



# **A Disparity Study for the Indiana Gaming Commission**

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**Prepared for the Indiana Gaming Commission  
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# EXECUTIVE SUMMARY

Many cities and states have undertaken disparity studies seeking to evaluate their contracting and purchasing practices and determine the degree to which all “ready, willing, and able” firms equally compete for public sector contracts. These evaluations became common in 1989 when, in the City of Richmond v. J.A. Croson Company, the U.S. Supreme Court ruled that the city of Richmond had “*failed to demonstrate a compelling interest in apportioning public contracting opportunities on the basis of race.*” The prescribed remedy in the Croson ruling involved conducting a disparity study.

In general terms, a disparity study estimates an expected or potential level of public expenditures with minority-owned businesses (MBE) and women-owned businesses (WBE). The estimated potential level of minority business is based on the proportion of all “ready, willing, and able” vendors designated as MBE or WBE and is known as *capacity*. Once the potential or expected share of MBE and WBE business is estimated, it is then compared with the public agency’s actual MBE and WBE expenditures. The actual expenditures are commonly referred to as *utilization*. The difference between the expected and actual expenditures is the *disparity*.

This disparity study of Indiana’s riverboat casinos is unique in that it seeks to estimate capacity, measure utilization, and calculate disparity (or lack thereof) of the contracting and purchasing practices of ten privately owned, publicly licensed riverboat casinos in Indiana. While many types of goods and services are consumed by government and the riverboat casinos (e.g., construction, office supplies), these privately-owned riverboat casinos do purchase a set of goods and services that are directly related to gaming and would not be purchased by any governmental

unit. Additionally, the riverboat casinos are not subject to the same set of bid and purchase rules as state and local governments. As a result, the approach used to estimate capacity for these private sector firms is somewhat different from disparity studies undertaken to evaluate the contracting and spending patterns of state or local government.

It is important to note that there are a variety of commonly used methods to estimate capacity and measure utilization. Furthermore, the method used to estimate capacity and measure utilization affects the degree of disparity. While the primary purpose of this study is to define disparity, the study may also be used to further our understanding of MBE and WBE capacity and utilization. We suggest that increasing capacity and utilization are as important a goal as decreasing disparity, and that all three measures should be monitored consistently over time. Therefore, the estimate of capacity and measure of utilization used in this study must be replicable by any potential future disparity study vendor. We believe that the methods used to estimate capacity and measure utilization used in this study provide the most accurate interpretation of available information while requiring the lowest level of personal judgment and interpretation. These measures will provide the opportunity for different vendors to undertake future studies, while assuring the ability to monitor changes in capacity and utilization over time and across multiple studies.

**The capacity estimate in this analysis is based on data from multiple sources.**

First, we collected data from the ten riverboats, including:

- firms that are currently contracted to provide goods and services,



- firms that have in the past three years provided the riverboats with goods or services, and
- firms that have bid for or otherwise expressed interest in doing business with riverboats, but failed to successfully obtain riverboat casino contracts.

The riverboat specific data were augmented by vendor lists collected from state (Indiana) and local governments (counties with riverboat casinos and the city of Indianapolis<sup>1</sup>). Finally, in an effort to ensure that any firm, MBE, WBE or other, which believed it was “ready, willing, and able” to do business with one or more of the riverboat casinos was counted, four outreach meetings were organized and conducted by Engaging Solutions. These meetings were held during the summer of 2006 in Lawrenceville, Evansville, East Chicago, and Indianapolis.

**The utilization analysis in this study is based on actual expenditures made by the ten riverboat casinos between January 1, 2003, and December 31, 2005.**

## Findings

In December 1997, the Urban Institute released a study summarizing the methodologies used and findings of 58 disparity studies. The Urban Institute found “substantial disparities between the share of contract dollars received by minority-owned firms and the share of all firms that they represent.” Based on the 58 disparity studies included in the Urban Institute’s analysis, MBEs, on average received only 57 cents for every dollar they would be expected to receive.<sup>2</sup> After separating all contracts into four broad industry groups (construction, procurement of supplies, professional services, and other services), the Urban

Institute found disparity for all categories except construction subcontracting (in which very little disparity was found).

Similarly, the most recent disparity studies completed for the state of Indiana and the city of Indianapolis found disparity. The Center for Urban Policy and the Environment conducted a disparity study for the city of Indianapolis in 2005 and found disparity existed in all four industry groups (construction, procurement of goods, professional services, and other services) for both MBE and WBE.<sup>3</sup> The state’s most recent analysis was completed in June 2006 and found that “disparity exists for MBE and WBE prime and sub-contractors across industry classifications and fiscal years.”<sup>4</sup>

**Our findings for the Indiana Gaming Commission found a monetary disparity in only one (construction) of the four industry groups for both the MBE and WBE vendor categories (see Table 1). While there was approximately \$2.4 million less spent with MBE construction vendors and \$20 million less spent with WBE construction vendors, in total across all four categories, MBE firms received \$11 million more than might have been expected, and WBE firms received approximately \$50 million more than might have been expected. The lack of monetary disparity occurred in spite of the fact that 546 less MBE vendors were utilized than might have been expected and that WBE vendors were underutilized in all industry groups except procurement. The absence of monetary disparity, in spite of an under utilization of vendors, is explained by a dramatic difference in average contract amounts. For example, the average MBE vendor expenditure (annual) for an MBE construction vendor was just over \$1.2 million compared to an average non-MBE/WBE average expenditure of nearly \$450,000.**

<sup>1</sup>While many units of local government provided their vendor lists, a few did not.

<sup>2</sup>The Urban Institute. (1997, December). *Do Minority-Owned Businesses Get a Fair Share of Government Contracts?* Washington D.C., Executive Summary, p. 1.

<sup>3</sup>The report for the city of Indianapolis was completed by the same author as this report. Much of the material in the overview of disparity report findings and methodology of this report is taken from the Indianapolis work. The Center for Urban Policy and the Environment. (2005, January). *A Disparity Analysis for City of Indianapolis Expenditures between January 1, 1999, and October 4, 2002*. Indianapolis, IN, p. 3.

<sup>4</sup>Bucher and Christian. (2006 June). *Statistical Analysis of Utilization of State Contracts for the State of Indiana*.



**Table 1: Summary of Disparity by Industry Group**

<b>FIRMS</b>					
	<b>Construction</b>	<b>Procurement</b>	<b>Professional Services</b>	<b>Other Services</b>	<b>Totals</b>
MBE Capacity	113	532	205	569	1,419
WBE Capacity	53	323	143	349	867
MBE Utilization	44	417	96	123	680
WBE Utilization	32	660	92	131	915
MBE Disparity	-69	-115	-109	-253	-545
WBE Disparity	-21	337	-51	2	268

<b>UTILIZATION</b>					
	<b>Construction</b>	<b>Procurement</b>	<b>Professional Services</b>	<b>Other Services</b>	<b>Totals</b>
MBE Capacity	\$56,434,706	\$18,807,446	\$13,719,535	\$7,644,515	\$96,606,201
WBE Capacity	\$26,507,211	\$11,401,405	\$9,565,914	\$4,684,421	\$52,158,950
MBE Utilization	\$54,046,038	\$106,717,819	\$24,678,860	\$30,433,937	\$215,876,654
WBE Utilization	\$6,409,708	\$64,112,884	\$13,195,519	\$18,439,533	\$102,157,645
MBE Disparity	-\$2,388,668	\$87,910,373	\$10,959,325	\$22,789,423	\$119,270,453
WBE Disparity	-\$20,097,502	\$52,711,479	\$3,629,605	\$13,755,113	\$49,998,694

<b>TOTAL OVER/UNDER UTILIZATION</b>					
MBE Firms	-545				
WBE Firms	268				
MBE \$	\$119,270,453				
WBE \$	\$49,998,694				

*NOTE: Shaded cells represent non-disparity.*







# PART 1: AN OVERVIEW OF DISPARITY ANALYSES

In 1989, in *City of Richmond v. J.A. Croson Company*, the U.S. Supreme Court ruled that the city of Richmond had “*failed to demonstrate a compelling interest in apportioning contracting opportunities on the basis of race.*” Since that ruling, many cities and states have evaluated their public sector contracting and purchasing practices. Disparity studies have emerged as a common approach used in these evaluations. In general terms, a disparity study estimates a predicted level of potential public expenditures with minority-owned enterprises (MBE) and women-owned enterprises (WBE). The estimated level of potential minority business is then compared with the organization’s actual MBE and WBE expenditures. The difference between the estimated and actual expenditures is the disparity.

Three key terms in any disparity analysis are *capacity*, *utilization*, and *disparity*. Their definitions are as follows:

1. The estimated amount of potential MBE and WBE expenditures, based on the proportion of minority and women owned businesses that are identified as ready, willing, and able to compete for business in the local market, is known as *capacity*.
2. The amount of actual MBE and WBE expenditures made by or contracts entered into by the subject of the study is known as *utilization*.
3. The difference between capacity and utilization is called *disparity*. A statistical analysis is used to determine whether disparity is within an acceptable margin of error or is likely a result of practices that prevent minority and women owned enterprises from gaining their estimated potential share of local business.

In December 1997, the Urban Institute released a study summarizing the methodologies and findings of 58 disparity studies. The Urban Institute found “*substantial disparities between the share of contract dollars received by minority-owned firms and the share of all firms that they represent.*” Based on the 58 disparity studies included in the Urban Institute’s analysis, MBEs, on average, received only 57 cents for every dollar they would be expected to receive.<sup>5</sup> After separating all contracts into four broad industry groups (construction, procurement of supplies, professional services, and other services), the Urban Institute found disparity for all categories except construction subcontracting (in which very little disparity was found).

