

# CHAPTER 8.

## Further Exploration of Disparities

As presented in Chapter 7, the study team observed substantial disparities between the participation and availability of white women-owned businesses, Black American owned businesses and Hispanic American-owned businesses when considering all Los Angeles County Metropolitan Transportation Authority (Metro) contracts together. Moreover, the study team observed substantial disparities for most racial/ethnic and gender groups when examining contracts to which the agency did not apply Disadvantaged Business Enterprise (DBE) or minority- and woman-owned business enterprise (MBE/WBE) contract goals (Subcontinent Asian American-owned businesses were the only exception). Six areas of questions provide a framework for further exploration of the disparities that the study team observed between the participation and availability of minority- and woman-owned businesses:

- A. Are there disparities for USDOT- and local-funded contracts?
- B. Are there disparities for relevant contracting areas?
- C. Are there disparities for prime contracts and subcontracts?
- D. Are there disparities for different time periods?
- E. Are there disparities for large and small prime contracts?
- F. Do bid/proposal processes explain any disparities for prime contracts?

Answers to those questions may be relevant as Metro considers how to refine its implementation of the Federal DBE Program. They may also help Metro identify the specific racial/ethnic and gender groups, if any, that might be included in any future race- or gender-conscious program measures that the agency decides to use.

### **A. Are there Disparities for USDOT- and Local-Funded Contracts?**

BBC Research & Consulting (BBC) examined disparity analysis results separately for United State Department of Transportation- (USDOT-) and local-funded contracts that Metro awarded during the study period. Comparing results between USDOT- and local-funded contracts is one way to assess the effectiveness of Metro's implementation of the Federal DBE Program, which applies to USDOT-funded contracts. Figure 8-1 presents disparity indices for all relevant racial/ethnic and gender groups separately for USDOT- and local-funded contracts.

Overall, minority- and woman-owned businesses exhibited substantial disparities on locally-funded contracts (disparity index of 53) and exhibited a disparity on USDOT-funded contracts (disparity index of 85):

- White woman-owned businesses (disparity index of 74) and Black American-owned businesses (disparity index of 56) exhibited substantial disparities for USDOT-funded contracts.

- White woman-owned businesses (disparity index of 40), Black American-owned businesses (disparity index of 37), Hispanic American-owned businesses (disparity index of 51), and Native American-owned businesses (disparity index of 71) exhibited substantial disparities for locally-funded contracts.

**Figure 8-1.**  
**Disparity indices for USDOT-**  
**and locally-funded contracts**

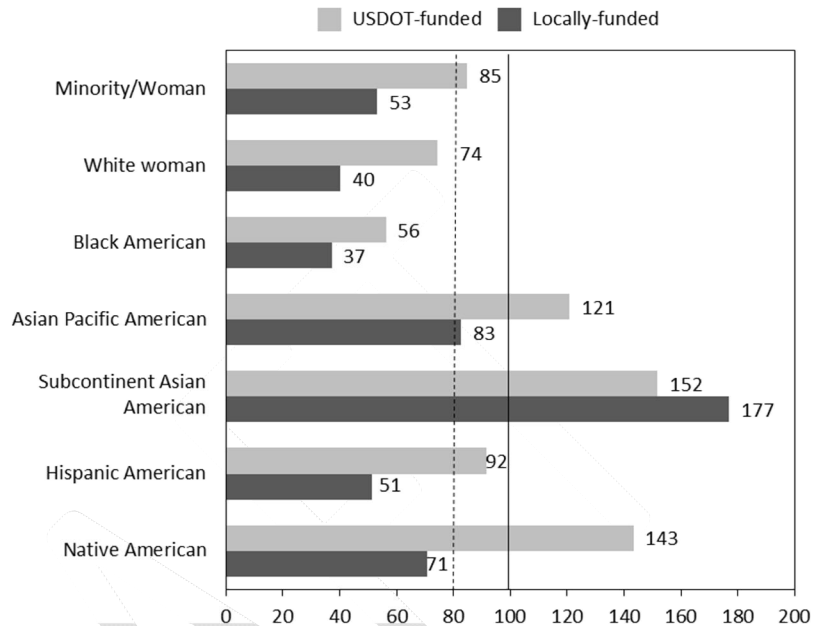
Note:

The study team analyzed 10,189 USDOT-funded contracts and 1,960 local-funded contract elements.

