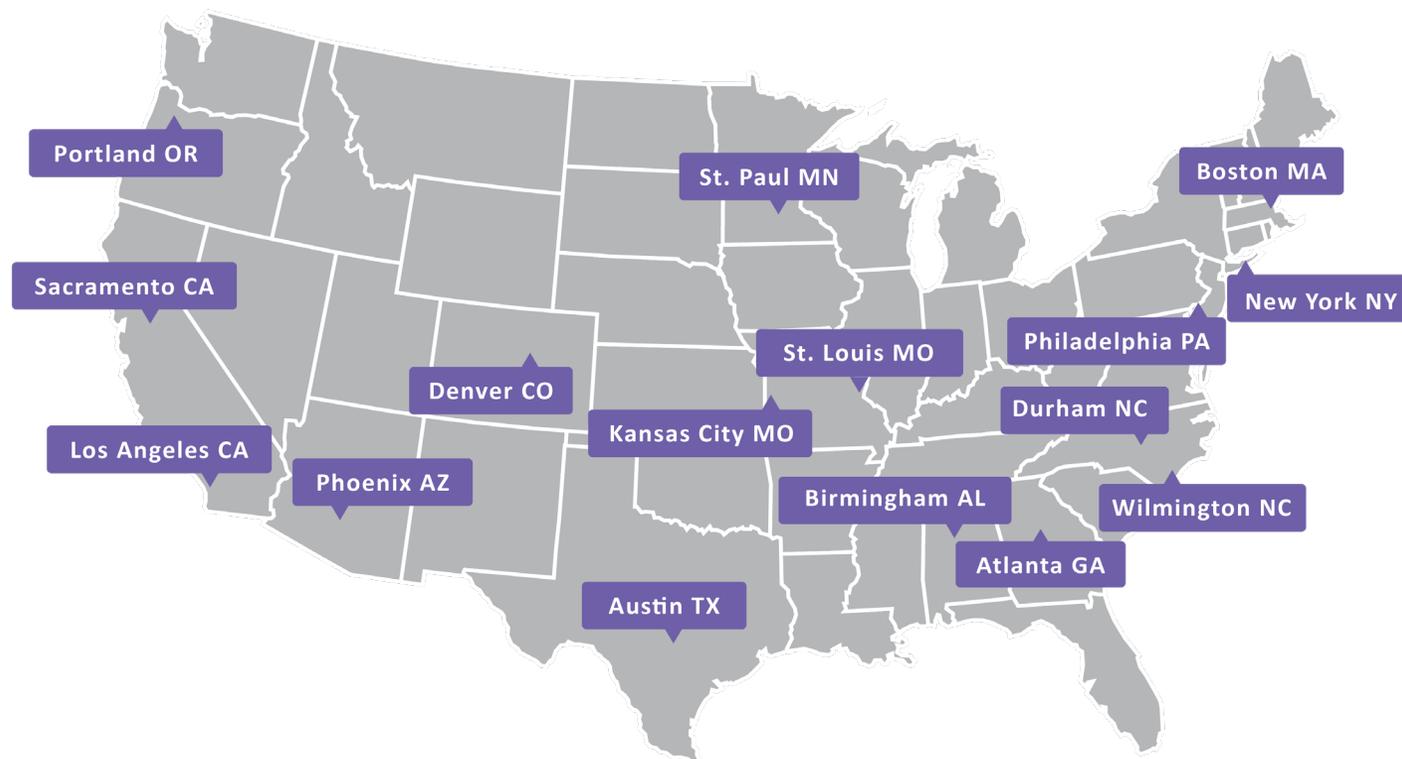


- Introduction to the study team
- Study overview
- Utilization
- Availability
- Disparity results
- Examples of marketplace experiences
- Conclusions
- Study schedule

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

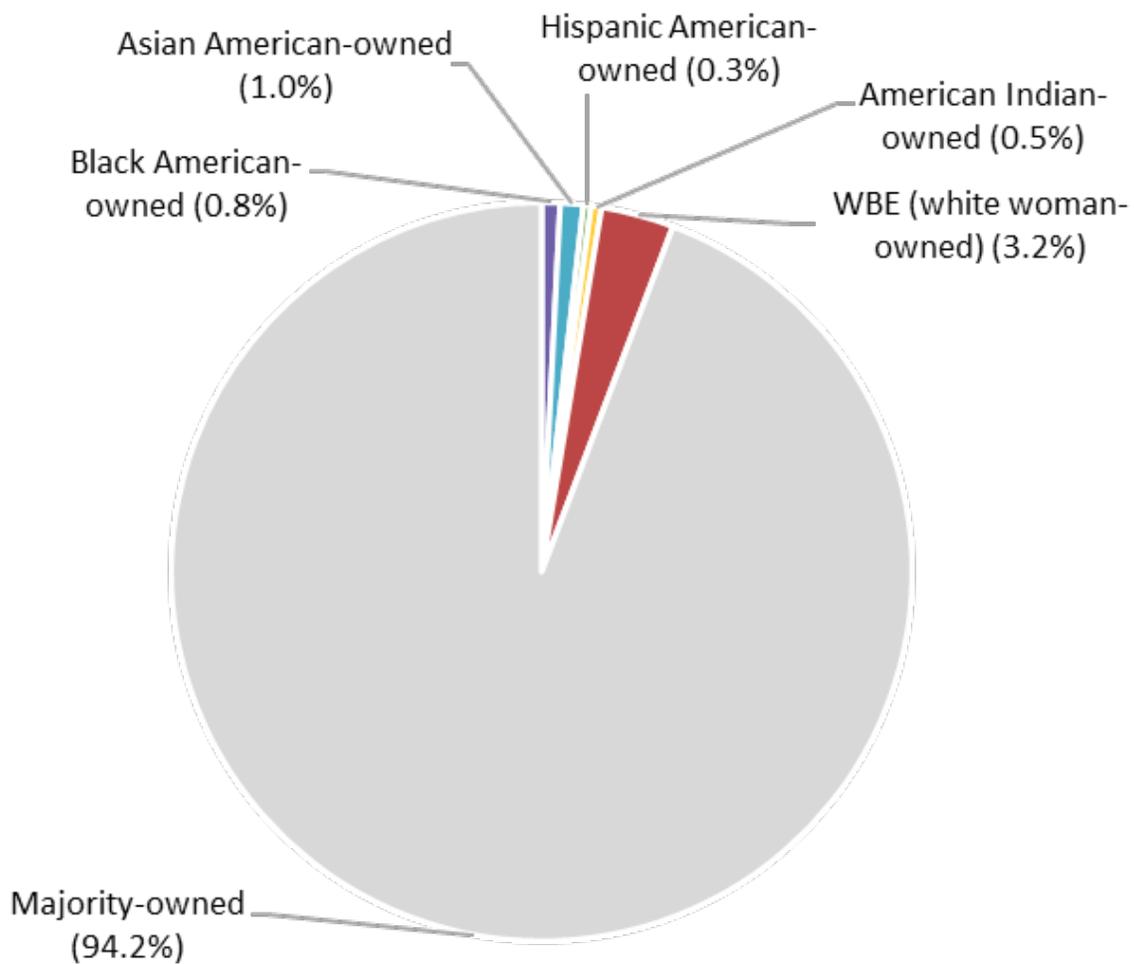
- Standard for legal review of MBE programs has remained consistent since 1989
- Holland & Knight prepared the legal framework for the study
- U.S. Supreme Court applied strict scrutiny when reviewing racial preferences in university admissions in June 2023 decision in *Students for Fair Admissions v.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

