



Disparity Study

Introduction & Summary

Disparity Study Conducted by:

Griffin & Strong, PC

Introduction and Summary by:

Commission on Human Rights & Opportunities

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“It is found and determined that there is a serious need to help small contractors, minority business enterprises, nonprofit organizations and individuals with disabilities to be considered for and awarded state contracts for the purchase of goods and services, public works contracts, municipal public works contracts and contracts for quasi-public agency projects. Accordingly, the necessity of awarding such contracts in compliance with the provisions of this section... for advancement of the public benefit and good, is declared as a matter of legislative determination.”

-Connecticut General Statutes Section 4a-60g(b)(1)

The language above comes from the statute establishing the Small and Minority Owned Business Set Aside Program in the State of Connecticut. Since the 1970's, this program has ensured responsible use of Connecticut's tax dollars by fostering fairness in state contracts. It does so by ensuring that small businesses and businesses owned by individuals who have been historically excluded from state contracting on account of their race, gender, or disability* (M/WBEs) have

a fair and equitable chance at working with government. By removing barriers to participation and requiring that contractors who work on state projects make good faith efforts to include small and minority owned businesses in their contracting practices, the program ensures that state funding goes to the lowest qualified bidder, regardless of their background.

*Businesses owned by persons with disabilities were not included in the study as there is no constitutional requirement to have a study supporting a program that benefits them.

SBEs

Small Business Enterprise that has its principal place of business in CT and is federally registered as a small business.



M/WBEs

An SBE that is owned and operated by a member of a minority group or a woman.*

*Persons with disabilities are also included in the definition but were not a part of the study as there is not the same constitutional requirement.

What is a Disparity Study?

In order to ensure that the program is effective and targeted, the State of Connecticut has conducted a Disparity Study that looks to see whether there continue to be signs that contracting dollars are going to certain groups and excluding others. A study of this kind is complex in practice, but the idea is simple: a list of all contractors in Connecticut who are available, interested, and able to work on state contracts is assembled. Contractors on that list are then identified as a small business or a business owned by a racial minority, a woman, or a person with a disability. Then the study looked at state contracting dollars and which contractors they were awarded to. If one group received a higher percentage of state contracting dollars than their proportion of the available contractors, that can indicate that that group was favored over others.

If a group received a lower percentage of state contracting dollars than their available percentage, then that can indicate that there were barriers preventing that group from being able to contract with the state. If the disparity between these two numbers was large enough, courts have found that the government can take action to remove those barriers based on race, gender, or ability.

$$\text{Disparity} = \frac{\text{Who the contracts were awarded to}}{\text{Who was available to work on the contracts}}$$



Process of the Study

In June 2021, the Connecticut General Assembly ordered that a Disparity Study be conducted to determine whether the state has achieved “the goal of facilitating the participation in state contracts of small and minority business enterprises.” After the issuance of a Request for Proposals, Griffin & Strong, P.C. were chosen from among the bidders to conduct the study to evaluate whether there were continuing disparities in state contracting according to court-tested, rigorous methodologies. After years of examination, the outcome of that study is this report.

Working with information provided by the Commission on Human Rights and

Opportunities (CHRO), the Department of Administrative Services (DAS), and the Office of Policy and Management (OPM), Griffin and Strong looked at state contracts for construction, architecture and engineering, professional services, other services, and goods for the period of 2017 to 2021. Public hearings were held and surveys conducted in order to hear from people in each industry about their experiences with state contracting.

What has been found is that there continue to be significant disparities in who was awarded state contracts and who was not.



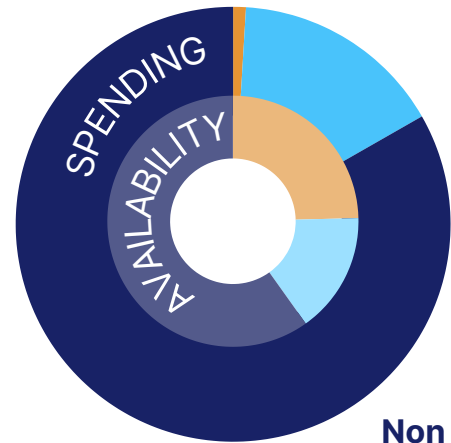
Key Findings

In **construction**, there were 4,297 firms identified as available to work on state contracts. Of those, about 40% are M/WBEs. During the time period of the study, a total of over \$544 million tax dollars were spent on construction contracts where the contract was for less than \$1 million. These are contracts we would expect to be most open to smaller businesses due to their size and yet only \$91 million of that amount went to M/WBEs, or 16.7%. Firms owned by Black Americans were only awarded 0.57% of construction contracts valued at less than \$1 million.