For more detail, see Figures F-12 and F-13 in Appendix F.

Source:

BBC Research & Consulting disparity analysis.



## B. Are there Disparities for Relevant Contracting Areas?

BBC examined disparity analysis results separately for construction, professional services, and goods and other services contracts that Metro awarded during the study period. That information might help Metro refine its implementation of the Federal DBE Program for particular contracting areas. Figure 8-2 presents disparity indices for all relevant racial/ethnic and gender groups separately for each contracting area. Overall, minority- and woman-owned businesses did not exhibit substantial disparities for construction contracts (disparity index of 90) or professional services contracts (disparity index of 135). However, minority- and woman-owned businesses did exhibit a substantial disparity for goods and other services contracts (disparity index of 37). There were several key differences in disparities by contract type and group:

- Black American-owned businesses (disparity index of 73) and Hispanic American-owned businesses (disparity index of 77) exhibited substantial disparities for construction contracts.
- Black American-owned businesses (disparity index of 28) exhibited substantial disparities for professional services contracts.
- All groups of minority- and woman-owned businesses exhibited substantial disparities for goods and other services contracts.

Metro applied DBE or SBE contract goals to most of the construction and professional services contracts that it awarded during the study period. In contrast, Metro had limited DBE or SBE

contract goals on goods and other services contracts. The disparity analysis results shown in Figure 8-2 are largely reflective of the use of those measures.

**Figure 8-2.**  
**Disparity indices for construction, professional services, and goods and other services**

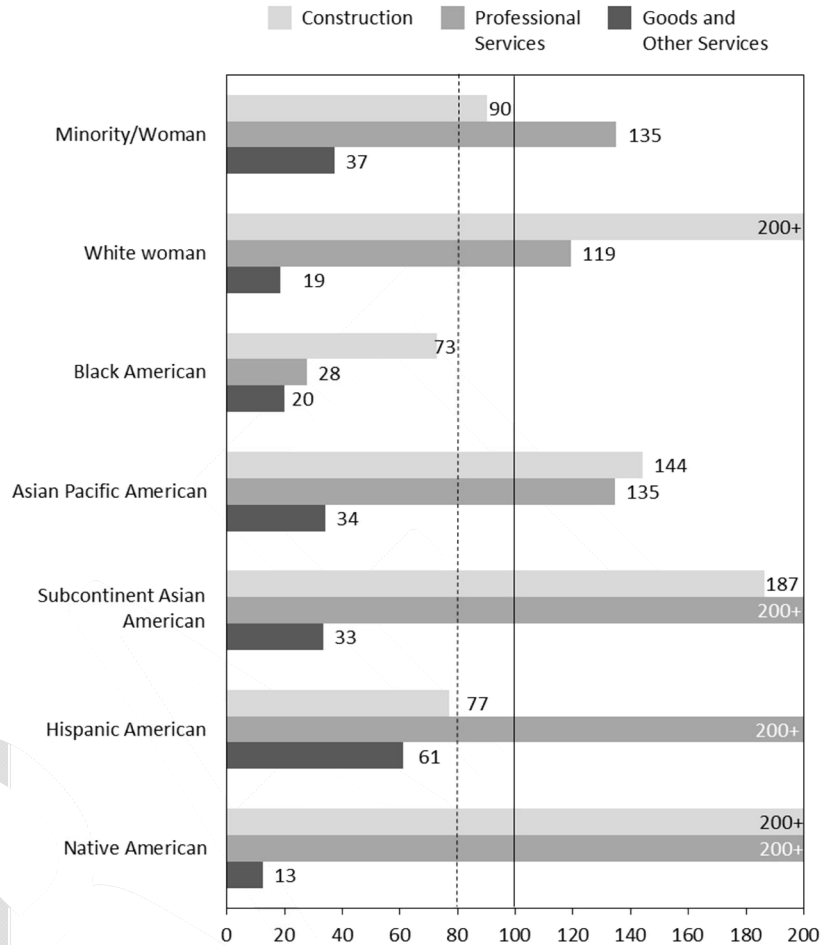
Note:

The study team analyzed 1,526 construction contracts; 875 professional services contracts; and 9,778 goods and other services contracts.