Utilization (July 2016–June 2023)

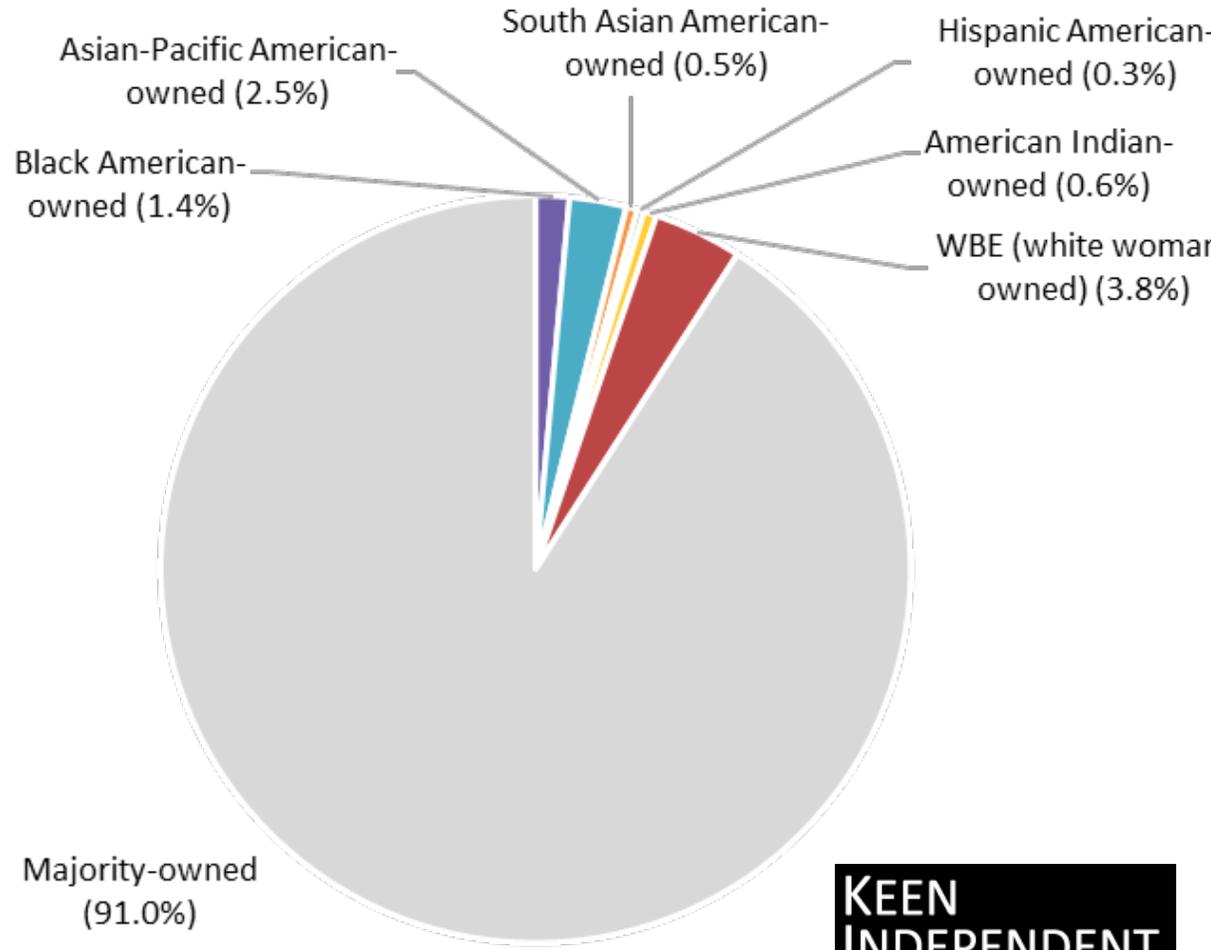
	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
Black American-owned	102	\$ 14,377	1.44 %
Asian-Pacific American-owned	56	24,494	2.45
South Asian American-owned	45	4,900	0.49
Hispanic American-owned	40	2,932	0.29
American Indian-owned	37	5,499	0.55
Total MBE	280	\$ 52,202	5.23 %
WBE (white woman-owned)	596	38,132	3.82
Total MBE/WBE	876	\$ 90,334	9.04 %
Majority-owned	4,217	908,611	90.96
Total	5,093	\$ 998,945	100.00 %

