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CITY OF BATON ROUGE, PARISH OF EAST BATON ROUGE DISPARITY STUDY

Executive Summary



Prepared for

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**Executive Summary
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EXECUTIVE SUMMARY.

2019 City of Baton Rouge, Parish of East Baton Rouge Disparity Study

The City of Baton Rouge, Parish of East Baton Rouge (City-Parish) seeks to ensure equity in its contracting activities. It commissioned a disparity study to determine if there is a level playing field for minority- and women-owned firms when competing for City contracts and subcontracts. This research examines whether there are any barriers to minority- and women-owned firms seeking work with the City-Parish, and if so, actions to be taken. It also helps the City-Parish and others in Baton Rouge identify the types of assistance minority- and women-owned companies might need to fully participate in the local economy.

In addition, the disparity study examines participation of veteran- and service-disabled veteran-owned businesses in City-Parish contracts and in the overall marketplace. The study researched small business utilization as well. This study collectively refers to minority-, women-, veteran- and service-disabled veteran-owned businesses, as well as small businesses in general, as “targeted businesses.” Programs to assist such businesses are titled “targeted business programs.”

The City-Parish retained Keen Independent Research LLC (Keen Independent) to perform the disparity study. Subconsultants participating in the study included Baton Rouge firms Octagon Media and Simmons J. Barry (SJB) Group, Spears Group from New Orleans, the telephone survey firm Customer Research International (CRI) and the national law firm Holland & Knight. Octagon Media, SJB Group and Spears Group performed in-depth interviews with Baton Rouge area business owners and trade association representatives. CRI performed telephone interviews with thousands of local businesses. The Keen Independent study team began work in fall 2018. Keen Independent performed a parallel disparity study for the Recreation and Park Commission for the Parish of East Baton Rouge. Certain information from each study was shared.

Based on this research, the City-Parish can remove barriers and develop new targeted business programs in collaboration with other public, private and nonprofit groups in the Baton Rouge area. The Keen Independent study team developed 14 key conclusions and recommendations for City-Parish consideration, which are summarized below.

1. City-Parish contract dollars primarily go to construction, goods, professional services and other services firms in the Baton Rouge Metropolitan Area.

City-Parish contract dollars primarily go to construction, goods, professional services and other services firms with locations in the Baton Rouge metropolitan area. City-Parish spending has the potential to positively affect the local economy, growing local businesses and adding to local jobs.

2. The Baton Rouge metro area marketplace is largely comprised of small businesses.

More than 90 percent of businesses in the Baton Rouge metropolitan area that are available for City-Parish construction, goods, professional services and other services contracts are small businesses. The health of those small businesses is critical to the local economy.

3. More than 40 percent of the local firms available for City construction, goods, professional services and other services contracts are owned by people of color or women.

About 41 percent of the local firms available for City construction, goods, professional services and other services contracts are owned by people of color or women. The local economy cannot be healthy if these firms are left behind.

4. The disparity study examined veteran- and service-disabled veteran-owned businesses.

About 9 percent of businesses in the construction, professional services, goods and other services industries are veteran-owned, including service-disabled veterans.

5. There is not a level playing field for companies owned by people of color or for women in the Baton Rouge metropolitan area.

Minority- and women-owned firms are underutilized in the marketplace as a whole. Minority- and women-owned firms are more likely to be small, experience difficulties obtaining financing and bonding, and face other roadblocks. Many minority- and women-owned firms are socially and economically disadvantaged when competing for work, including public sector contracts.

As an example of the disparities in the Baton Rouge area marketplace, Keen Independent compared the utilization and availability of minority- and women-owned firms for private and other public sector construction contracts.

- The analysis indicated that, for 2016 through 2018, 7 percent of the local prime contracts dollars for private and other public sector construction contracts similar to City-Parish construction went to minority- and women-owned firms. This was substantially below what might be expected given the availability of MBE/WBEs to perform this work (36%).
- About 5 percent of the design contracts for these local projects went to MBE/WBEs, also substantially below what might be expected based on the availability of minority- and women-owned design firms to complete for this work.
- Among public and private sector permits issued in East Baton Rouge Parish, 11 percent of the permits went to MBE/WBE contractors, also well below the availability of minority- and women-owned contractors to perform those contracts.

6. City-Parish utilization of minority- and women-owned firms is less than what might be expected based on their availability.

Consistent with outcomes in the local marketplace overall, only 4 percent of City-Parish contract dollars from 2013 through September 2017 went to minority- and women-owned firms. Only 10 percent of dollars went to small businesses. Only 1 percent went to veteran-owned businesses, including service-disabled veterans. These outcomes were substantially below what would be expected based on availability of those groups of firms for City-Parish contracts.