For more detail, see Figures F-5, F-6, and F-7 in Appendix F.

Source:

BBC Research & Consulting disparity analysis.



### C. Are there Disparities for Prime Contracts and Subcontracts?

BBC examined disparity analysis results separately for prime contracts and subcontracts to assess whether minority- and woman-owned businesses exhibited different outcomes based on their roles as either prime contractors or subcontractors. Figure 8-3 presents disparity indices for all relevant racial/ethnic and gender groups separately for prime contracts and subcontracts.

**Figure 8-3.**  
**Disparity indices for prime contracts and subcontracts**

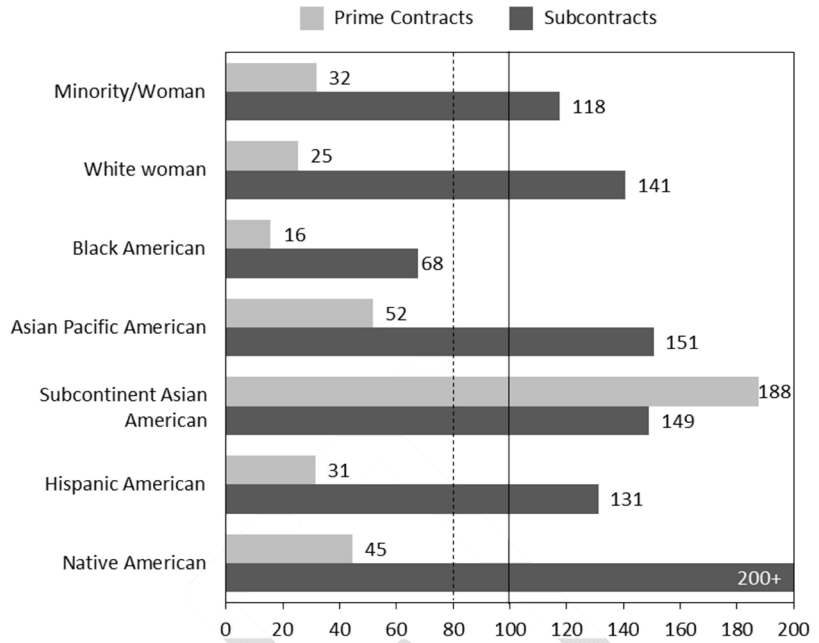
Note:

The study team analyzed 10,785 prime contracts and 1,364 subcontracts.

For more detail, see Figures F-8 and F-9 in Appendix F.

Source:

BBC Research & Consulting disparity analysis.



Overall, minority- and woman-owned businesses exhibited substantial disparities for prime contracts (disparity index of 32) but not for subcontracts contracts (disparity index of 118). There were key differences in disparities by contract type and group:

- Black American-owned businesses (disparity index of 16), Asian Pacific American-owned businesses (disparity index of 52), Hispanic American-owned businesses (disparity index of 31), Native American-owned businesses (disparity index of 45), and white woman-owned businesses (disparity index of 25) exhibited substantial disparities for prime contracts.
- Black American-owned businesses (disparity index of 68) exhibited substantial disparities for subcontracts.

Note that Metro’s use of DBE contract goals are subcontracting goals programs. Disparity analysis results for subcontracts indicate that the use of those goals is largely effective in encouraging the participation of minority- and woman-owned businesses in Metro subcontracts.

#### **D. Are there Disparities for Different Time Periods?**

BBC examined disparity analysis results separately for two separate time periods—January 1, 2011 through December 31, 2013 (*early study period*) and January 1, 2014 through December 31, 2015 (*late study period*). That information might help Metro determine whether there were different outcomes for minority- and woman-owned businesses as the country moved further and further from the economic downturn that began in 2008. Figure 8-4 presents disparity indices for all relevant racial/ethnic and gender groups separately for the early and late study periods. Overall, minority- and woman-owned businesses exhibited a disparity for contracts that Metro awarded in the early study period (disparity index of 86), and a substantial disparity for contracts that the agency awarded in the late study period (disparity index of 65).