Construction Contracts > \$1 Million

All Nonwomen MBEs
0.95% of spending
24.6% of contractors

Nonminority Women
15.79% of spending
15.55% of contractors

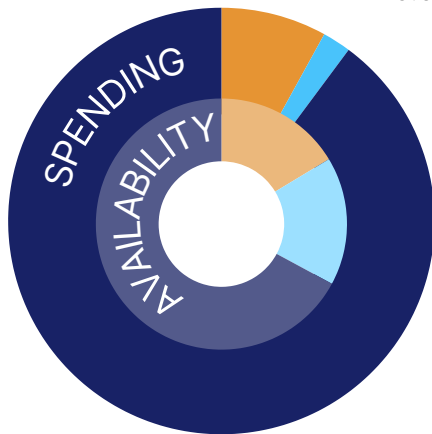


Non M/WBEs
83.26% of spending
59.86% of contractors

Architectural and Engineering Contracts > \$1 Million

All Nonwomen MBEs
8% of spending
16.36% of contractors

Nonminority Women
2.2% of spending
16.52% of contractors



Non M/WBEs
89.8% of spending
67.12% of contractors

For **architectural and engineering** contracts, there were 660 firms identified as available to work on state contracts, 33% of which are M/WBEs. Over the course of the study, there was \$146 million in state contracts awarded. Only 10.2% of these tax dollars went to M/WBE firms.

Key Findings

For **professional service** contracts, there were 1,239 firms identified as available to work on state contracts, 36% of which are M/WBEs. Over the course of the study, there was \$344 million in state contract awards for professional service contracts valued at less than \$1 million. M/WBE firms were awarded 2% of that amount. The highest percentage of these tax dollars went to firms owned by Hispanic Americans at only 1.21%.

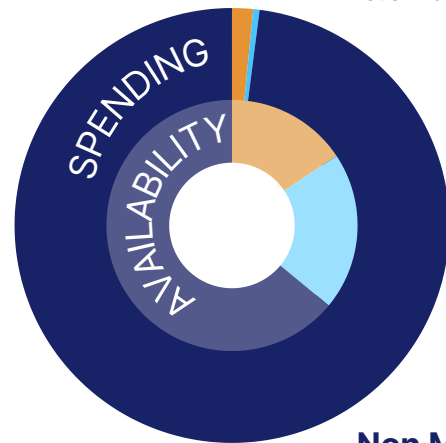
Professional Service Contracts > \$1 Million

All Nonwomen MBEs

1.56% of spending
15.66% of contractors

Nonminority Women

0.47% of spending
20.34% of contractors



Non M/WBEs
97.97% of spending
64% of contractors

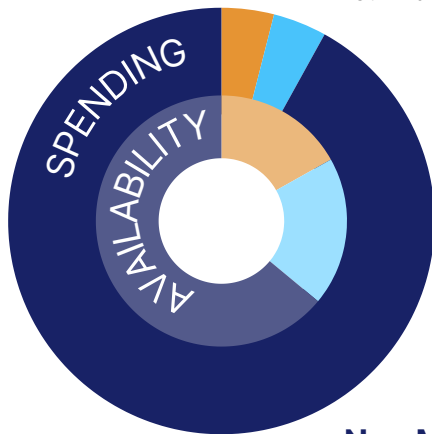
Other Services Contracts > \$1 Million

All Nonwomen MBEs

3.97% of spending
16.86% of contractors

Nonminority Women

4.07% of spending
19.17% of contractors



Non M/WBEs
91.96% of spending
63.97% of contractors

For **service contracts other than those above**, there were 6,541 firms identified, 36% of which were owned by M/WBEs. Of the \$676 million in tax dollars spent on these contracts valued at less than \$1 million each, only 8% went to M/WBEs. Firms owned by nonminority Women were awarded 4% of these contracts while constituting 19% of available firms.

Key Findings

There were 2,541 firms available to provide **goods** to the state of Connecticut, 27.8% of which were owned by M/WBEs. Despite making up over a quarter of available firms, M/WBEs were only awarded 3.5% of the \$569 million worth of contracts for less than \$1 million that the state awarded during the study’s time period. Firms owned by Black Americans made up 5.4% of the available firms. They were awarded 0.02% of the contract values.