Similarly, the most recent disparity studies completed for the state of Indiana and the city of Indianapolis found disparity. The Center for Urban Policy and the Environment (Center) conducted a disparity study for the city of Indianapolis in 2005 and found disparity in all four industry groups (construction, procurement of goods, professional services, and other services) for both MBE and WBE.<sup>6</sup> The state’s most recent analysis was completed in June 2006 and found that *disparity exists for MBE and WBE prime and sub-contractors across industry classifications and fiscal years.*<sup>7</sup>

<sup>5</sup>The Urban Institute. (1997 December). *Do Minority-Owned Businesses Get a Fair Share of Government Contracts?* Washington D.C. Executive Summary, p. 1.

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<sup>7</sup>Bucher and Christian. (2006 June). *Statistical Analysis of Utilization of State Contracts for the State of Indiana*.





## **PART 2: METHODOLOGY OVERVIEW**

The Urban Institute's review of multiple disparity studies found that analysts use many different approaches to define capacity, utilization, and disparity. In the studies reviewed by the Urban Institute, estimates of capacity were based on a variety of data sources ranging from the use of the U.S. Census Bureau's Survey of Minority-Owned Business Enterprises (most inclusive) to information about firms that had previously contracted with the government entity for whom the analysis was done (least inclusive).

Each capacity, and to a lesser extent utilization definition, has strengths and weakness, and most require a degree of interpretation or judgment on the part of those doing the analysis. Most importantly, the method used to estimate capacity affects the disparity findings of the study. For this reason, the most critical part of any disparity analysis is the method used to define and determine capacity. While the primary purpose of this study is to estimate capacity, define utilization, and measure disparity, a second and equally important goal is to establish a consistent method of analysis that can be replicated in future studies.

A consistent and replicable analytical approach has two advantages. First, changes over time (in multiple study periods) in capacity can be compared fairly. Consistent measures over time will help us determine if Indiana's riverboats are undertaking efforts to attract greater numbers of MBE and WBE firms ready, willing, and able to do business with them. The change in capacity or number of these MBE and WBE firms is a critical number that is not typically tracked by other disparity studies. The second advantage of an easily replicable method is that the Indiana Gaming Commission will maintain the option of selecting a

different consultant firm for its next disparity study, while preserving consistency in comparisons over time.

### **Capacity and Utilization Definitions**

Because there are many methods available to estimate capacity and the method used to estimate capacity affects the degree of disparity, it is essential that representatives of all parties interested in and affected by the results of the disparity study understand and accept as reasonable the method used to estimate capacity. To assure that the method used to estimate capacity and all other decisions were made in a transparent fashion, the Indiana Gaming Commission created a Disparity Study Advisory Group. The Advisory Group included individuals from the public sector, as well as individuals representing MBE, WBE, non-MBE/WBE firms competing for riverboat casino contracts, and the riverboat casinos.<sup>8</sup>

After careful consideration of the different methods discussed in the Urban Institute's analysis which ranged from the most inclusive definition of all firms identified in the Census to the least inclusive definition of only firms that have done business with one or more of Indiana's riverboat casinos, the Advisory Group agreed that capacity be defined as the total number of firms that expressed being ready, willing, and able by:

1. Currently providing goods and services to Indiana's riverboat casinos.
2. Having in the past (January 1, 2003 to December 31, 2005) provided Indiana's riverboats with goods or services.
3. Having bid for or otherwise expressed interest in doing business with

<sup>8</sup>The Disparity Study Advisory Group members are identified in Attachment 1.



Indiana's riverboats but failed to successfully obtain riverboat casino contracts by asking to be included on at least one riverboat casino vendor list.

4. The riverboat specific data (listed above in 1-3) was augmented by vendor lists collected from the state of Indiana, city of Indianapolis, and local governments in the counties with riverboat casinos.<sup>9</sup>
5. Finally, at the request of the Advisory Group in an effort to assure that any and all firms, MBE, WBE or other, that believed they were ready, willing, and able to do business with one or more of the riverboat casinos, were assured they had the opportunity to express their interest in doing so, four outreach meetings were held. These meetings were held during the summer of 2006 in Lawrenceville, Evansville, East Chicago, and Indianapolis.

The utilization measure used in this study was also accepted by the Advisory

Group. Utilization in this analysis is based on actual expenditures made by Indiana's riverboat casinos between January 1, 2003 and December 31, 2005.<sup>10</sup> Expenditure data were used rather than contracted amounts because it was available and reflects actual (rather than intended) expenditures made. In the sections of the report dedicated to utilization and capacity, we provide more details about the methods and logic used to determine capacity and utilization.

After the completion of the quantitative disparity analysis, a series of interviews with business and casino industry representatives were conducted. In total, Engaging Solutions conducted 21 interviews: nineteen (19) businesses, one (1) casino (Grand Victoria in Rising Sun, Indiana), and Mike Smith of the Indiana Casino Association. The interviews were designed to help the researchers discover any historical and/or current practices that may lead to disparity as well as identify issues that if addressed can improve performance. The results of these interviews are included in Attachment 2.

<sup>9</sup>While many units of local government provided their vendor lists, a few did not.

<sup>10</sup>Because of ownership changes two years of data from one riverboat casino was not reported and as a result is not included in the study.



## PART 3: UTILIZATION FINDINGS

The actual payments made to MBE, WBE, and non-MBE/WBE vendors for contracts entered into by the subject of the studies are known as utilization.

The utilization analysis in this study is based on actual expenditures made by Indiana's riverboat casinos between January 1, 2003, and December 31, 2005. The data were provided by the riverboat casinos to the Indiana Gaming Commission where they were organized and audited prior to being transmitted to the Center for analysis. The transaction data included the identification of an industry group (construction, professional services, other services, general procurement (supplies), vendor name, transaction amount, and MBE/WBE status.

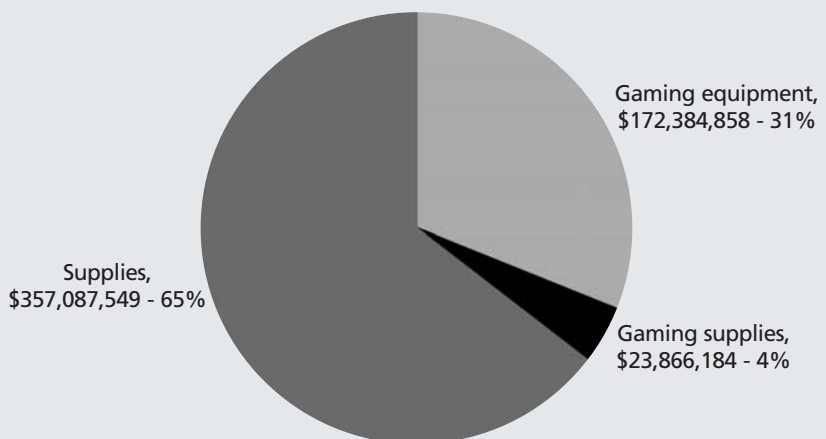
### Comparing City of Indianapolis, State of Indiana, and Riverboat Casino Utilization

There are two important differences in the purchasing behavior of Indiana's riverboat casinos and that of the city of Indianapolis and the state of Indiana.<sup>11</sup> The first important difference is that Indiana's riverboat casinos purchase a set of goods that directly support gaming and are not typically purchased by units of

government. These unique gaming-related goods range from slot machines and other electronic gaming devices to alcohol. The second important difference is that the riverboat casinos spend a higher share of total expenditures on services and a much lower share on construction.

In utilization analysis of government expenditures, there are typically three to four industry groups (construction, procurement, professional services, and other services). In this analysis of riverboat casino expenditures, after discussion with the Advisory Group, it was decided to consider two additional industry groups. The gaming-related supplies industry group was designed to capture supplies that would not typically be purchased by state or local government but would be used by the gaming industry. Examples of gaming-related supplies are alcohol and tobacco products, food products, and other items that would not be purchased with public tax dollars. The gaming-related equipment industry group was designed to capture electronic gaming devices (such as slot machines), cards, poker chips, and other items directly-related to gaming. Figure 1 displays the *reported* amount and share of procurement purchases attributable to the

Figure 1: Procurement Purchases by Industry Group



<sup>11</sup>The spending analysis of the city and state are based on data contained in the previously referenced disparity/utilization analyses.



three procurement-related industry groups. However, the auditing process uncovered inconsistencies in the identification of goods to be placed in the gaming-related categories. As a result, the procurement category, for the purposes of estimating capacity of firms and expenditures, in this study is comprised of all procurement purchases except \$102.5 million made with electronic gaming device (EGD) providers (as no MBE or WBE EGD vendors have been licensed by the IGC).<sup>12</sup> Total procurement purchases, including EGDs, during the study period exceeded \$553 million. The \$102.5 million of EGDs is included in the summary of historical utilization (in the gaming equipment category).