These results are based on the study team’s analysis of 11,031 City-Parish procurements totaling \$2.4 billion awarded from January 2013 through September 2017. Keen Independent determined the share of those dollars going to minority- and women-owned firms, veteran- and service-disabled veteran-owned businesses (VOBs and SDVOBs), as well as other businesses.

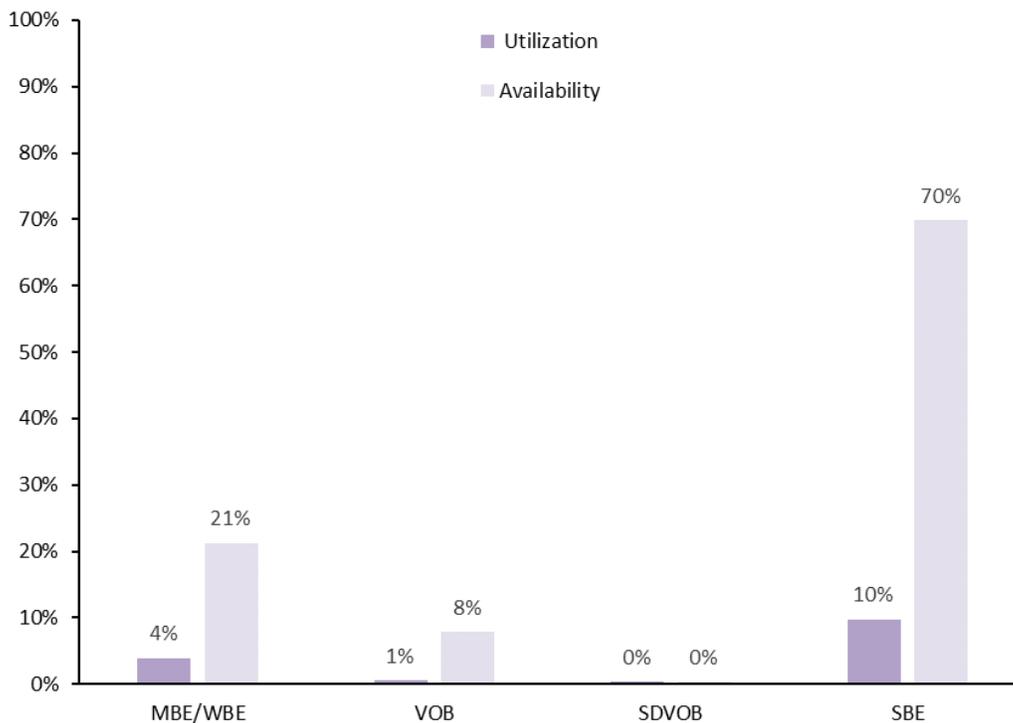
The study team then compared the utilization of MBE/WBE and VOB/SDVOB firms with the percentage of contract dollars that those groups might be expected to receive based on their availability for that work (availability is also referred to as the “utilization benchmark.”). Keen Independent also made those comparisons for individual MBE/WBE groups.

Figure ES-1 presents these overall results from the disparity analysis. There were substantial disparities for MBE/WBEs, VOBs, SDVOBs and small businesses.

- **Minority- and women-owned firms.** The utilization of minority- and women-owned firms in City-Parish procurement during the study period — about 4 percent of total contract dollars — was below the 21 percent that might be expected from the availability analysis. (The 21 percent MBE/WBE availability benchmark is less than 41 percent total availability of MBE/WBEs because it takes into account the types and sizes of work that different firms bid on.)
- **Veteran-owned businesses.** Utilization of veteran-owned businesses (1% of contract dollars) was also below availability of VOBs for this work (8%).
- **Service-disabled veteran-owned businesses.** Both the utilization and availability of SDVOBs for City-Parish contracts were very low, rounding to 0 percent. This makes it difficult to compare utilization and availability of SDVOBs in City-Parish contracts.
- **Small businesses.** Keen Independent also examined utilization of all small businesses in City-Parish contracts. From 2013 through September 2017, \$157 million in City-Parish contract dollars went to small businesses, most of them located within the Baton Rouge metropolitan area. Small businesses received 10 percent of the City-Parish contract dollars examined in the study.

Figure ES-1.

Disparity analysis for City-Parish contracts, Jan. 2013–Sept. 2017



Source: Keen Independent utilization and availability analyses for City-Parish contracts.