For **health and human services** contracts, there were 766 firms identified, 21% of which were M/WBEs. Out of \$473 million in contracts for less than \$1 million, only 1.67% went to M/WBEs.

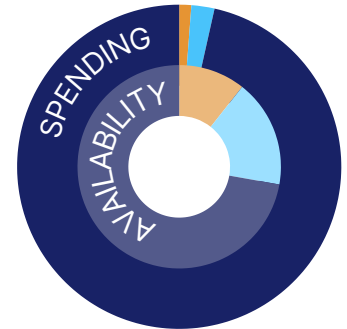
Finally, for **financial and investment** contracts, there were 229 available firms identified, 44% of which were M/WBEs. For contracts valued at less than \$1 million, there was \$23 million tax dollars spent during the time period of the study. M/WBEs were awarded 9.4% of this amount. Excluding non-minority women owned firms drops that to 1.13%.

This study finds that there were significant disparities between who was available and who was awarded work on state contracts in every industry examined.

Goods Contracts > \$1 Million

All Nonwomen MBEs
1.20% of spending
10.63% of contractors

Nonminority Women
2.30% of spending
17.16% of contractors

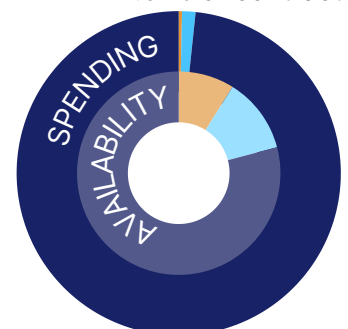


Non M/WBEs
96.50% of spending
72.22% of contractors

Health and Human Services Contracts > \$1 Million

All Nonwomen MBEs
0.33% of spending
8.88% of contractors

Nonminority Women
1.34% of spending
12.01% of contractors

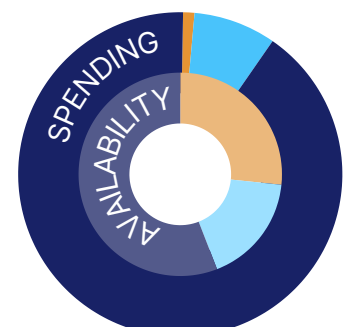


Non M/WBEs
98.33% of spending
79.11% of contractors

Financial and Investment Contracts > \$1 Million

All Nonwomen MBEs
1.13% of spending
26.64% of contractors

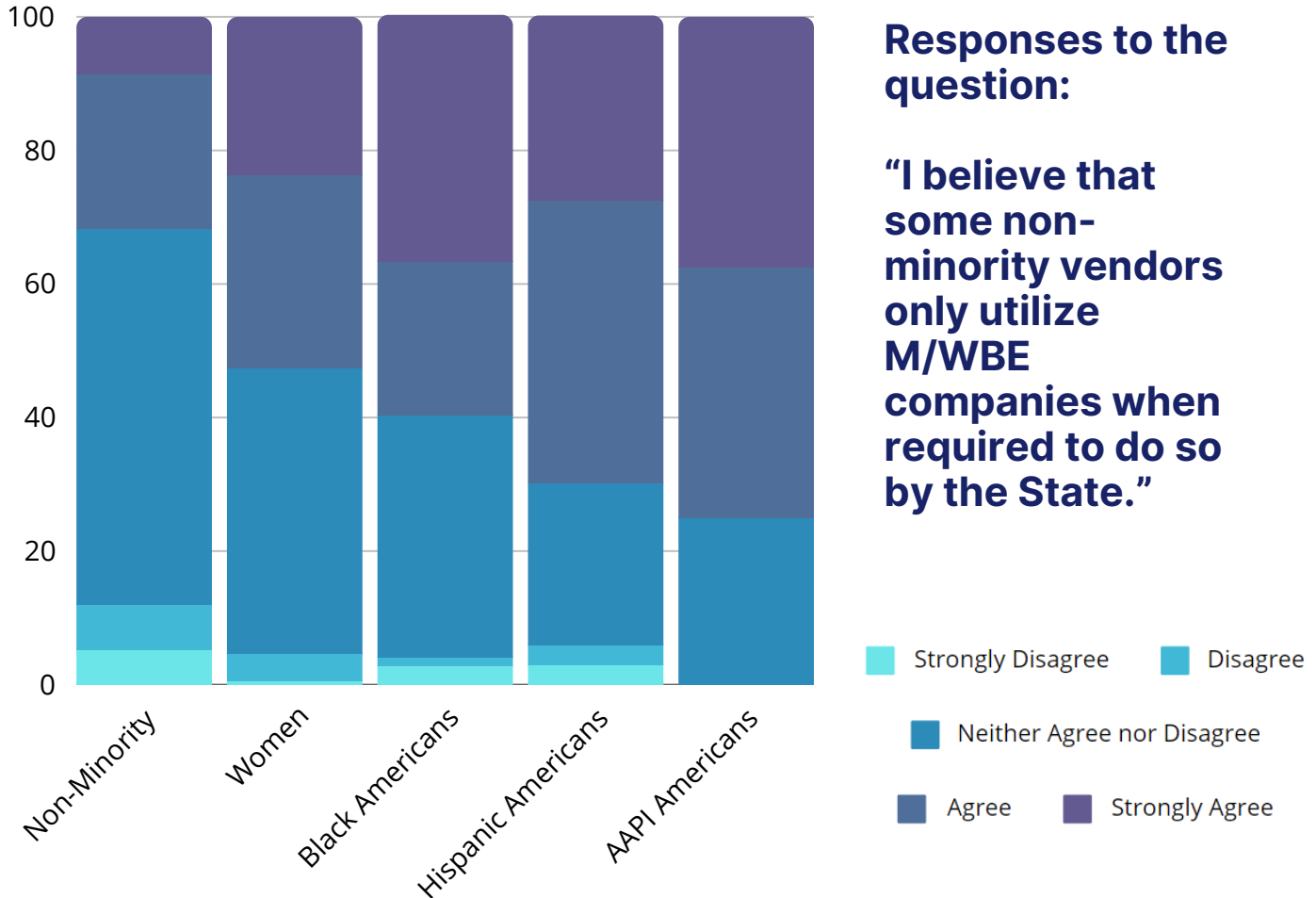
Nonminority Women
8.24% of spending
17.47% of contractors