When the utilization practices of Indiana's ten riverboat casinos is compared to that of the city of Indianapolis and the state of Indiana, it is clear that the riverboat casinos spend their money in a different manner than these two government entities. As shown in Figure 2, the riverboat casinos spend a

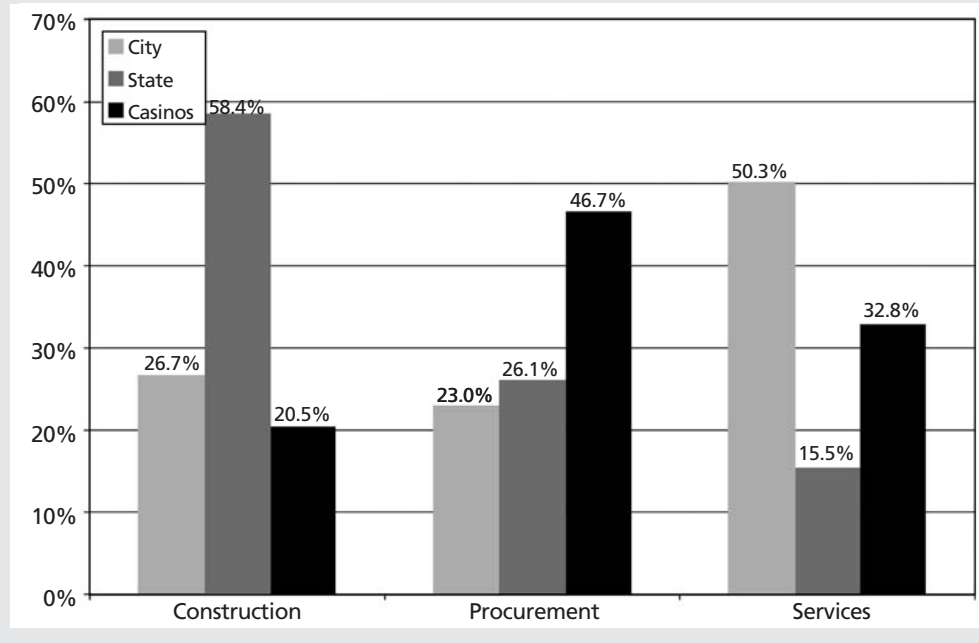
much higher share on procurement of goods and supplies (and a correspondingly lower share on services and construction) than does either the city or the state.<sup>13</sup> This expenditure difference is important to remember as MBE and WBE capacity varies by utilization category and as a result, the different spending patterns may affect overall utilization and disparity.

## Overall Utilization

As shown in Figure 3, collectively, Indiana's riverboat casinos made nearly \$1.2 billion in total expenditures during the study period. Nearly \$216 million or 18 percent were made with MBE vendors, and over \$102 million or 9 percent were made with WBE vendors.

As with disparity studies of local or state governments, not all vendors who would qualify for MBE or WBE status apply for certification, and to the degree that they do not apply, the data would under count MBE/WBE expenditures. In an effort to address the concern that not

Figure 2: Share of Total Utilization by Category

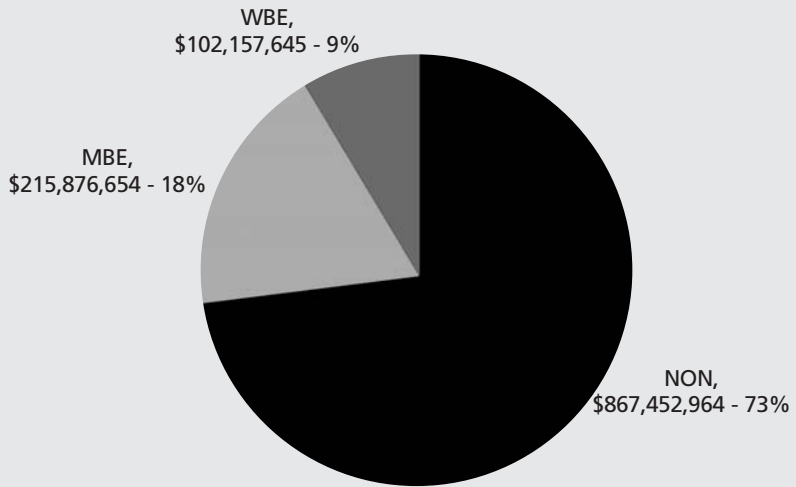


<sup>12</sup>It is recommended that the riverboat casinos and the IGC work together to identify a consistent method to identify and report the gaming specific supply purchases, in great part because these vendors are not typically found on any public sector vendor list. It is also suggested that EGD spending continue to be tracked in a separate category in all future capacity analyses.

<sup>13</sup>The state analysis was limited to the three categories of construction, procurement, and services. As a result, city and riverboat casino expenditures were aggregated into the same three categories for this comparison.



**Figure 3: Total Expenditures by Vendor Type, January 1, 2003 to December 31, 2005**



all MBE and WBE vendors had been certified, we compared the casino vendor data with the certification data provided by the local governments and the certification list provided by the city of Indianapolis. If the vendor was certified on any of the lists, they were classified as MBE or WBE.

### **MBE Utilization**

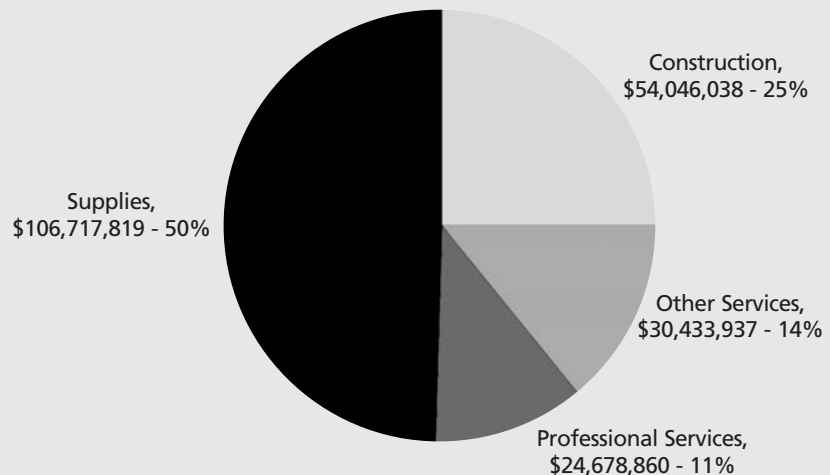
Half of all expenditures made by Indiana's riverboats with MBE vendors were for supplies (over \$106 million). Figure 4 displays spending in each of the four industry groups. The riverboat casinos reported that they collectively

spent slightly over \$200,000 on gaming-related supplies and equipment with MBE vendors (these expenditures are included in the supplies industry group).

### **WBE Utilization**

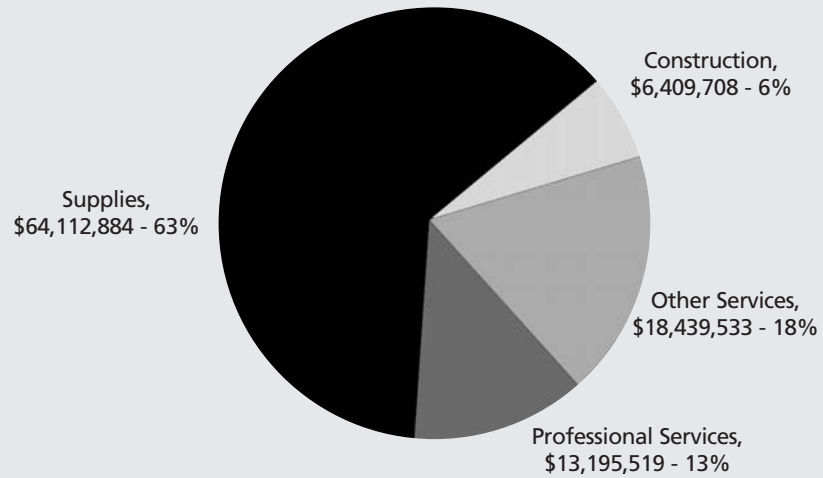
In comparison to MBE expenditures, supply expenditures composed an even greater share of total WBE expenditures (63 percent). The riverboat casinos reported approximately \$1.2 million in gaming-related equipment and supply expenditures (included in supply industry group). The other noticeable difference between MBE and WBE expenditures is the construction industry group, where only 6

**Figure 4: Total MBE Expenditures by Industry Group, January 1, 2003 to December 31, 2005**





**Figure 5: Total WBE Expenditures by Industry Group, January 1, 2003 to December 31, 2005**



percent of all WBE expenditures were directed toward construction (compared to 25 percent of MBE). Total WBE expenditures exceeded \$102 million (Figure 5).

### Annual Utilization

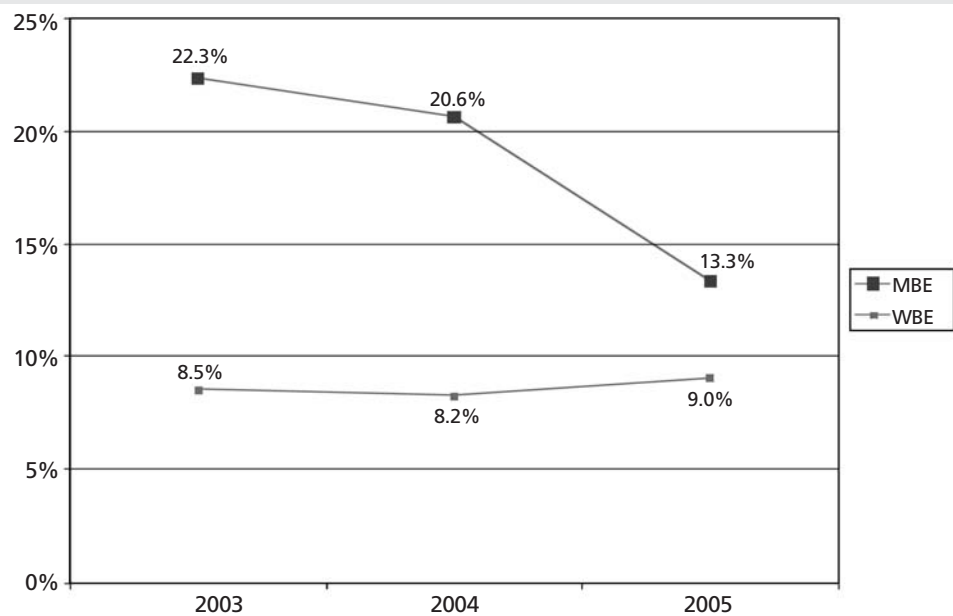
Figure 6 displays the annual percentage of MBE and WBE expenditures made collectively by Indiana’s riverboat casinos. During the study period, MBE expenditures as a share of total expenditures declined from 22.3 percent in

2003 to 13.3 percent in 2005. WBE expenditures remained consistent during the study period, ranging from 8.5 percent to 9.0 percent.