7. The disparities in City-Parish utilization are not surprising given the low-bid purchasing environment.

The disparities in City-Parish utilization are not surprising given the low-bid purchasing environment for a large share of its contract dollars, which is required under state law. Barriers to small businesses in general, and minority- and women-owned firms in particular, make it difficult for local small businesses to compete with the largest companies on price. In some instances, small businesses cannot meet the requirements to be able to bid at all, such as obtaining necessary bonding and insurance or meeting other qualifications requirements. They might not have the working capital to afford to perform public sector work. Some small businesses, including those owned by people of color and women, have become discouraged from competing for City-Parish and other public sector contracts and subcontracts.

8. Disparities for minority- and women-owned firms in City-Parish contracts were found even with City-Parish outreach efforts.

The disparities for minority- and women-owned firms in City-Parish contracts were found even with City-Parish efforts to reach out to encourage small businesses and MBE/WBEs participation in its contracts. To date, the primary tools available to the City-Parish efforts have been outreach, education and inclusion of MBE/WBE bidders for smaller goods and services purchases. At present, staff of the City-Parish lack tools to do more, especially on construction and A&E contracts.

9. Without additional action, the City-Parish will miss an opportunity to encourage growth and development of Baton Rouge metropolitan area small businesses.

The City-Parish has an opportunity to encourage growth and development of Baton Rouge metropolitan area small businesses through greater assistance to those firms and by encouraging participation in its contracts, especially for African American-, Hispanic American- and women-owned firms.

The City-Parish might also miss an opportunity to expand its pool of firms capable of competing for its contracts and subcontracts over the long-term, which can lower procurement costs.

And, without additional action, the City-Parish is at risk of being linked to a marketplace that perpetuates unequal outcomes for minority- and women-owned firms.

10. Keen Independent recommends the City-Parish authorize measures that can increase participation of socially and economically disadvantaged small businesses in its contracts.

These initiatives should be two-pronged: (1) leveling the playing field for local small disadvantaged businesses in City-Parish contracts and subcontracts, and (2) participating with other public, private and nonprofit partners in the region to enhance the ability of local disadvantaged businesses to access to capital and bonding and gain necessary experience. Some of the ways to level the playing field will require City-Parish legislative action, from a subcontract goals program to the ability to reserve certain small contracts to bidding only from disadvantaged businesses.

11. New efforts will require a system designed to reach out to disadvantaged firms and help them with public procurement and programs.

This effort will require a system to reach out to disadvantaged firms, help them with public procurement and to certify them to make sure the benefits of the programs go to firms that are socially and economically disadvantaged.

Business owners from various backgrounds can be socially disadvantaged. Certification as a local disadvantaged business would be open to business owners regardless of their race, ethnicity or gender if they demonstrate social and economic disadvantage. And, veterans, especially service-disabled veterans, should be encouraged to apply for program certification.

12. The City-Parish will need to create a disadvantaged business program, including certification rules and the tools to encourage participation.

Baton Rouge is not alone in attempting to build its small businesses, including minority- and women-owned businesses. Atlanta, Houston and New Orleans have created programs to assist disadvantaged businesses in their communities that provide examples of what can be done in Baton Rouge. This can speed implementation of efforts in Baton Rouge.

13. A disadvantaged business program requires financial resources from the City-Parish.

This effort will require financial resources from the City-Parish to participate in a regional certification program for local socially and economically disadvantaged businesses. It will also require investments in staff time and technology for program compliance and perhaps a one-time investment in a regional partnership to provide financing and bonding for disadvantaged businesses.

14. A disadvantaged business program requires long-term commitment from the City-Parish.

This effort will require a long-term, multi-year commitment from the City-Parish to address barriers to disadvantaged business participation. The City-Parish will need to develop short-, medium- and long-term objectives to be met that can show progress in remedying disadvantages and building capacity and opportunities for the local small business community.

Over time, this effort can increase participation of socially and economically disadvantaged businesses in City-Parish contracts to what would be expected based on the potential of those companies. The City-Parish and its partners can enhance the health of the local small business community.

Public Comment Process for the Draft Disparity Study Report

Keen Independent and the City-Parish published a draft report for public comment in November 2019 before finalizing the report.

The public was also able to give feedback and provide written comments:

- In person at the Town Halls;
- Online at www.keenindependent.com/baton-rouge-disparity-study;
- Via email at batonrougedisparitystudy@keenindependent.com; and
- Through regular mail to Keen Independent Research LLC; 701 N. 1st St., 2nd Floor, Phoenix, AZ 85004.

Keen Independent reviewed information from the Town Halls and written comments before incorporating them into the final Disparity Study report.