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business classification or certification			
All small businesses	3,926	\$ 624,335	62.50 %
Firms eligible for entity program	586	40,872	4.09
General certification			
MBE/WBE/DBE	588	57,330	5.74
SBE (CERT)	327	27,870	2.79
Veteran (VO, VetBiz, SDVOB)	32	4,953	0.50
Service-disabled (SDVOB)	18	4,442	0.44
Disability (TG, DisabilityIN)	8	494	0.05
LGBTQ+ (NGLCC)	6	707	0.07

Utilization analysis for Met Council contracts July 2011–June 2016 and July 2016–June 2023



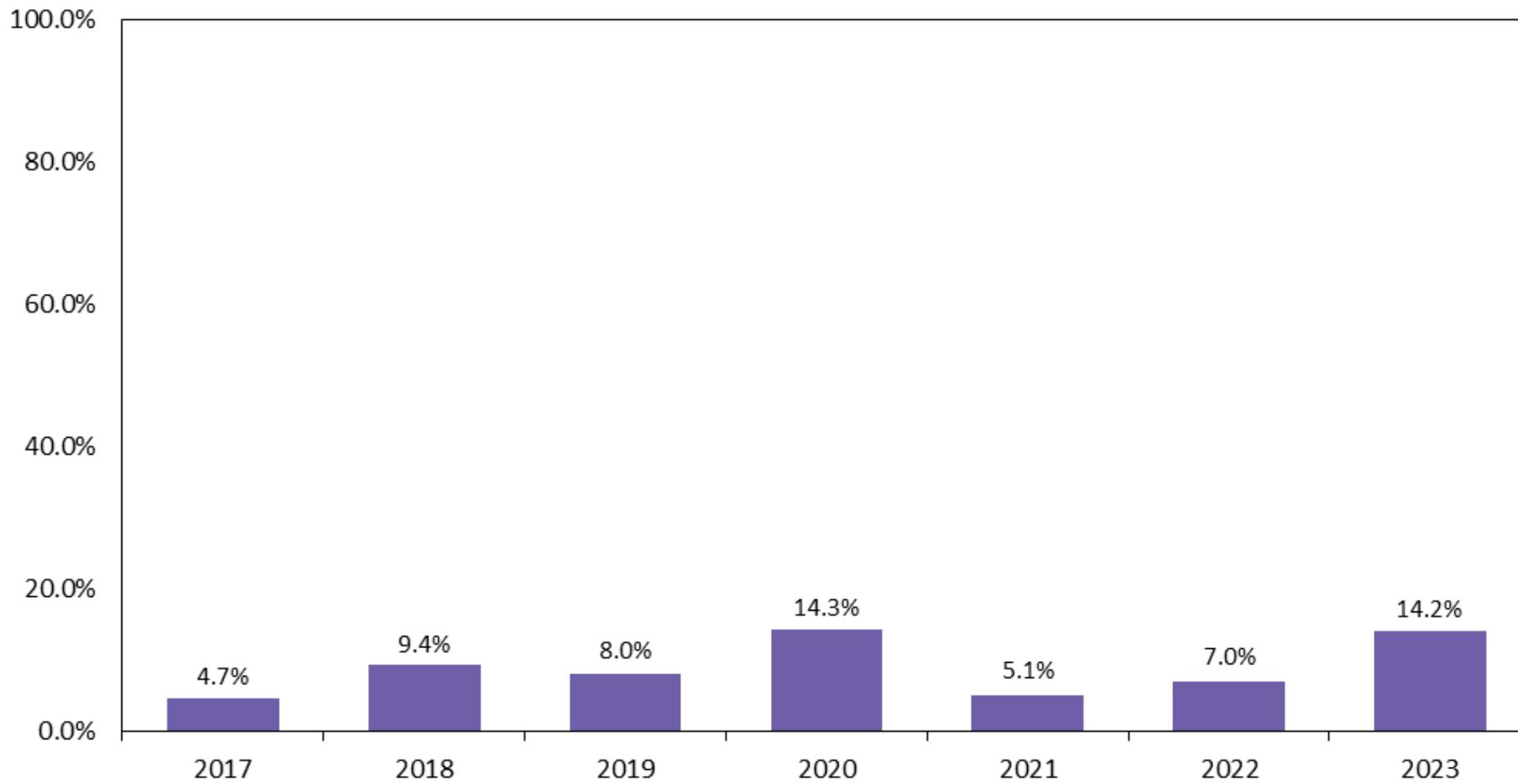
July 2011–June 2016



July 2016–June 2023



12-month MBE/WBE utilization in Met Council contracts by FY

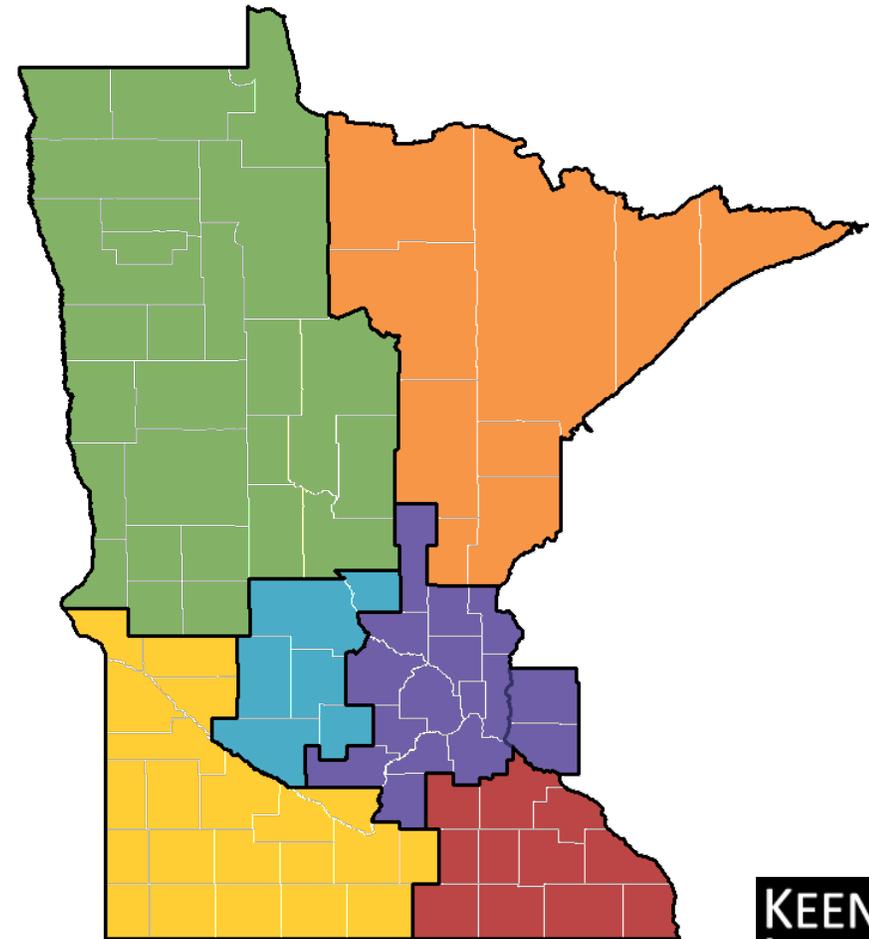


Availability survey (2024)

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

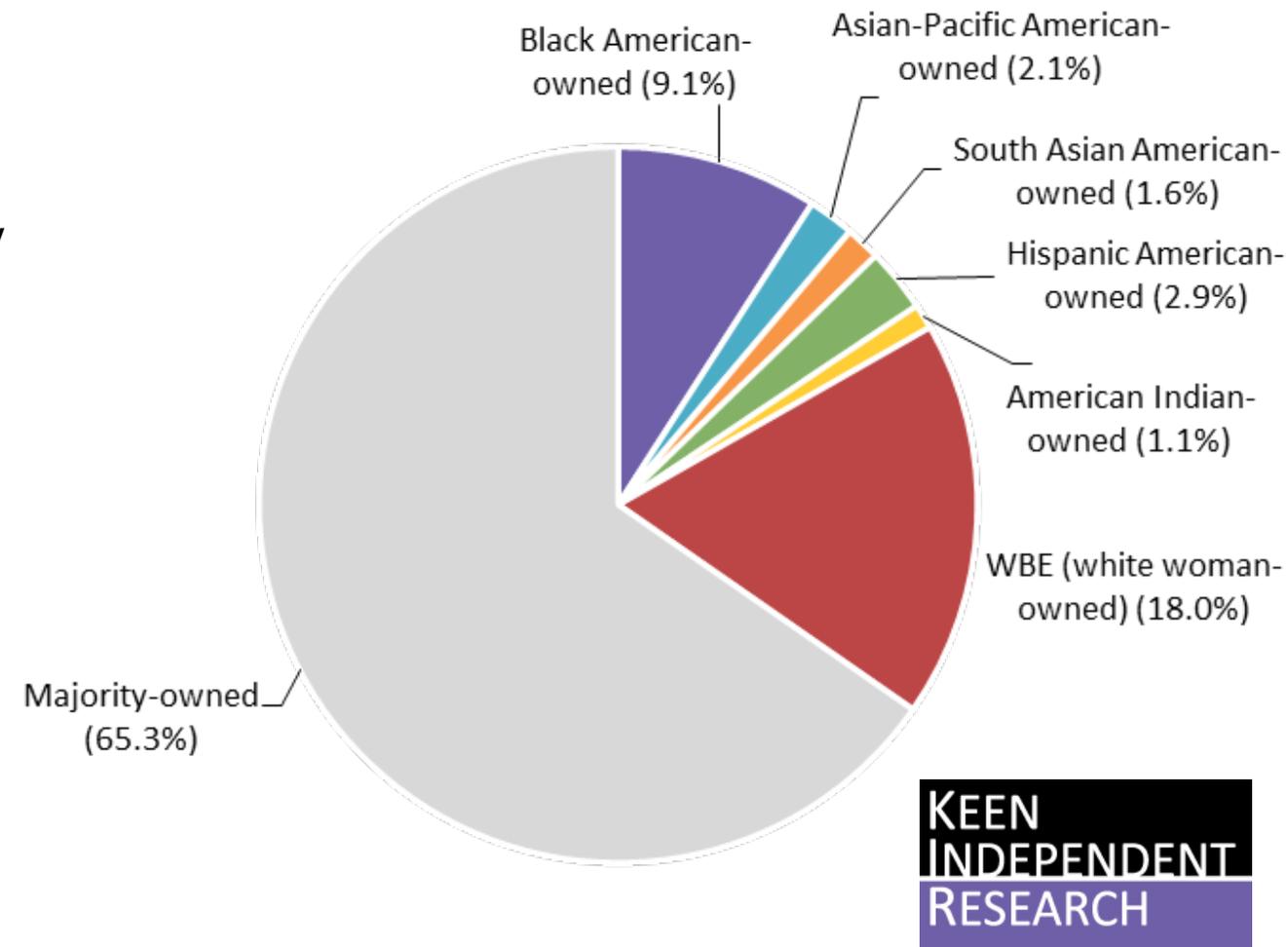
Successfully contacted about 33% of firms with working phone numbers