### Construction Utilization

During the study period, Indiana’s riverboat casinos spent nearly \$243 million on construction; this equaled 21 percent of all riverboat casino expenditures. Indiana’s riverboat casinos spent \$54 million or 22 percent of all

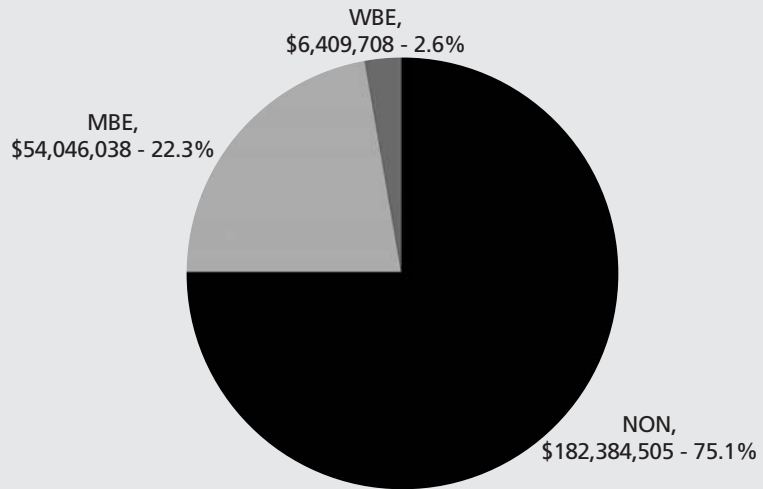
**Figure 6: Share of Total Utilization by Category**







**Figure 7: Total Construction Spending, January 1, 2003 to December 31, 2005**



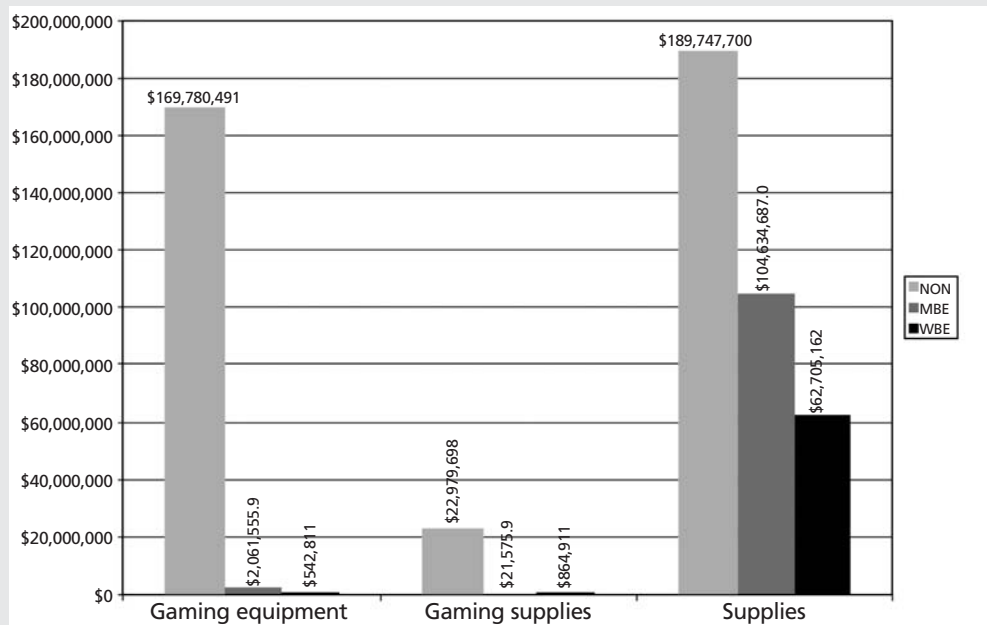
construction-related expenditures with MBE firms and 3 percent with WBE firms (Figure 7). As might be recalled, Indiana’s riverboat casinos spent a much lower share of their total expenditures on construction than did either the city of Indianapolis or the state of Indiana (see Figure 2). It must be noted that construction of a new vessel must be undertaken by a mariner licensed construction firm, for which there appear to be no MBE/WBE options. It is recommended that new vessel

construction be treated as a unique category in future analysis.<sup>14</sup>

### Procurement/Supplies Utilization

The group of ready, willing, and able firms interested in competing for riverboat casino procurement and supply contracts is likely to be much different than the groups competing for city and state contracts. Typically, in disparity analyses performed for units of government, procurement expenditures are for the

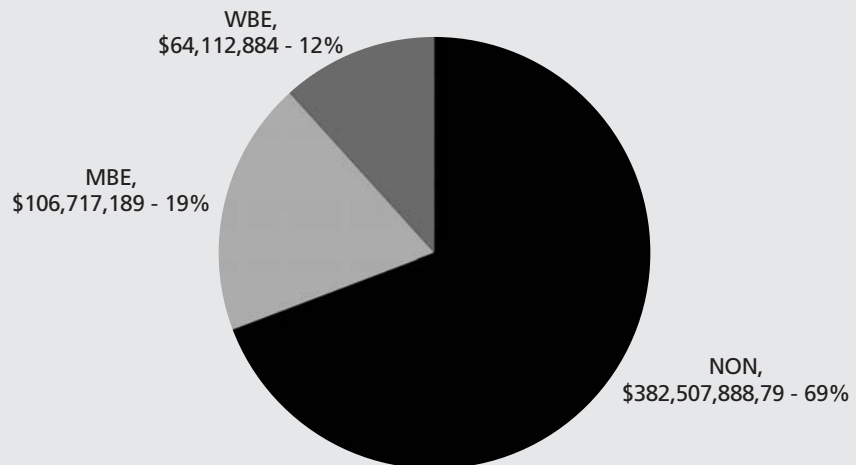
**Figure 8: Reported Spending by Procurement/Supplies Category**



<sup>14</sup>It is also recommended that the boats be required to report construction contracts in greater detail with particular attention paid to the use of subcontractors.



Figure 9: Total Procurement Spending, January 1, 2003 to December 31, 2005



purchase of consumable and durable goods and supplies such as furniture, office equipment, and cleaning equipment. In addition, to these supplies, Indiana's riverboat casinos purchase gaming-related supplies that would not be purchased by local units of government (such as gaming devices and alcohol).

During the study period, Indiana's riverboat casino's spent over \$553 million on supplies. Figure 8 displays the pattern of supply utilization when supply spending is disaggregated into three purchase types (as reported by the riverboat casinos). While it is obvious that MBE and WBE utilization in the gaming equipment and gaming supply categories is very low (in part because of the absence of MBE and WBE vendors), inconsistency in defining gaming-related equipment and supplies resulted in these expenditures being aggregated into the overall supply category. Figure 8 displays procurement/supplies expenditures as reported by the riverboat casinos, including \$102.5 million spent on electronic gaming devices (for which there are no MBE vendors licensed by the IGC) as part of the gaming equipment category.<sup>15</sup>

Figure 9 shows that the aggregate spending by Indiana's riverboat casinos with MBE firms was nearly \$107 million. Spending with WBE firms exceeded \$64 million (12 percent).

In the city of Indianapolis disparity analysis, the procurement industry group experienced the lowest share of MBE (0.7 percent) and WBE (0.8 percent) expenditures. Similarly, the state's recent utilization analysis found 2.8 percent of all supplies purchased to be made with MBE vendors and 0.61 percent to be made with WBE vendors. In contrast, riverboat casinos made 19 percent of all supply purchases with MBE procurement/supply firms and 12 percent with WBE firms.

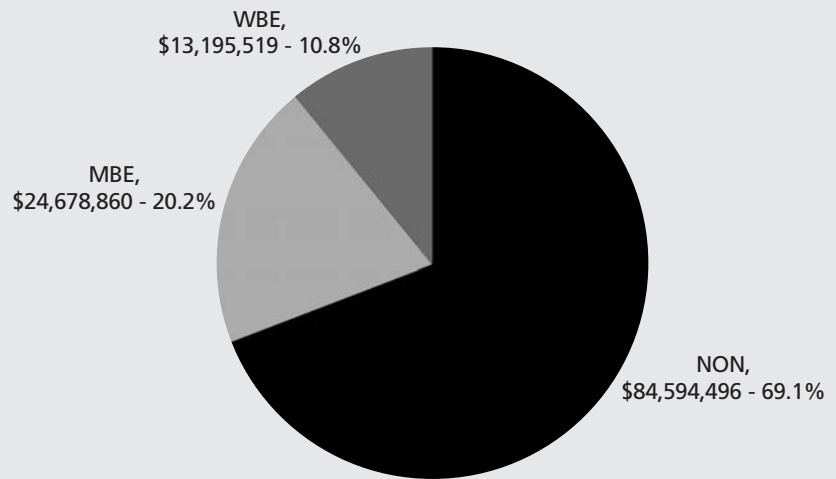
## Professional Services Utilization

Professional services include work done by legal and financial firms, data management, and other information-based vendors, as well as other degree-based services. As shown in Figure 10, between January 1, 2003, and December 31, 2005, Indiana's riverboat casinos spent \$24 million (20 percent) with MBE firms and \$13 million or 11 percent with WBE vendors.

<sup>15</sup>It is recommended that consistent definitions of gaming supplies and gaming equipment be adopted and that the expenditure tracking system adjusted to permit the accurate reporting and analysis of these two unique expenditure categories.



