



Good morning. My name is Andres Bernal, and I am the Vice President of Disparity Research for MGT, a nationally recognized public sector consulting firm. Since 1975, MGT has provided strategic, operational, and technology solutions to government and education agencies in all 50 States.

I have nearly 20 years of direct disparity study consulting, quantitative, and qualitative experience analyzing all aspects of public agency disparity research. In that time, I have authored or co-authored more than 100 reports of findings for clients regarding state and local governments' utilization of minority and women-owned businesses in public sector procurement of goods and services.

I have been asked to offer a few observations about historical trends that have emerged regarding how minority-owned businesses are utilized by public entities.

Findings from hundreds of disparity studies conducted by MGT and across the industry underscore a continuing opportunity for targeted supplier diversity programs to address underutilization of minority owned business enterprises (MBEs). Almost universally, the results from disparity research continue to show that MBEs are substantially underutilized, and that the markets where these MBEs are doing business are under-realizing their opportunity to expand the entrepreneurial sector of their economies and to broaden economic participation among MBEs.

When it comes to analyzing public contracting data, it is a case law and industry standard to use what the law refers to as a "disparity index" to determine, statistically, if the race of business ownership influences a business's likelihood of availing itself of government contracting opportunities. This index calculates how much public entities utilize minority owned businesses, relative to the availability of qualified MBEs in a given market area.

Looking at procurement data across the nation, what you see throughout many jurisdictions, historically, is that, despite some progress, MBEs are substantially underutilized across all goods and services categories-- such as construction, professional services, and goods. In those rare instances in which there is either parity in MBE utilization or overutilization of MBEs relative to majority-owned businesses, this is most often a phenomenon in which utilization of MBEs is concentrated among several companies, rather than an indication that government agencies are consistently and broadly drawing upon the total pool of qualified MBEs.

Furthermore, when we examine private sector business activity and dynamics, the following observations are typically seen:

- MBEs earn significantly less revenue than majority-owned businesses for similar business categories, even, when possible, influence from other characteristics is taken into account (e.g., level of education, business experience).
- MBEs are significantly less likely to be self-employed (i.e. owner-operated) compared to their majority-owned counterparts in nearly all market areas analyzed.
- Studies consistently find that race of firm ownership is statistically correlated to MBE vs. Majority-owned enterprise utilization.

The culmination of my research, including qualitative studies, disparity studies, regression analyses, continue to support the conclusion that public agencies across the nation have significant opportunity to expand utilization of MBEs, thereby strengthening their local economies and communities through broader utilization of qualified minority owned businesses.