Non M/WBEs
90.63% of spending
55.90% of contractors

Causality

What this study did not find is the exact reason behind the disparities. Some of the disparities may be the result of intentional, direct discrimination. We believe more, though, are likely to be the result of benign or banal processes that have the effect of exclusion even though no one has the intent to cause that outcome. For example, it is understandable that a purchasing agent will want to work with a company that they have worked with in the past and that has produced quality work. If they only go to the same company time and again, however, the effect is that no other companies are given an opportunity. A newcomer may be able to offer the same goods or services at a higher quality and a lower price. When those vendors or contractors all come from the same networks of people from similar backgrounds and experiences, the effect is to exclude contractors who are not from that group even though there is no intention to discriminate.



What we can do

This report found that whole groups of vendors were not given an opportunity to contract with the State of Connecticut. No one person caused this problem but it is the duty of all of us to fix it. Based on the study's conclusions along with an examination of the current statutes, regulations, and processes, the CHRO is recommending a series of commonsense solutions to ensure that no one faces a barrier to contracting with the state because of who they are or where they come from.

1 Adopt Project Specific Goals

First and foremost is to move to project-specific goals. Under the current system, agencies must set a static goal for contracting with small and minority-owned businesses. This system encourages participation but does not take into account that each project is unique and the opportunities for inclusion for each project are unique. We are recommending that goals for inclusion be set according to the specific requirements of a project. If a project needs plumbers and there are only four that are available in one part of the state, then that project will have different goals than a project in a different part of the state where there might be ten that are available. Narrowly tailoring the project goals to the specific industries the project needs and how many M/WBEs are available in the area will mean a more effective program overall.

2 Require Periodic Reassessment of the Program

Pursuant to recent caselaw and industry practices, another change is to include a requirement that a new disparity study be conducted after five to seven years before the program is reauthorized. This ensures the program is guided by real world data to test its efficacy over time. As new data becomes available, new goals can be set.

3 Modernize Data Collection

To that end, the CHRO is recommending an overhaul of the state's data collection mechanisms. By digitizing the contract compliance process and ensuring robust data collection processes are in place, we will be able to implement even more tailored approaches where they are warranted and phase out those that are not.

Work with Us

The Commission on Human Rights and Opportunities is dedicated to eliminating discrimination in the State of Connecticut. By removing barriers to fair competition, Connecticut can uplift local businesses, strengthen its economy, and ensure every tax dollar delivers value and equity. With this report's findings and a commitment to action, we can create a contracting system that benefits all.



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