**Figure 10: Total Professional Services Spending, January 1, 2003, to December 31, 2005**

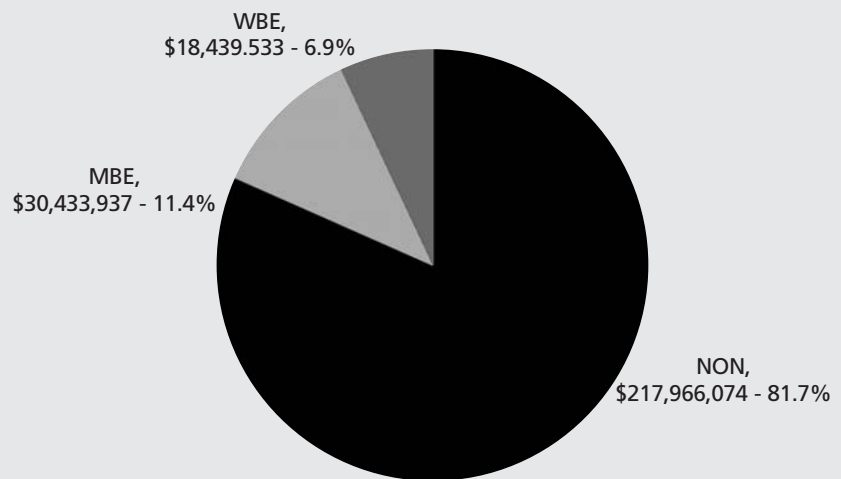


### Other Services Utilization

*Other services* include non-degree services such as automotive repair, heating and cooling maintenance, janitorial services, and other labor-based service provision. The other services category represented 23

percent of all expenditures by Indiana's riverboat casinos. The other services industry group experienced the lowest share of MBE expenditures with MBE firms receiving 11 percent of all other service expenditures (Figure 11).

**Figure 11: Total Other Services Spending, January 1, 2003, to December 31, 2005**







## PART 4: CAPACITY

Capacity is the measure of the total number of MBE and WBE firms that are available to compete for riverboat casino contracts/expenditures. The Urban Institute determined that “Different studies employ different, and sometimes multiple measures of availability...there is no ‘best’ way to define which firms are available to perform government (or in this case casino) contracting work, although the choice of measure can affect the findings.”<sup>16</sup>

The Urban Institute’s review of capacity studies determined that the five most common sources of data for defining capacity or availability are:

- Firms that have previously contracted with government [casinos],
- Firms that have previously bid on government [casino] contracts,
- Firms that have been certified by government [casino] units,
- Firms that have responded to surveys conducted for the study, and
- All firms.

Each of these methods has strengths and weaknesses. The most important issue is the tradeoff between the **precision necessary to identify firms that are willing and able** to compete and the **broadness needed to be inclusive** enough to account for any past and present discrimination that may have affected the ability and willingness of MBE and WBE firms to compete for contracts. “The more narrowly a measure screens for capacity, the more prior discrimination it builds in.”<sup>17</sup>

The Urban Institute researchers suggest that if capacity is defined as all firms (by using Census data), then, while there is the broadest effort to address past and present discrimination, there is

also the likelihood that an unknown number of firms that are not ready, willing, or able to compete for a contract would be included in the study.

Furthermore, the survey data include all who file a tax return indicating that they are self-employed, regardless of the share of income they earned while self-employed. Many of these self-employed individuals are unlikely to have the desire or the capacity to compete for riverboat casino contracts. Thus, using the Census measure would overstate the capacity or availability of MBE and WBE firms to compete for riverboat contracts and result in an overstated degree of disparity.

On the other hand, the method of counting only firms that have done, are currently doing, or are registered with one or more of Indiana’s riverboat casinos as being interested in doing business with them is likely to under-represent the number of MBE and WBE businesses that are ready, willing, and able to do business with the Indiana riverboats.

While there is no perfect measure of capacity, it is important to recognize and balance the notion that while some methods may be over inclusive because they assume that every willing and ready firm is an able business, other methods may be under inclusive in that they do not take into account those firms that do not exist, but would have been in business but for discrimination. As mentioned earlier, a primary goal of this study is to identify the methodology that provides the best information with the least amount of judgment or interpretation. A key factor in enabling consistent replication is that the method for judging capacity requires the least possible amount of human interpretation. This provides an opportunity for different vendors to undertake a disparity

<sup>16</sup>Enchautegui, M.E., Fix, M., Loprest, P., von der Lippe, S.C., & Wissoker, D. (1997 December). Do Minority-Owned Businesses Get a Fair Share of Government Contracts? P. 11. The Urban Institute, Washington DC. Retrieved December 18, 2006, from the Urban Institute Web site at [www.urban.org/UploadedPDF/DMOBGFGSGC.pdf](http://www.urban.org/UploadedPDF/DMOBGFGSGC.pdf)  
<sup>17</sup>Ibid, p. 12.



study in the future and lets them measure changes in capacity and utilization consistently over time.

Researchers and the Advisory Group considered many factors (including previous disparity experiences, the degree of judgment needed in various capacity measures, and the unique fact that riverboats represent private firms rather than public entities) in determining the method used to estimate capacity in the study. For the purposes of this study, capacity is measured as the number of vendors that have notified the riverboats that they are ready, willing, and able by either doing or having done business with the riverboat casino in the past three years (the study period) or having notified the riverboats that the firm is ready, willing, and able by asking to be notified of contracting opportunities. Additionally, it was decided that the riverboat lists would be complemented with public sector data requested from the city/town and county in which each riverboat is located as well as the state of Indiana's vendor list. Finally, since some firms might provide goods or services that would be purchased by a riverboat casino but would not be purchased by the public sector (e.g., gaming devices, alcohol) a series of outreach meetings were held in the regions where Indiana's riverboat casinos are located and in Indianapolis.

The four outreach meetings were organized and run by Engaging Solutions LLC and held during the summer of 2006 in Lawrenceburg, East Chicago, Indianapolis, and Evansville. Engaging Solutions developed an outreach plan which included working with the following organizations to be sure that the maximum number of MBE, WBE, and non-MBE/WBE vendors were aware of business opportunities with Indiana's riverboat casinos.

- IGC Disparity Study Advisory Council
- IGC
- Chambers of Commerce
- Indiana Business Diversity Council
- Indiana Black Expo (statewide chapters)
- Historically Underutilized Small Businesses
- Advocacy Organizations for Minority and Women Businesses
  - City Department of Administration relative to the counties where casinos exist
  - National Association of Women Business Owners of Indiana
  - Community Development Corporations
  - Faith Based Organizations
  - The Friday Group
  - Legislators
  - Additional contacts identified by the IGC Disparity Study Advisory Council
  - Small Business Development Centers
  - Empowerment and/or Enterprise Zones
  - Small Business Administration area offices
  - NAACP
  - Urban League
  - Indiana Department of Administration Office of Minority and Women Business Development (particularly its directory of certified businesses, and those identified in the statistical analysis currently underway)
  - Supplier Diversity Network



Additionally, Engaging Solutions worked with local media, (including print, talk radio, and public service announcements) to further publicize the opportunity for firms to express the fact they were ready, willing, and able to do business with Indiana’s riverboat casinos.

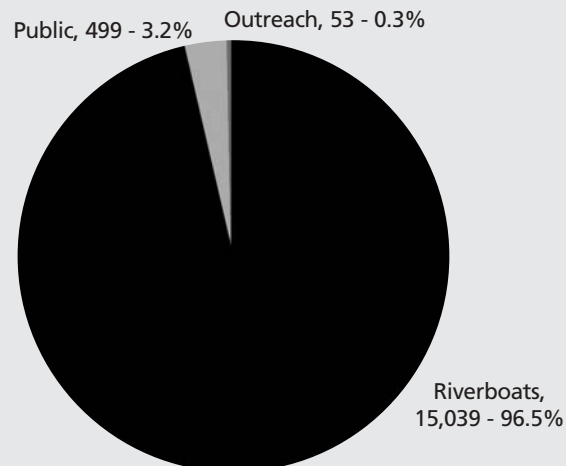
In the final analysis, there were 15,572 unique vendors included in the capacity study. This data set was built by first reviewing the riverboat casino vendor lists and purchasing history. The vast majority, 96 percent, of all vendors in the final data set were initially identified in this manner. After the riverboats casino lists were reviewed, the city, town, county, and state vendor lists were added and an additional 499 (3 percent) vendors were initially encountered on one or more of the public sector vendor lists and added to the master capacity data set. Finally, the vendors that attended one or more of the outreach meetings was merged into the master capacity data set and an additional 53 vendors (less than 1 percent) were added to the study. It is important to note that while 53 vendors attributable to the public meeting represent less than one percent of the master capacity vendor list, these 53 vendors did not appear on any of the

riverboat or public sector vendor list. In total, over 200 vendors attended the public outreach meetings, and approximately 150 of those did appear on a previously collected vendor list. To the best of our knowledge, no vendor firms are duplicates. Some firms provide more than one type of good or service and as such are included in more than one capacity estimate. Nineteen of the vendors provided by the riverboat casinos were EGD vendors and not used in the estimate of procurement capacity. Figure 12 displays the initial source of the firms included in the study.