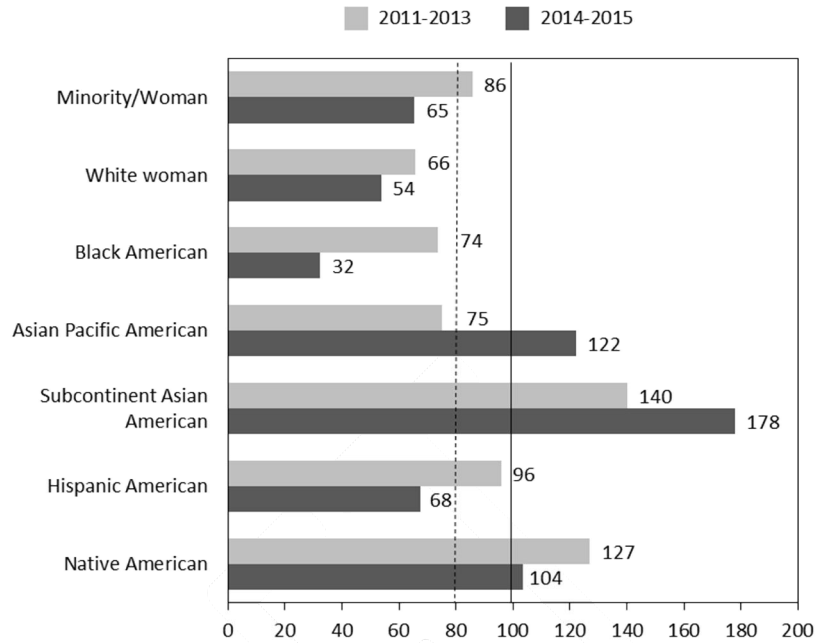
**Figure 8-4.**  
**Disparity indices for early**  
**and late study period**

Note:

The study team analyzed 6,220 contracts in the early study period and 5,929 contracts in the late study period. For more detail, see Figures F-3 and F-4 in Appendix F.

Source:

BBC Research & Consulting disparity analysis.



There were key differences in disparities by study period and group:

- Black American-owned businesses (disparity index of 74), Asian Pacific American-owned businesses (disparity index of 75), and white woman-owned businesses (disparity index of 66) exhibited substantial disparities for contracts that Metro awarded in the early study period.
- Black American-owned businesses (disparity index of 32), Hispanic American-owned businesses (disparity index of 68), and white woman-owned businesses (disparity index of 54) exhibited substantial disparities for contracts that Metro awarded in the late study period.

### **E. Are there Disparities for Large and Small Prime Contracts?**

BBC compared disparity analysis results for “large” prime contracts and “small” prime contracts that Metro awarded during the study period to assess whether contract size affected disparity analysis results for prime contracts. “Large” prime contracts were defined as construction contracts worth more than \$2 million; professional services contracts worth more than \$500,000; or goods and other services contracts worth more than \$500,000. “Small” prime contracts were defined as construction contracts worth \$2 million or less; professional services contracts worth \$500,000 or less; or goods and other services contracts worth \$500,000 or less. Figure 8-5 presents disparity indices for all relevant racial/ethnic and gender groups separately for large and small prime contracts.

**Figure 8-5.**  
**Disparity indices for large and small prime contracts**

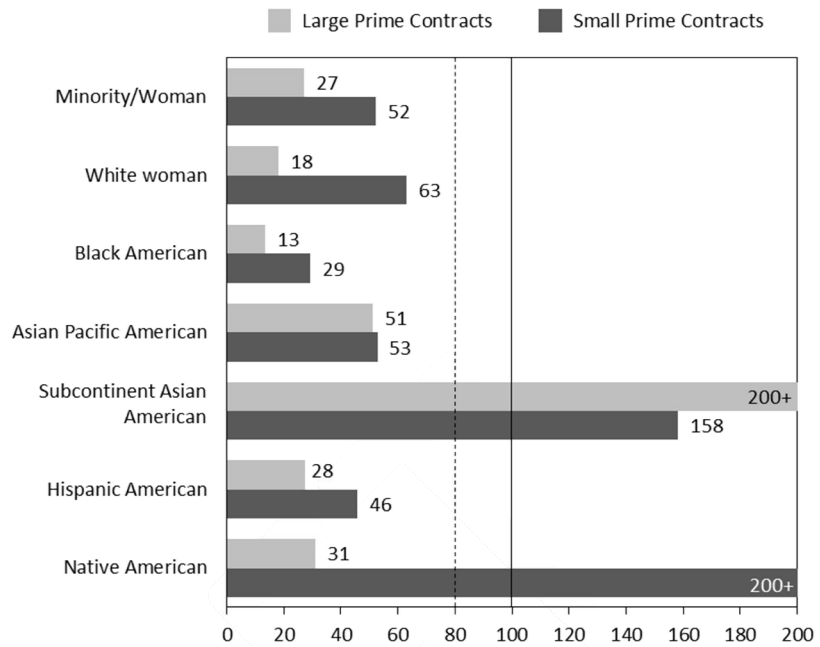
Note:

