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IGC Disparity Analysis 2022

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What is a disparity study?

In general terms, a disparity study estimates or predicts the level of potential public expenditures with minority-owned businesses (MBE) and women-owned businesses (WBE). Once the estimated level of minority business is determined, it is compared with the public agency's actual MBE and WBE expenditures. The difference between the estimated and actual expenditures is the disparity.

Three key points

1. Process – identical to prior gaming disparity studies
2. Findings – no disparity, but trends to be monitored
3. Thoughts about future – need to proactively monitor spending trends



Key definitions

1. **Capacity** - the estimated or predicted MBE and WBE expenditures, based on the readiness, willingness, and ability of MBE and WBE businesses to compete for government expenditures in the local market.
2. **Utilization** - the actual MBE and WBE expenditures made by or contracts entered into by the local government.
3. **Disparity** - the difference between capacity and utilization. A statistical analysis is used to determine whether the disparity is within an acceptable margin of error or is likely a result of practices that prevent minority- and women-owned businesses from gaining their expected share of local business..



Potential capacity definitions

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 contracting work, although the choice of measure can affect the findings*

The Urban Institute's review of capacity studies determined that the five most common methods of defining capacity or availability are:

1. Firms that have previously contracted with government
2. Firms that have previously bid on government contracts
3. Firms that have been certified by government
4. Firms that have responded to surveys/outreach for study
5. All firms

Source: The Urban Institute. (1997, December). *Do Minority-Owned Businesses Get a Fair Share of Government Contracts?* Washington DC. p. 11.



Potential Utilization definitions

- Expenditures
- Contracts
- Encumbrances

Critical Decision / Key Point

- **With the variety of ways to define capacity and utilization, the most critical part of any disparity analysis is the methodology used to define utilization and estimate capacity.**
- While the primary purpose of this analysis is to define disparity, the study may also be used to further our understanding of minority capacity and utilization over time. In fact, we believe that increasing minority and women business capacity and utilization are as important goals as decreasing disparity, and that progress in all three categories should be monitored



Definitions used in this analysis (and prior studies)

Capacity

- *the total number of firms that have expressed interest in doing business with the casinos by asking to be included on a casinos vendor list supplemented by the vendors that have registered with IGC as a result of a series of outreach efforts and other business vendor lists of Indiana firms*

Utilization

- the actual expenditures that occurred between January 1, 2017, and December 31, 2021



All three measures are important

Track each over time

- Capacity – a measure of the commitment to nurture and attract MBE/WBE business
- Utilization – a measure of the commitment to do business with MBE/WBE firms
- Disparity – a measure of the ability to narrow the gap between capacity and utilization

In an ideal world capacity and utilization increase while disparity is eliminated

Utilization / Expenditure Categories

- Categories used in government studies
 - Construction
 - Procurement
 - Professional services
 - Other services
- Gaming specific expenditures
 - Gaming related supplies (machines, chips etc)
 - Gaming related amenities (other supplies and services that would not typically be purchased by government)



Estimating Capacity

Capacity

- *the total number of firms that have expressed interest in doing business with the casinos by asking to be included on a casinos vendor list supplemented by the vendors that have registered with IGC as a result of a series of outreach efforts and other business vendor lists of Indiana firms*
- Casino vendor lists supplemented by state and local vendor lists as starting point
- Then additional MBE/WBE and non-vendors identified via outreach:
 - Ready willing and able to sell services consumed by casinos but not government
 - Or for various reasons not learned of potential opportunities or not previously expressing interest of being ready willing and able to sell to casinos



Outreach efforts

- Held a series of online vendor fairs, where we explained disparity studies and urged vendors to register as ready, willing, and able to compete for casino business
- Developed an on-line survey of potential vendors
- Ask attendees to act as our agents and refer businesses to vendor fairs or website for registration
- Vendors were asked to tell us
 - Firm name / Contact person, phone number, e-mail address
 - Number of employees (full and part time) / Number of years in business
 - Type of contracts they are ready, willing and able to compete for
 - And firm type (mbe/wbe/other)