### Construction Capacity

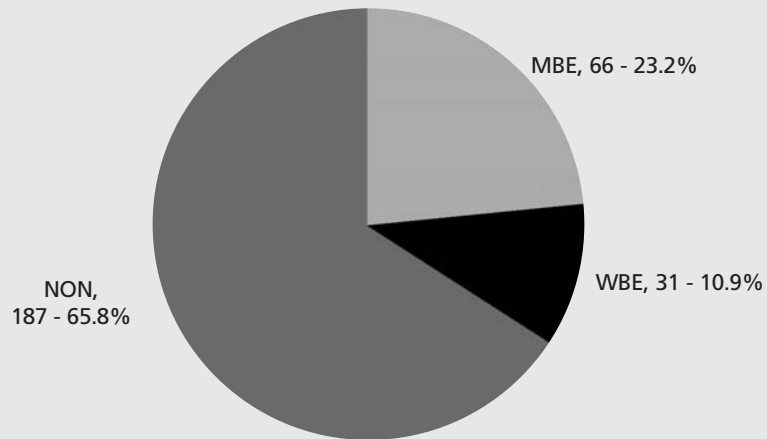
Figure 13 illustrates that, based on the data collected from the riverboats, public sector, and outreach meetings, a total of 66 MBE construction firms have expressed the interest and ability to do business with Indiana’s riverboat casinos. These MBE firms represent 23 percent of all construction firms that identified themselves as interested and able. Thirty-one (31) WBE construction companies were identified, representing 11 percent of all construction firms in the analysis.

**Figure 12: Initial Source of Firms Included in Capacity Estimate**

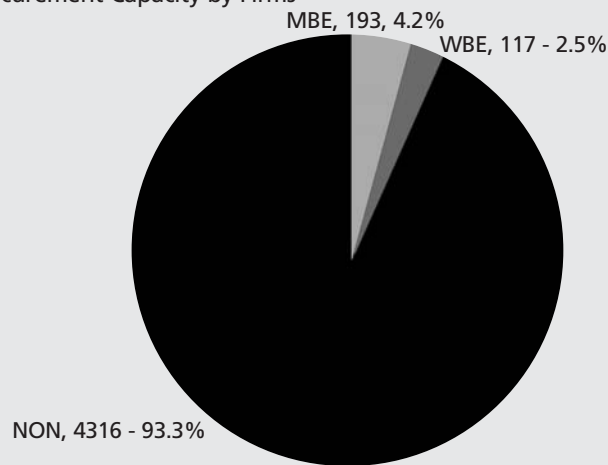




**Figure 13: Construction Capacity by Firms**



**Figure 14: Procurement Capacity by Firms**



## Procurement Capacity

Figure 14 displays the collective capacity of procurement firms including those providing gaming equipment and gaming specific supplies. Because there are no IGC licensed electronic gaming device vendors, 19 EGD vendors were not included in the analysis. There were 3 MBE firm identified and 10 WBE firms identified as providing gaming-related supplies.<sup>18</sup> MBE procurement firms comprised 4 percent of all procurement firms (193 firms) and there were 117 (3 percent) WBE procurement firms.

## Professional Services Capacity

As shown in Figure 15, researchers

identified 119 MBE professional service firms (11 percent) that expressed being ready, willing, and able by appearing in at least one of the three sources of vendor information (riverboats, public sector, outreach). There were 76 WBE professional service firms identified (8 percent).

## Other Services Capacity

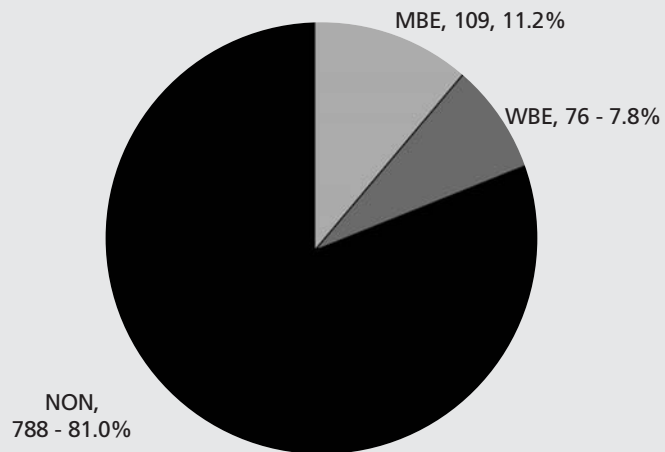
As shown in Figure 16, researchers identified 266 MBE firms (2.9 percent) that expressed an interest and ability in providing other services to Indiana's riverboat casinos. Additionally, 163 WBE firms (1.8 percent) expressed their willingness to work with Indiana's casinos.

<sup>18</sup>There appeared to be some confusion regarding the consistent identification of MBE and WBE gaming-related supply vendors. Greater attention and care is needed in identifying firms providing goods in this unique (to riverboats) category. As a result of this confusion and the fact that there are no MBE or WBE electronic gaming device vendors licensed by the IGC, all supply vendors (except electronic gaming device vendors) have been aggregated into a single supply category. As previously mentioned, a system that assures accurate reporting and tracking of these two unique expenditure categories is recommended.

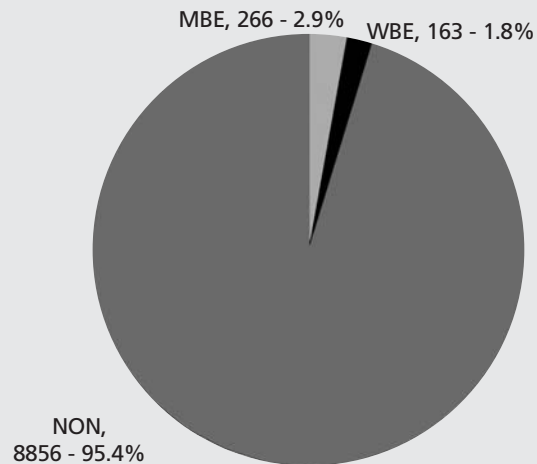




**Figure 15: Professional Service Capacity by Firms**



**Figure 16: Other Services Capacity by Firms**



## Capacity Summary

Table 2 presents a summary of the capacity estimates for all four industry groups. The percentage of MBE and WBE firms in the construction and professional services industry groups exceeds that of

the procurement and other services industry groups. It should also be noted that the two industry groups with low MBE and WBE capacity had a much higher total number of firms that have expressed the interest and ability to do business with Indiana's riverboat casinos.

**Table 2: Capacity Summary**

### CAPACITY ESTIMATES

	Total Firms	MBE	WBE	NON
Construction	284	23.2%	10.9%	65.8%
Procurement	4,626	4.2%	2.5%	93.3%
Professional Services	973	11.2%	7.8%	81.0%
Other Services	9,285	2.9%	1.8%	95.4%





## PART 5: DISPARITY DETERMINATIONS

Disparity is defined as the difference between capacity and utilization. A statistical analysis known as the Z test is used to determine whether the disparity is within an acceptable margin of error or is likely a result of discriminatory practices that prevent MBE and WBE businesses from gaining the estimated potential share of riverboat casino business.

Ideally, capacity and utilization would be identical and the disparity measure would be zero. For the purposes of a disparity study, a disparity measure of less than zero (a negative number) suggests an under utilization of MBE or WBE firms, and a disparity measure of greater than zero suggests over utilization.

This analysis presents disparity in terms of the difference in dollars estimated to be expended (estimated capacity) and actual dollars spent (utilization), as well as the difference in the estimated number of firms (estimated capacity) and the actual number of firms contracting with Indiana's riverboat casinos (utilization). As with the previous measures of utilization and capacity, the data are presented by category: construction, procurement, professional services, and other services. A summary table addressing disparity findings in all industry groups concludes this analysis.

Following are the definitions of terms and calculation methods for expenditure disparity:

- *Estimated capacity of dollars* available is calculated by determining the average amount spent per firm and then multiplying that amount by the estimated number of firms. For example, the total amount spent by Indiana's riverboat casinos on construction during the study period was \$248,631,117 and 489 total firms were

utilized. When we divide the total amount spent by Indiana's riverboat casinos by the total number of construction firms, the result is an average expenditure of \$508,448 per firm. We then multiply the average expenditure by the expected number of firms to determine the estimated dollars available. In the case of construction firms (MBE), this means that the estimated capacity of dollars available is 114 (the expected utilization of MBE firms) times \$508,448 (the average dollars spent per firm) or \$57,780,471.

- *Actual utilization of dollars* is the sum of all dollars reported as being spent by the category of firms within each industry group.
- *Actual share of dollars* expended is calculated by dividing the amount spent by category of firms by the total dollars spent in each category.
- *Estimated share of dollars* spent is calculated by dividing the estimated capacity of dollars available for each category of firms by the total dollars spent by Indiana's riverboat casinos in each category.
- *Disparity of dollars* is the difference between the expected and actual expenditures by Indiana's riverboat casinos by category of firms. As previously stated, a disparity rating of less than zero (a negative number) indicates under utilization, and a disparity rate of greater than zero indicates over utilization of firms.

The definitions of terms and calculation methods for firm disparity follow:

- *Industry group* includes any of the four categories suggested by the Urban Institute study: construction, professional services, other services, and procurement.



- *Category* is the type of firm – MBE, WBE, or non-MBE/WBE.
- *Estimated capacity of firms* for each category in an industry group is calculated by dividing the share of actual vendors by category expressing interest and ability in doing business into the total number of firms expressing interest and ability in that industry group.
- *Actual utilization of firms* in each category represents the number of firms doing business with Indiana’s riverboat communities during the study period.
- *The difference* in number of firms is calculated by subtracting the estimate capacity of firms from the actual utilization of firms. A negative number represents an under utilization of firms.
- *Actual share of firms* is calculated by dividing the number of category firms by total firms. For example, the actual share of MBE construction firms was calculated by dividing the number of MBE construction firms being utilized by the total number of construction firms utilized.
- *Expected share of firms* is calculated by dividing the expected number of firms to be utilized by the total number of firms utilized.
- *Disparity of firms* is the difference between the expected and actual share of firms. As previously stated, a disparity rating of less than zero

indicates under utilization and a disparity rate greater than zero indicates an over utilization of firms.

## Disparity of Expenditures

Disparity of expenditures (dollars) is the difference between the expected and actual expenditures made by Indiana’s riverboat casinos. A negative disparity rate represents an under utilization of MBE or WBE firms and a positive disparity rate represents an over utilization of MBE or WBE firms.