Headcount availability (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

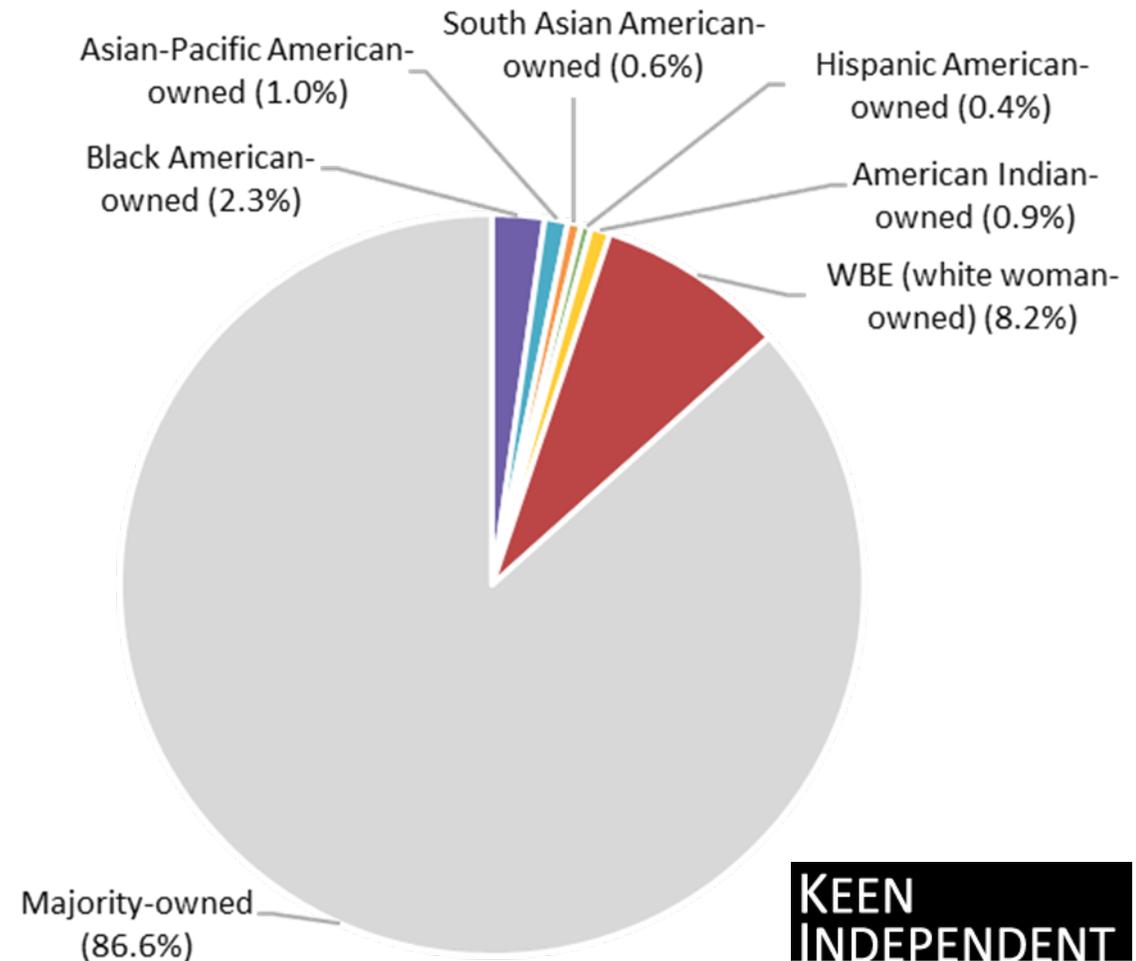


Weighted availability for Met Council contracts

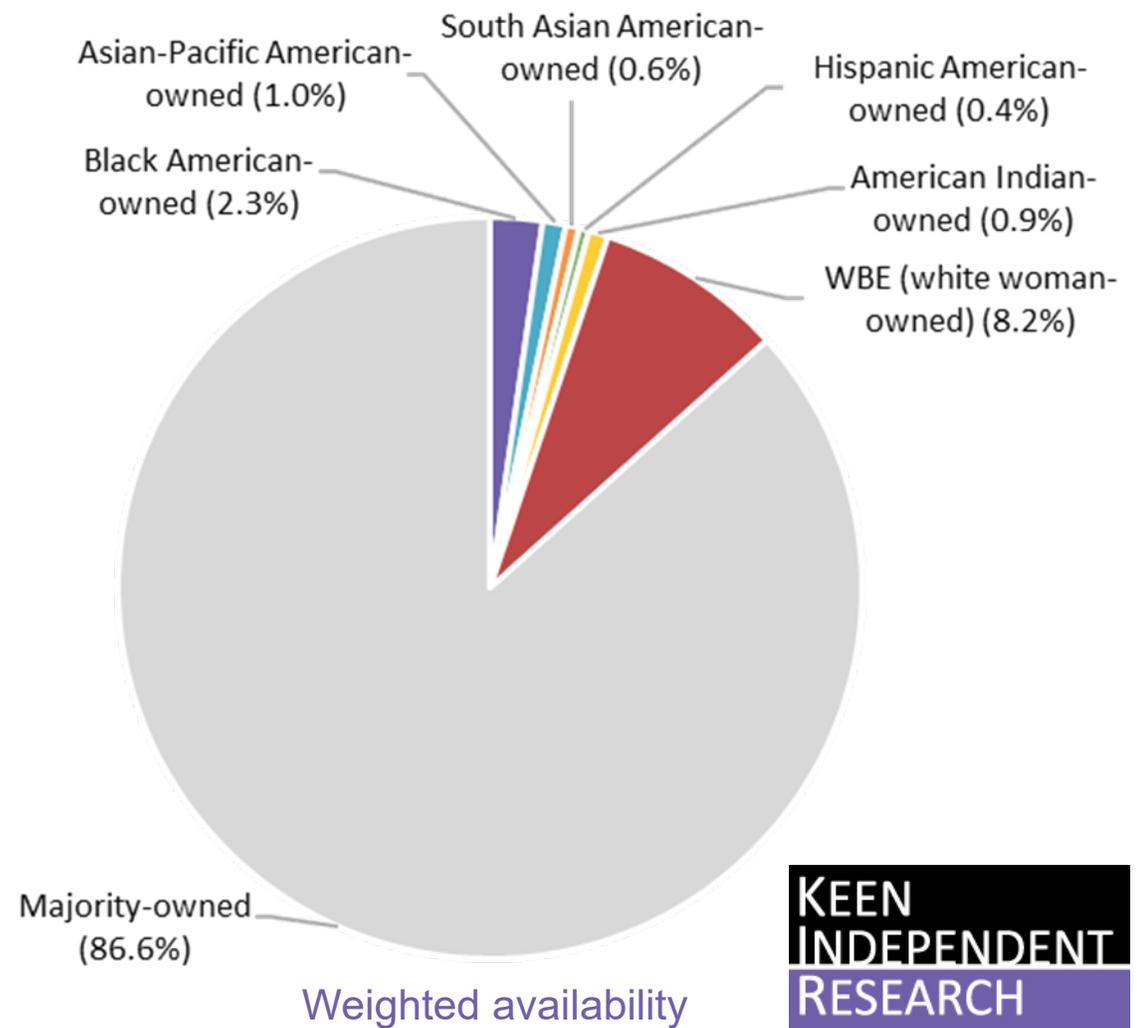
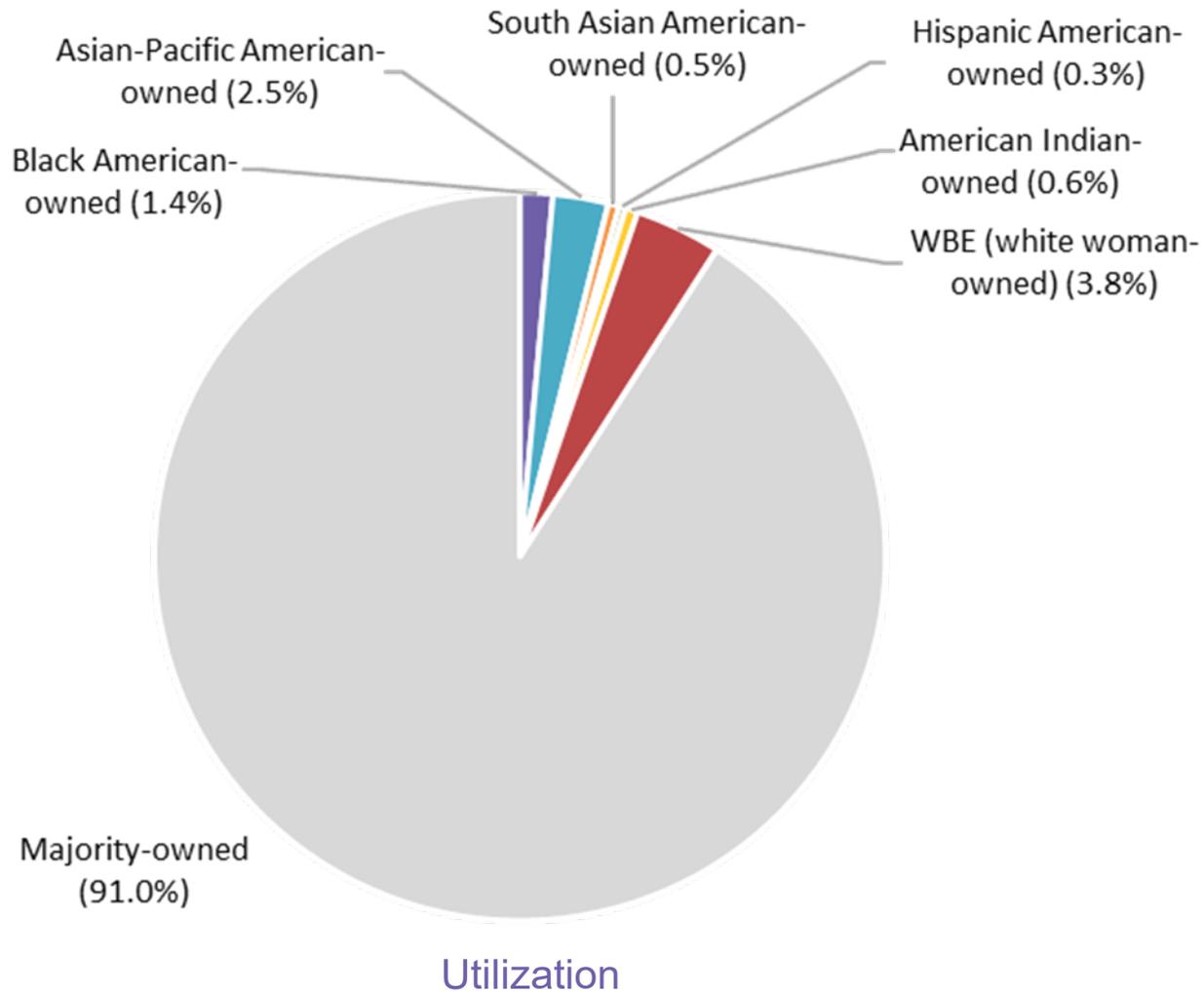
Not all available firms equally available for all types, sizes, locations of contracts

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 Met Council contracts, FY2017–FY2023



Disparity results — All Met Council contracts

All contracts and subcontracts (FY2017–FY2023)