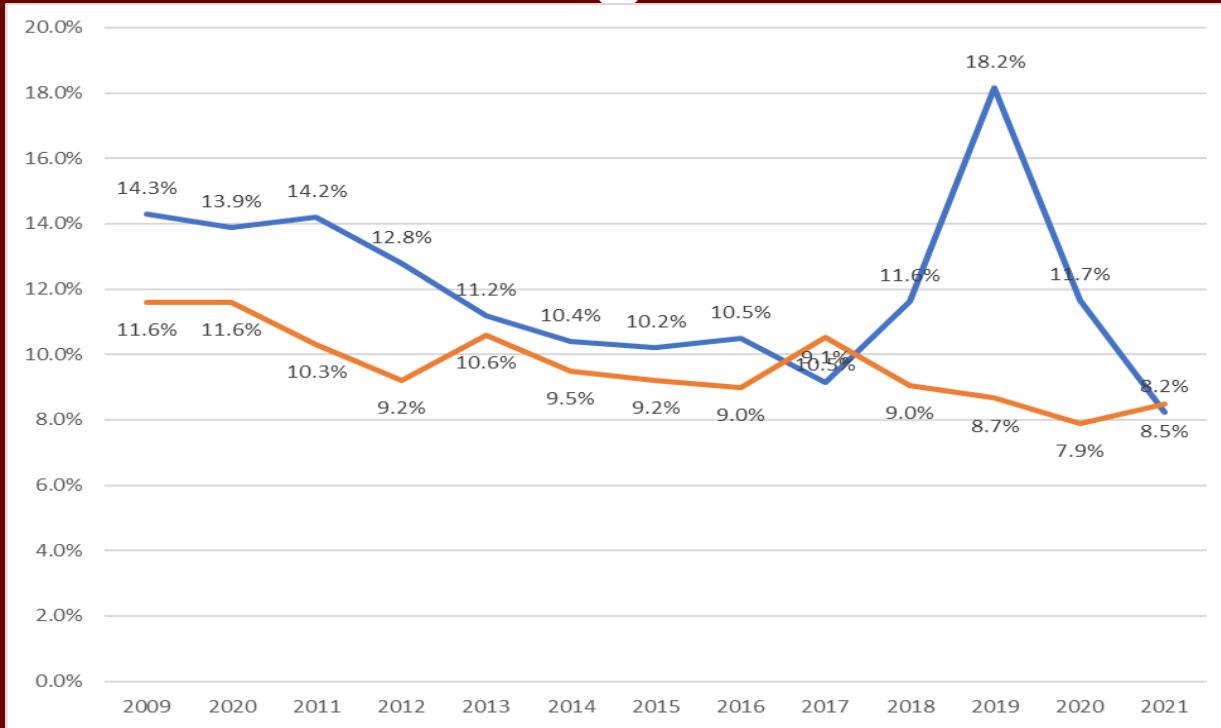


What we found - No disparity

| | Construction | Procurement | Professional services | Other services |
|------------------------|---------------|--------------|-----------------------|----------------|
| MBE capacity | \$27,896,491 | \$9,623,269 | \$4,804,171 | \$6,022,127 |
| MBE utilization | \$108,321,668 | \$62,052,184 | \$10,315,392 | \$18,444,929 |
| MBE disparity | \$80,425,177 | \$52,428,915 | \$5,511,221 | \$12,422,803 |
| WBE capacity | \$28,611,785 | \$24,175,529 | \$8,820,773 | \$13,132,121 |
| WBE utilization | \$33,188,178 | \$83,319,728 | \$10,842,839 | \$21,301,094 |
| WBE disparity | \$4,576,393 | \$59,144,200 | \$2,022,066 | \$8,168,973 |



Troubling Trends



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Troubling Trends

- Construction
 - MBE capacity – down from 10.7% to 6.8%
 - WBE capacity – down from 9.7% to 6.9%

 - ** MBE utilization – up from 14.0% to 26.3%
 - WBE Utilization – down from 11.1% to 8.1%

- Procurement
 - MBE capacity – down from 1.7% to 1.1%
 - WBE capacity – down from 3.7% to 2.8%

 - MBE utilization – down from 9.2% to 7.1%
 - ** WBE Utilization – up from 8.7% to 9.5%



Troubling Trends

- Professional services
 - MBE capacity – stable from 3.5% to 3.6%
 - WBE capacity – stable from 6.5% to 6.7%

 - MBE utilization – down from 17.1% to 7.8%
 - WBE Utilization – down from 11.1% to 8.2%

- Other services
 - MBE capacity – up from 2.2% to 2.6%
 - WBE capacity – down from 6.4% to 5.6%

 - MBE utilization – down from 14.1% to 7.9%
 - WBE Utilization – down from 11.2% to 9.1%



Other concerns

- Vendor contracts
 - Construction
 - MBE \$925,826
 - WBE \$278,658
 - Other \$181,422
- Pandemic impact – decreased spending and shift in categories
 - Anomaly or trend
 - Procurement \$212m in 2019 down to \$109m in 2020 and \$130m in 2021
 - Total spending \$383m in 2019 to \$292 in 2020 and \$284m in 2021
- If trends continue there will be disparity



Thank You - Questions