The study team analyzed 273 large prime contracts and 10,512 small prime contracts.

For more detail, see Figures F-10 and F-11 in Appendix F.

Source:

BBC Research & Consulting disparity analysis.



Overall, minority- and woman-owned businesses exhibited substantial disparities on large prime contracts (disparity index of 27) and small prime contracts (disparity index of 52).

- Black American-owned businesses (disparity index of 13), Asian Pacific American-owned businesses (disparity index of 51), Hispanic American-owned businesses (disparity index of 28), Native American-owned businesses (disparity index of 31), and white woman-owned businesses (disparity index of 18) exhibited substantial disparities for large prime contracts.
- Black American-owned businesses (disparity index of 29), Asian Pacific American-owned businesses (disparity index of 53), Hispanic American-owned businesses (disparity index of 46), and white woman-owned businesses (disparity index of 63) exhibited substantial disparities for small prime contracts.

## F. Do Bid/Proposal Processes Explain Any Disparities for Prime Contracts?

BBC completed a case study analysis to assess whether characteristics of Metro’s bid and proposal evaluation processes help to explain any of the disparities that the study team observed for prime contracts. BBC analyzed bid and proposal information from samples of the contracts that Metro awarded during the study period.

**Construction.** BBC examined bid information for a sample of 56 construction contracts that Metro awarded during the study period. In total, Metro received 262 bids for those contracts.

**Number of bids from minority- and woman-owned businesses.** Minority- and woman-owned businesses submitted 50 of the 262 bids (19%) that the study team examined:

- Forty-one bids (16% of all bids) came from minority-owned businesses; and (19 different businesses); and

- Nine bids (3% of all bids) came from white woman-owned businesses (7 different businesses).

As part of availability surveys, the study team asked construction business owners and managers to indicate whether their companies compete as prime contractors on public contracts. Of the business owners and managers that indicated that their companies compete as prime contractors, 34 percent represented minority-owned businesses and 6 percent represented white woman-owned businesses. Those percentages were higher than the percentage of minority-owned and white woman-owned businesses that submitted bids on Metro construction contracts during the study period.

**Success of bids.** BBC also examined the percentage of bids that minority- and woman-owned businesses submitted that resulted in contract awards. As shown in Figure 8-6, 32 percent of the bids that minority-owned businesses submitted resulted in contract awards, which was substantially higher than the percent of bids that majority-owned businesses submitted that resulted in contract awards (19%). Of the bids that white woman-owned businesses submitted, 22 percent resulted in contract awards, slightly higher than the percent of bids that majority-owned businesses submitted that resulted in contract awards.

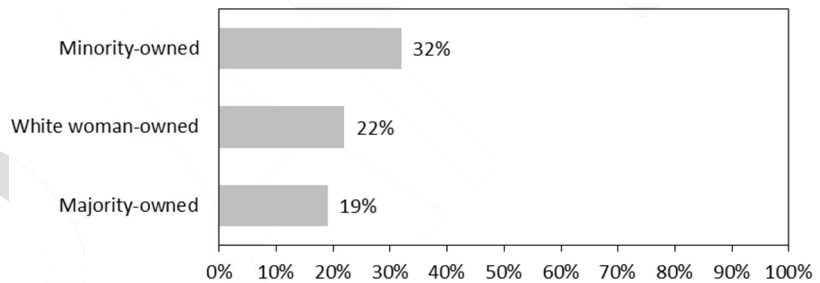
**Figure 8-6.**  
**Percentage of bids on construction contracts that resulted in contract awards**

Note:

Based on analysis of 262 bids on 56 construction contracts.