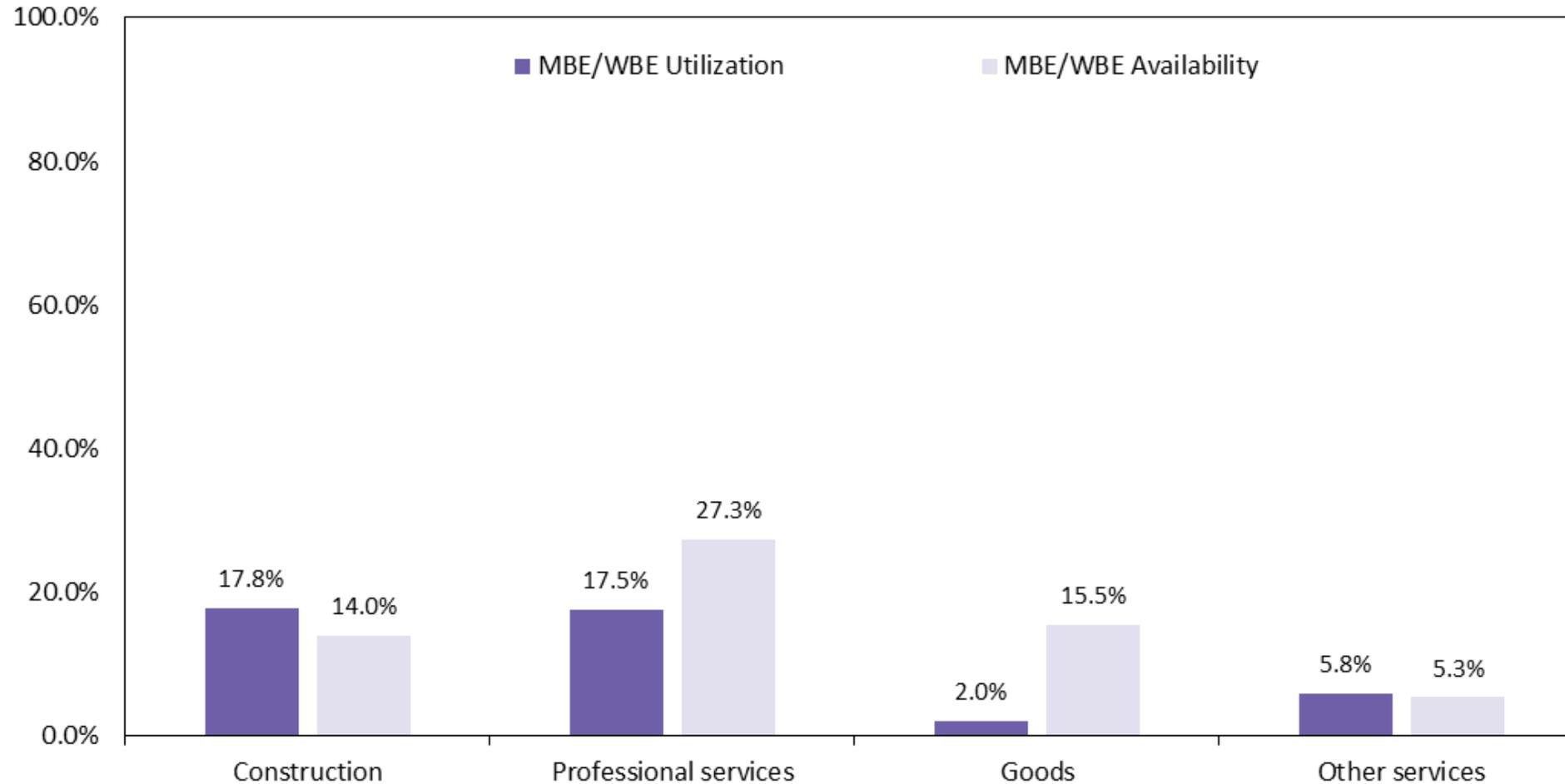
	Utilization	Availability	Disparity index
Black American-owned	1.44 %	2.27 %	64
Asian-Pacific American-owned	2.45	1.00	200+
South Asian American-owned	0.49	0.59	83
Hispanic American-owned	0.29	0.43	68
American Indian-owned	0.55	0.85	65
Total MBE	<u>5.23 %</u>	<u>5.14 %</u>	102
WBE (white woman-owned)	<u>3.82</u>	<u>8.22</u>	46
Total MBE/WBE	9.04 %	13.37 %	68
Majority-owned	<u>90.96</u>	<u>86.63</u>	105
Total	100.00 %	100.00 %	

Disparity index

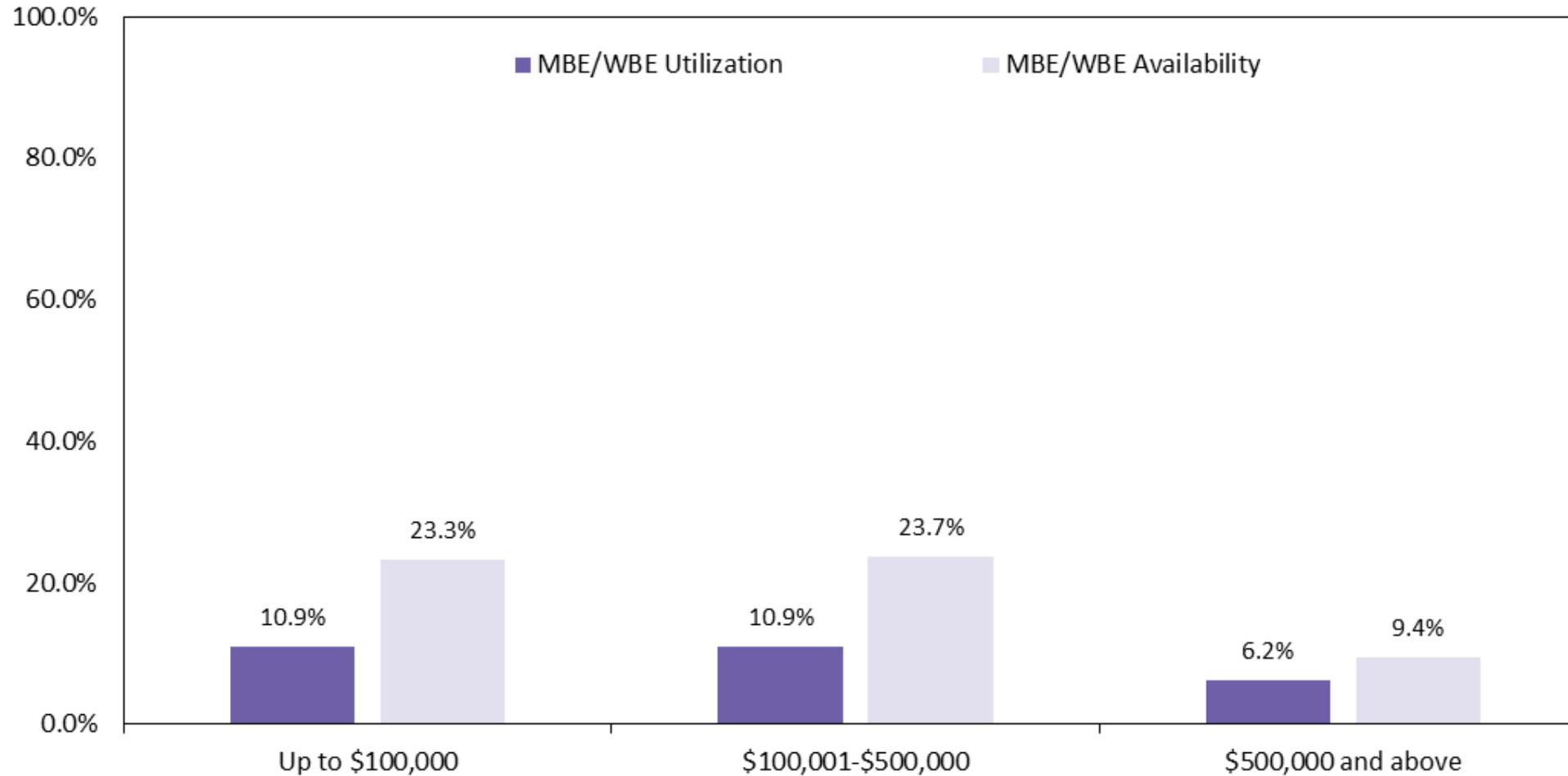
$$\frac{\% \text{ utilization} \times 100}{\% \text{ availability}}$$