### Construction

As shown in Table 3, construction spending with MBE and WBE firms trailed expected expenditure levels. Indiana’s riverboat casinos spent over \$2.3 million less with MBE construction firms than might have been expected. WBE firms experienced a \$20 million dollar disparity.

When comparing the spending disparity rates to firm disparity rates (Table 3), data show that for MBE construction firms, the level of expenditure disparity is much lower than the firm disparity rate. The difference is primarily attributable to the fact that the average MBE construction contract was \$1,228,317 or more than twice as high as the average contract across all firms (\$499,671). Comparing the WBE firm disparity rate to the WBE disparity rate findings show that WBE spending disparity exceeds WBE firms disparity, due primarily to the fact that the average

**Table 3: Construction Spending Disparity**

	Estimated Capacity	Actual Utilization	Dollar Disparity	Estimated Capacity	Actual Utilization	Disparity Rate
MBE	\$56,434,706	\$54,046,038	-\$2,388,668	23.2%	22.3%	-1.0%
WBE	\$26,507,211	\$6,409,708	-\$20,097,502	10.9%	2.6%	-8.3%
NON	\$159,898,335	\$182,384,505	\$22,486,171	65.8%	75.1%	9.3%



WBE contract was \$200,203 or less than half the average contract across all construction firms.

It is also important to note that while construction spending trails the expected amount, the expected construction capacity is higher than capacity in any of the other industry groups. In fact, as displayed in Table 4, the only other industry group where capacity exceeds 10 percent is MBE professional services at 11 percent. One possible explanation for the higher construction capacity is the fact that the public sector studies have indicated that MBE and WBE construction firm capacity and utilization is much higher than for other industry groups and the inclusion of city and state data in this report influenced capacity. It might also be that Indiana’s riverboat casinos do a more effective job of reaching out to MBE and WBE construction firms, that there are more ready, willing, and able MBE and WBE construction firms, or that

MBE and WBE construction firms are more aggressive than those in other industry groups in seeking riverboat casino business.

**Procurement**

As shown in Table 5, riverboat casino expenditures with both MBE and WBE firms exceeded the estimated capacity. MBE procurement firms actually received nearly \$88 million more than might have been expected. The overspending of dollars with MBE firms occurred in conjunction with a -115 firm disparity (Table 9 on page 27). This seemingly contradictory finding occurred because the expenditure per firm for MBE firms (\$255,918) dramatically exceeded the average procurement expenditure of \$35,331. WBE per firm expenditures of \$97,141 were \$61,809 higher than the average for all procurement expenditures, and as a result the utilized share of WBE revenues exceeds the utilized share of WBE firms.

**Professional Services**

As shown in Table 6, there was no disparity in professional services expenditures. As with procurement, there was a disparity for MBE and WBE firms and the expenditure per firm of MBE (\$257,571) and WBE (\$143,436) both exceeded the average expenditures across all three categories of \$67,061.

**Table 4: Capacity by Industry Group and Category**

	Capacity MBE	Capacity WBE
Construction	23.2%	10.9%
Procurement	4.2%	2.5%
Professional Services	11.2%	6.9%
Other Services	2.9%	1.8%

**Table 5: Procurement Spending Disparity**

	Estimated Capacity	Actual Utilization	Difference	Estimated Capacity	Actual Utilization	Disparity Rate
MBE	\$18,807,446	\$106,717,819	\$87,910,373	4.2%	23.7%	19.5%
WBE	\$11,401,405	\$64,112,884	\$52,711,479	2.5%	14.2%	11.7%
NON	\$420,585,156	\$279,963,304	-\$140,621,852	93.3%	62.1%	-31.2%

**Table 6: Professional Service Spending Disparity**

	Estimated Capacity	Actual Utilization	Difference	Estimated Capacity	Actual Utilization	Disparity Rate
MBE	\$13,719,535	\$24,678,860	\$10,959,325	11.2%	20.2%	8.9%
WBE	\$ 9,565,914	\$13,195,519	\$3,629,605	7.8%	10.8%	3.0%
NON	\$99,183,426	\$84,594,496	-\$14,588,930	81.0%	69.1%	-11.9%



### *Other Services*

Both MBE and WBE other service firms were over utilized from a spending perspective (Table 7). As with other cases of overspending, the lack of disparity is explained by much higher levels of per firm expenditures. The average MBE contract was \$169,017 and the average WBE contract was \$69,062 compared to the average contract of \$17,673. As a result MBE firms received nearly \$23 million more than would have been expected and WBE firms received nearly \$14 million more than expected.

### **Disparity of Firms**

Disparity of firms is the difference between the expected and actual share of firms utilized by Indiana’s riverboat casinos. As previously stated, a disparity rating of less than zero indicates under utilization and a disparity rate greater than zero indicates an over utilization of firms

#### *Construction*

As shown in Table 8, MBE and WBE construction firms were under utilized during the study period. Based on the data available, it would be expected that Indiana’s riverboat casinos would have contracted with 113 MBE firms, yet only 44 MBE firms received riverboat contracts

during the study period. From a share of total firms’ perspective, it would have been expected that 23.2 percent of all construction contracts would have been with an MBE firm, whereas the actual utilization was 9.1 percent

While WBE construction firms were also under utilized, the disparity in total firms (32 less WBE firms than might have been expected) and disparity rate (-4.3 percent) were lower than MBE disparity. In part, this lower disparity is attributable to an estimated lower capacity of 53 WBE firms compared to 113 MBE firms.

#### *Procurement*

As shown in Table 9, the utilization of WBE supply firms exceeded the estimated capacity and 337 more firms were utilized than might have been expected. In fact, while it would have been expected that 532 MBE and 323 WBE firms would have been utilized, more WBE firms (660) than MBE firms (417) were actually utilized. This is the one of only two instances in the analysis where the use of WBE firms exceeded the estimated capacity. The use of MBE firms never exceeded capacity.

#### *Professional Services*

As shown in Table 10, both MBE and WBE professional service firms were under

**Table 7: Other Services Spending Disparity**

	Estimated Capacity	Actual Utilization	Difference	Estimated Capacity	Actual Utilization	Share Difference
MBE	\$7,644,515	\$30,433,937	\$22,789,423	2.9%	11.4%	8.5%
WBE	\$4,684,421	\$18,439,533	\$13,755,113	1.8%	6.9%	5.2%
NON	\$254,510,609	\$217,966,074	-\$36,544,535	95.4%	81.7%	-13.7%

**Table 8: Construction Firm Disparity**

	Estimated Capacity	Actual Utilization	Numeric Disparity	Estimated Capacity	Actual Utilization	Disparity Rate
MBE	113	44	-69	23.2%	9.1%	-14.2%
WBE	53	32	-21	10.9%	6.6%	-4.3%
NON	320	410	90	65.8%	84.4%	18.5%



utilized during the study period. While there were more MBE firms (96) utilized than WBE firms (92), the disparity rate for MBE firms was higher as a result of the greater estimated capacity.

### *Other Services*

As shown in Table 11, while MBE firms were significantly under utilized, WBE firms were utilized at virtually the same rate as was expected. While the MBE degree of disparity is relatively modest (-1.7), there were 253 fewer MBE firms utilized than might have been expected.

## **Summary**

The methodological goal of this study was to establish a consistent and easily replicable method of analysis. The establishment of a consistent method has two advantages. The first advantage is that change over time (multiple study periods) in both capacity and utilization can be determined. The second advantage is that the Indiana Gaming Commission retains

the opportunity to select a different professional services firm while still enjoying the benefit of comparing performance over time.

The key to consistency and replication is in choosing the definition of utilization and capacity that requires the least amount of interpretation and judgment while still assuring that a reasonable and fair definition of ready, willing, and able is used to determine capacity. For that reason, in this study we have defined capacity as those firms that are:

- Currently providing goods and services to Indiana’s riverboat casinos,
- Have in the past (January 1, 2003, to December 31, 2005) provided Indiana’s riverboats with goods or services, and
- Have bid for or otherwise expressed interest in doing business with Indiana riverboats but failed to successfully obtain riverboat casino contracts.

**Table 9: Procurement Firm Disparity**

	Estimated Capacity	Actual Utilization	Difference	Estimated Capacity	Actual Utilization	Disparity Rate
MBE	532	417	-115	4.2%	3.3%	-0.9%
WBE	323	660	337	2.5%	5.2%	2.6%
NON	11,904	11,682	-222	93.3%	91.6%	-1.7%

**Table 10: Professional Service Firm Disparity**

	Estimated Capacity	Actual Utilization	Difference	Estimated Capacity	Actual Utilization	Disparity Rate
MBE	205	96	-109	11.2%	5.3%	-5.9%
WBE	143	92	-51	7.8%	5.0%	-2.8%
NON	1,479	1,638	159	81.0%	89.7%	8.7%

**Table 11: Other Services Firm Disparity**

	Estimated Capacity	Actual Utilization	Difference	Estimated Capacity	Actual Utilization	Disparity Rate
MBE	433	180	-253	2.9%	1.2%	-1.7%
WBE	265	267	2	1.8%	1.8%	0.0%
NON	14,401	14,652	251	95.4%	97.0%	1.7%



We have further enhanced the list by:

- Augmenting the riverboat specific data with vendor lists collected from state and local governments (in the counties with riverboat casinos<sup>19</sup>) and
- At the request of the Advisory Group, conducting four outreach meetings. These meetings were held during the

summer of 2006 in Lawrenceville, Evansville, East Chicago, and Indianapolis.

The study period ran from January 1, 2003, through December 31, 2005.