Source:

BBC Research & Consulting from entity contracting data.



**Professional services.** BBC examined proposal information for a sample of 67 professional services contracts that Metro awarded during the study period. In total, Metro received 224 proposals for those contracts.

**Number of proposals from minority- and woman-owned businesses.** Minority- and woman-owned businesses submitted 104 of the 224 proposals (46%) that the study team examined:

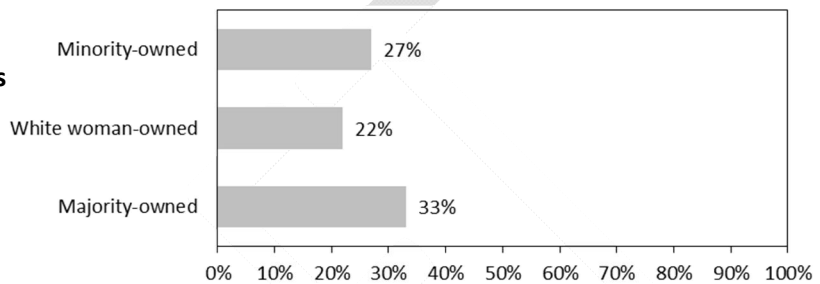
- Eighty-four proposals (38% of all proposals) came from minority-owned businesses (37 different businesses); and
- Eighteen proposals (8% of all proposals) came from white woman-owned businesses (seven different businesses).

Of the professional services business owners and managers that indicated in availability surveys that their companies are interested in competing as prime contractors on public contracts, 24 percent represented minority-owned businesses and 11 percent represented white woman-owned businesses. Those percentages were lower than the percentage of minority-owned businesses that submitted proposals on Metro’s professional services contracts during the study

period but higher than the percentage of white woman-owned businesses that submitted proposals.

**Success of bids.** BBC also examined the percentage of proposals that minority- and woman-owned businesses submitted that resulted in contract awards. As shown in Figure 8-7, 27 percent of the proposals that minority-owned businesses submitted resulted in contract awards, which was lower than the percent of proposals that majority-owned businesses submitted that resulted in contract awards (33%). Of the proposals that white woman-owned businesses submitted, 22 percent resulted in contract awards, lower than the percent of proposals that majority-owned businesses submitted that resulted in contract awards.

**Figure 8-7.**  
**Percentage of bids on professional services contracts that resulted in contract awards**



Note:

Based on analysis of 224 bids on 67 professional service contracts.

Source:

BBC Research & Consulting from entity contracting data.

**Procurement.** BBC examined bid information for a sample of 83 goods and other services contracts that Metro's Procurement Division awarded during the study period. In total, Metro received 596 bids for those contracts.

**Number of bids from minority- and woman-owned businesses.** Minority- and woman-owned businesses submitted 201 of the 596 bids (34%) that the study team examined:

- One-hundred seventy-nine bids (30% of all bids) came from minority-owned businesses (seventeen businesses); and
- Twenty-two bids (4% of all bids) came from white woman-owned businesses (fourteen businesses).

Of the procurement business owners and managers that indicated in availability surveys that their companies are interested in competing as prime contractors on public contracts, 49 percent represented minority-owned businesses and 19 percent represented white woman-owned businesses. Those percentages were higher than the percentage of minority-owned and white woman-owned businesses that actually submitted bids on Metro's procurement contracts during the study period.

**Success of bids.** BBC also examined the percentage of bids that minority- and woman-owned businesses submitted that resulted in contract awards. As shown in Figure 8-8, 15 percent of the proposals that minority-owned businesses submitted resulted in contract awards, which was equivalent to the percent of proposals that majority-owned businesses submitted that resulted in contract awards (15%). Of the proposals that white woman-owned businesses submitted, 36



percent resulted in contract awards, substantially higher than the percent of proposals that majority-owned businesses submitted that resulted in contract awards.

**Figure 8-8.**  
**Percentage of bids on goods and other service contracts that resulted in contract awards**

Note:

Based on analysis of 596 bids on 83 goods and other services contracts.

Source:

BBC Research & Consulting from entity contracting data.