Disparity indices below 80 considered “substantial”

Utilization/availability by industry, July 2017–June 2023



Utilization/availability by contract size, 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

Disparity analysis for combined contracts for 16 entities

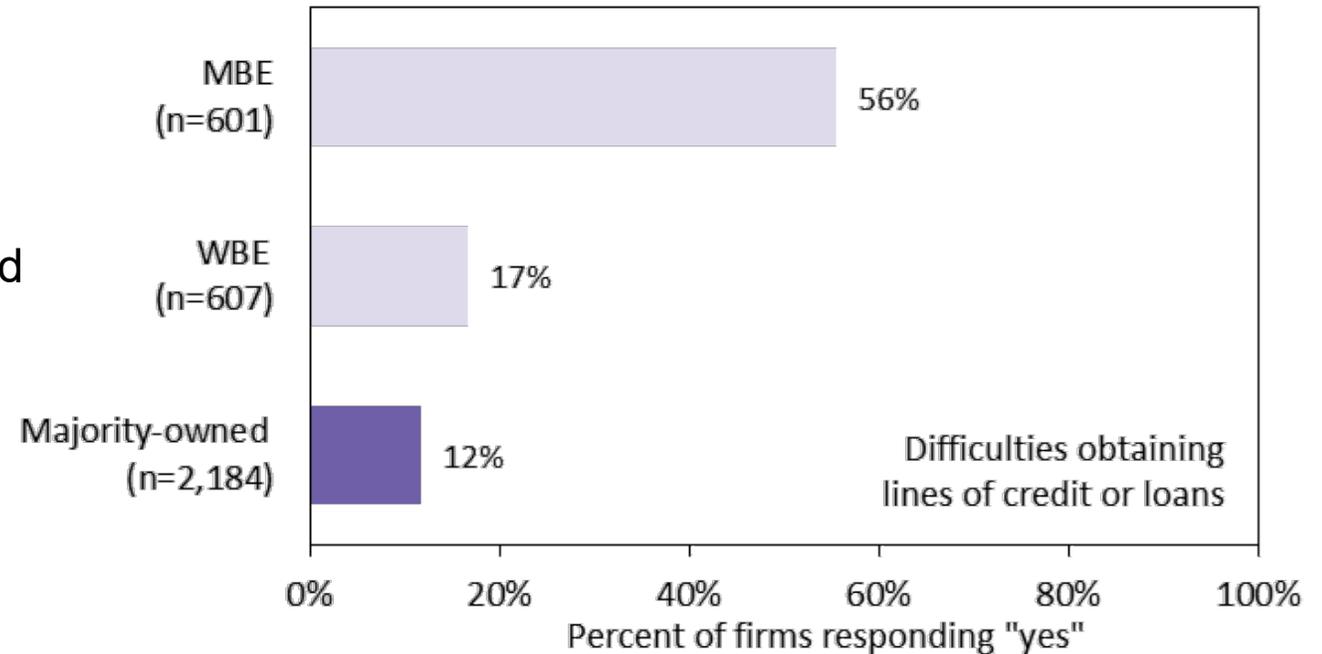
All contracts and subcontracts (FY2017–FY2023)

	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	9.09 %	22.35 %	41
Majority-owned	90.91	77.65	117
Total	100.00 %	100.00 %	

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



Themes from anecdotal data collection and analysis

- 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. MCUB Program includes many of the available tools (contract goals, direct purchases, sheltered market solicitations and 6% evaluation preference)
2. MBE/WBE share of Met Council contracts (9%) increased since last study (was 6% for 2011-2016)
3. 62% of contract dollars going to small businesses
4. No disparity for MBEs overall for Met Council (shows effectiveness of current programs)
5. Still a pattern of underutilization of WBEs in Met Council contracts (3.8% WBE utilization vs. 8.2% availability)
6. Disparities and other evidence of race/gender discrimination identified in marketplace

Conclusions

7. There are opportunities for improvement:
 - a. Hennepin County doubled its share of dollars going to MBE/WBEs since 2011–2016 (11% to 23%)
 - b. Direct select and sheltered market tools are impactful if able to apply to larger purchases
 - c. Legal requirements in Eighth Circuit regarding MBE/WBE programs have not changed — when shown to be needed and narrowly tailored, can be defended

Recommendations — Overview

1. Clearly communicate objectives of actions: (a) small business/economic development and (b) remedial action to address effects of discrimination against individual business owners and firms
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 (can start small and grow efforts over time)
6. Provide resources to effectively operate program

Study schedule — June through July 2025

June 2025

In-person External Stakeholder
Group meeting

Admin press release and
distribution of draft final reports
(June 24)

First virtual public forums

July 2025

Virtual presentations to
elected officials if needed

Virtual public forums

Receipt of public comments
(due by July 18)

Final reports