As shown in Table 12, while capacity varied widely by industry group, firm disparity occurred across most categories. There were two instances where WBE

**Table 12: Summary of Disparity by Industry Group**

**FIRMS**

	Construction	Procurement	Professional Services	Other Services	Totals
MBE Capacity	113	532	205	433	1,282
WBE Capacity	53	323	143	265	783
MBE Utilization	44	417	96	180	737
WBE Utilization	32	660	92	267	1,051
MBE Disparity	-69	-115	-109	-253	-546
WBE Disparity	-21	337	-51	2	268

**UTILIZATION**

	Construction	Procurement	Professional Services	Other Services	Totals
MBE Capacity	\$56,434,706	\$18,807,446	\$13,719,535	\$7,644,515	\$96,606,201
WBE Capacity	\$26,507,211	\$11,401,405	\$9,565,914	\$4,684,421	\$52,158,950
MBE Utilization	\$54,046,038	\$106,717,819	\$24,678,860	\$30,433,937	\$215,876,654
WBE Utilization	\$6,409,708	\$64,112,884	\$13,195,519	\$18,439,533	\$102,157,645
MBE Disparity	-\$2,388,668	\$87,910,373	\$10,959,325	\$22,789,423	\$119,270,453
WBE Disparity	-\$20,097,502	\$52,711,479	\$3,629,605	\$13,755,113	\$49,998,694

**TOTAL OVER/UNDER UTILIZATION**

MBE Firms	-546				
WBE Firms	268				
MBE \$	\$119,270,453				
WBE \$	\$49,998,694				

*NOTE: Shaded cells represent non-disparity.*

<sup>19</sup>While many units of local government provided their vendor lists, a few did not.





firms were over utilized (procurement and other services) and MBE firms were always underutilized. MBE and WBE firms experienced a higher amount of revenue than would have been expected in all industry groups except construction (where capacity was highest). The higher than expected MBE and WBE spending is primarily attributable to the fact that a smaller than expected number of firms received a significantly higher than average per contract expenditure.

Across all four industry groups, while there was an under utilization of MBE firms, the utilized MBE firms received a contract amount that was much higher than the average for the industry group. The result of this pattern is that while a smaller than might be expected number of MBE firms were used, those utilized received riverboat casino contracts that were on average much higher than the average for each industry group. Specifically, across all industry groups, while 546 fewer MBE firms were used

than might be expected, the 737 utilized MBE firms received in total over \$119 million more than might have been expected. In contrast, while there were 268 more WBE firms utilized, than might have been expected, WBE firms received just under \$50 million more than expected.

Finally, Table 13 displays the average contract by industry group. In each industry group, average MBE expenditures were higher than for any other racial/ethnic category as well as higher than the industry group average. These higher than average expenditures are the reason that while, in aggregate 546 less MBE firms were utilized than might have been expected, there were over \$119 million more spent with MBE firms than might have been expected.

**Table 13: Average Contract by Industry Group and Category of Vendor**

	<b>MBE</b>	<b>WBE</b>	<b>NON</b>	<b>Average</b>
Construction	\$1,228,319	\$200,303	\$444,840	\$499,671
Procurement	\$255,918	\$97,141	\$23,965	\$35,331
Professional Services	\$257,071	\$143,430	\$51,645	\$67,069
Other Services	\$169,077	\$69,062	\$14,876	\$17,673



# ATTACHMENT 1

## Disparity Study Advisory Committee Members

Senator Johnny Nugent of Lawrenceburg

Senator Earline Rogers of Gary

Representative Matt Whetstone of Brownsburg

Representative Greg Porter of Indianapolis

Tony Kirkland, Office of the Governor

Darrell Ragland, Sr., Evansville businessman

Myra Selby, Former Indiana Supreme Court Justice

Mike Smith, Executive Director, Casino Association of Indiana

Darla Williams, Indianapolis attorney



## **ATTACHMENT 2**

### **Indiana Gaming Commission**

### **Disparity Study – Telephone Survey Report**

#### **Outreach Meetings**

The Center for Urban Policy and the Environment partnered with Engaging Solutions, LLC, to assist with the outreach components of the statewide disparity study. This first phase included conducting four (4) outreach meetings (Indianapolis, East Chicago, Lawrenceburg, and Evansville). In summary, the outreach meetings resulted in the following observations/comments based on the perception of the attendees:

- Clarity was needed for most to understand the definitions for capacity and disparity as well as how the disparity study would be utilized.
- Casinos have been “gatekeepers” affording opportunity to a limited number of businesses.
- Casinos violate the “Buy Indiana” policies by doing business with non-Indiana firms.
- IGC should carefully monitor utilization and enforce the “intent” of the legislation to ensure casinos spread the work.

#### **Telephone Survey**

The second phase, completed by Engaging Solutions for the IGC Disparity Study, included telephone interviews with business and casino industry representatives. In total, twenty-one (21) telephone interviews were conducted: nineteen (19) business representatives, one casino representative (Grand Victoria in Rising Sun, Indiana), and Mike Smith of the Indiana Casino Association were interviewed.

*The businesses included were:*

**A & D Supply Company**  
**Belsom Electric Inc.**  
**Branson Public Relations, LLC**  
**Business Furniture Specialist, Inc.**  
**Cal-Region Supply, Inc.**  
**The Calumet Group Inc.**  
**Creative Office Solutions**  
**China Cook (formerly C.C. Catering)**  
**Emmis & Cobs Corporation**  
**HMR Enterprises Inc.**

**HR Solutions Inc.**  
**J. Beard Franchising, Inc.**  
**Lakeside Advertising, Inc.**  
**L. J. Food Distribution Inc.**  
**P & H Printing**  
**Rhino Enterprises**  
**Shrewsberry & Associates, LLC**  
**Solutions for Print**  
**The Ridge Winery, Inc.**



## Survey Results

<b>Business Location:</b>	Most in northern or southern Indiana
<b>Number of Years in Business:</b>	47 percent of the businesses have been in business >10 years  53 percent of the businesses have been in business <10 years
<b>Casinos Utilizing M/WBEs:</b>	Most of the businesses that have done work with the casinos have worked for one or several of the following: Argosy, Belterra, Caesars, Casino Aztar, French Lick, Majestic Star, Horseshoe, Grand Victoria, and Resorts
<b>Services/Products Purchased:</b>	The services/products provided can be categorized into four (4) groups: 1) Food/Food Services including catering; 2) Supplies including Paper Products, Promotional Products/Brand Products; 3) Graphic Design and/or Printing; and 4) Construction/Engineering. The services not purchased were: 1) Furniture; 2) Professional Services including interior design, and human resources; 3) Beverages/Alcohol; and 4) Janitorial Services.
<b>Prime/Subcontractor Status:</b>	Firms that served as prime total four (4), and firms that served as subcontractors total fifteen (15).
<b>Primary Issues:</b>	<ul style="list-style-type: none"><li>• Access to decision-makers is guarded</li><li>• High turnover of management/procurement staff creates confusion on who to contact to be informed about opportunities</li><li>• Too many out-of-state firms hired</li><li>• Over utilization of a few firms</li><li>• Casinos are overly cautious about awarding large projects to small businesses</li><li>• Flagrant practice of using M/WBE pass throughs “front companies” to reach the goals</li><li>• There is a perception that the M/WBE goals are low</li></ul>



#### **What is Working:**

- Indiana Gaming Commission not enforcing M/WBE goals, and not holding casinos accountable
- IDOA unwilling to certify out-of-state firms. IDOA should re-evaluate its certification process.
- Casinos conduct outreach/networking events
- Some of the casino management staff are diligent about being accessible, and following through on their commitments
- Increased capacity and business development for some businesses
- Casino work is an alternative to public work
- Pre-pay is advantageous for small businesses

#### **Additional Notes:**

- All of the businesses interviewed have attempted to do business with the casinos
- The majority of the businesses said they would continue to attend meetings and events and solicit new business opportunities in the future
- More than 78 percent of the businesses interviewed have obtained work with the casinos
- Less than one percent surveyed advised they would not seek work with the casinos because it is too difficult to get to the decision-makers, and only a select few get the work

### **Consultant Observations/Recommendations**

The output from the outreach sessions and the recent telephone surveys raise several key points. First, the casinos received mixed reviews. Meaning, some businesses think the casinos have successfully engaged the business community and promoted outreach/networking opportunities that have resulted in contract awards. The best practices should continue and be replicated as a standard across the state. On the other hand, the majority of the feedback related that the casinos have been distant, and minimally offered real opportunities to all firms. Several of the businesses participating in both outreach



activities said they had given up on ever doing business with the casinos. A common theme voiced by many during the telephone surveys is “it’s the same guys getting all of the work.” Finally, many of the businesses who were candid about their concerns believe the Indiana Gaming Commission could help to resolve some of the challenges they face. Specifically, they expressed the value of holding the casinos accountable for achieving/exceeding the Minority/Women Business Enterprise (M/WBE) goals, and spreading the work so more Indiana businesses can have the opportunity to access casino work.

The following recommendations are submitted based on the results of the outreach sessions and the recent telephone surveys:

### **Recommendations:**

- **Indiana Gaming Commission (IGC) consider establishing a steering committee/advisory group of business owners to help identify solutions to prevent and address disparity**
- **(IGC) consider implementing policies that promote spreading the work particularly for Indiana-based businesses**
- **Replicate best practices of those casinos that are reaching the M/WBE goals, including those that are implementing effective outreach/networking and who are consistently compliant with all expectations/standards**
- **Establish uniform standards for the types of activities and/or programs to implement that will ensure Indiana businesses have access to opportunity, and the M/WBE goals are achieved**
- **Conduct periodic audits of M/WBE utilization to test the participation levels during the year. Include M/WBE vendor interviews as an audit component**
- **Establish goals for categories identified in the disparity study as having disparities**